

**ELL ENVIRONMENTAL HOLDINGS LTD:  
THERE ARE FAR-BETTER,  
INVESTMENT PROSPECTS THAN THIS ONE**

Having obtained sweetheart contracts from Nantong City, Rugao City, Haian County, and the Rugao Economic and Technological Development Zone (ETDZ), including the Nantong City People's Government of the People's Republic of China (PRC), Senior Management of ELL Environmental Holdings Ltd () (Code: 1395, Main Board, The Stock Exchange of Hongkong Ltd) might have thought that their ship had come home.

Don't believe it: Coastal steamship ELL is still in the midst of a very heavy weather situation.

ELL is one of the recent four companies that pitched Initial Public Offerings (IPOs) on the premier equity market on the Hongkong Special Administrative Region (HKSAR) of the PRC.

This Company, a wastewater treatment services provider, launched its IPO with a Share Offering on September 12, 2014, Offering a total of 200 million, \$HK0.0001 Shares at the Indicative Offer Price Per Share, ranging from a low of 40 cents to a high of 60 cents.

Of the 200 million Shares on Offer, the Public Offer Tranche is 20 million Shares, the remaining 180 million Shares shall be Placed, presumably with International Investors, according to the Share Offer Prospectus.

On the assumption that the Offer Price Per Share is struck at the midpoint of the Indicative Offer Price, being 50 cents, Management has estimated that it will net about \$HK67.90 million.

That modest amount of money is expected to be utilised as follows:

1. Approximately 9.70 percent – about \$HK6.60 million – of the net proceeds '*to be used for the capital expenditure for the upgrade works of the Haian Hengfa Facility in order to meet the higher discharge and operation standards promulgated in 2013. Such enhancement and improvement works commenced in March 2014 and are expected to be completed by September 2014*';
2. Approximately 71.10 percent – about \$HK48.30 million – of the net proceeds '*to be used for the capital expenditure for the upgrade works of the Rugao Hengfa Facility in order to meet the higher discharge and operation standards promulgated in 2013. Such enhancement and improvement works are expected to commence in September 2014 and be completed by December 2014*';
3. Approximately 15.90 percent – about \$HK10.80 million – of the net proceeds '*to be used for making potential investment into new wastewater treatment or other environmental protection projects in and outside China. We will take into account key factors such as profitability, growth potential, technical requirements and our experience and expertise of project execution when selecting potential projects in order to ensure they are in the best interest of our Shareholders. As at the Latest Practicable Date (September 4, 2014), we had not identified any targets for such investment or acquisition. Our Directors intend to utilise this portion of the proceeds within three years from the date of Listing*'; and,
4. Approximately 3.30 percent – about \$HK2.20 million – of the net proceeds '*to be used for capital and general corporate purposes, including administration expenses. Our Directors intend to utilise this portion of the proceeds within three years from the date of Listing.*'

## **The Business**

Page 98 of the Share Offer Prospectus gives investors an indication of the business of ELL:

*‘We are a wastewater treatment services provider with three wastewater treatment facilities in Jiangsu Province, China. We offer a one-stop approach to the provision of wastewater treatment services using the “Build — Operate — Transfer” (or BOT) model. We cover the whole spectrum of activities from the design of wastewater treatment facilities, through the procurement of suitable equipment and materials, to the supervision of their construction as well as the on-going operation and maintenance of the facilities throughout long-term concession periods. Our projects capability can be adapted to suit the specific nature and requirements of our customers, who are a local government authority and a local government administrative committee in Nantong City, Jiangsu Province, China, the region in which we operate.*

*‘As at the Latest Practicable Date, we had three wastewater treatment facilities in operation, all of which are at a relatively early stage in their respective concession periods. The number of years for the concession periods of the various phases of our facilities, as extended by the respective supplemental BOT agreements, range from 22.5 to 34 years.*

*‘We originally started our business as a provider of municipal wastewater treatment services. Our first wastewater treatment facility, the Haian Hengfa Facility, commenced operations in 2005 and provides municipal wastewater treatment services to the residents of Haian County, Nantong City, Jiangsu Province. Under the BOT agreement for the Haian Hengfa Facility, our customer is the Haian County Construction Bureau, a local government authority under the People’s Government of Haian County, despite the fact that the Haian County residents are the end-users of our wastewater treatment services. By 2009, we expanded the facility and doubled our constructed wastewater treatment capacity of the Haian Hengfa Facility to 40,000 tons per day.*

*‘The Haian Hengfa Facility has served as a model for our two wastewater treatment facilities, the Rugao Hengfa Facility and the Rugao Honghao Facility. Both facilities are located in the Rugao ETDZ, an economic and technological development zone that adopted policies to specifically attract investment from high-tech industries and was elevated to the state-level in January 2013. Similar to the Haian Hengfa Facility, our customer for these two wastewater treatment facilities under the their relevant BOT agreements is the Rugao ETDZ Administrative Committee, a local government administrative committee under the People’s Government of Rugao City, Jiangsu Province. The Rugao Hengfa Facility commenced operations in February 2007 and we were able to treat a mixture of municipal and industrial wastewater discharged by both the residents living nearby as well as the factories operating in the Rugao ETDZ. Likewise with the Haian Hengfa Facility, we expanded the Rugao Hengfa Facility to double its constructed wastewater treatment capacity to 40,000 tons per day in May 2010. The Rugao Honghao Facility, our third and most recent wastewater treatment facility, was acquired by our Group in February 2013. The Rugao Honghao Facility commenced commercial operations in January 2012 and was designed specifically to treat heavy metal wastewater discharged by factories operating in the Rugao ETDZ. The acquisition of this project marked a milestone in our expansion from the relatively straightforward treatment of municipal wastewater, through industrial wastewater, to the treatment of more heavily contaminated industrial wastewater containing water-soluble heavy metals.’*

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