



Aug 12, 2014

China | Environmental Industries
Sound Global Ltd.
(967 HK)

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Sound Global Ltd. (967 HK) one-year share price in HKD (blue) and volume (gold, in mln shares)



Source: Bloomberg, August 12, 2014

Sound Global Ltd. (967 HK)

Price	HKD 7.78
Rating	SELL
Price target	HKD 3.48
Difference	%55
Market Cap	HKD 11.41 bln
Simple Moving Avg.	1.03 mln
P/E	18.8x

Source: Bloomberg, August 12, 2014

Unsound

+ Weak marginal player

Sound Global competes for wastewater treatment projects in rural areas where governments have weak ability to pay, making it financially weak. We believe that Sound Global has gross margins about one-third lower than those of its competitors and has to finance customers from long receivables—498 days at year end 2013, or about 4x the average of competitors.

+ High borrowing costs

Meanwhile, Sound Global has to find loans from high-interest channels. With total debt-to-equity of 122.1% at the end of 2013, Sound Global's average borrowing cost increased to nearly 9%. We suspect that the reported cash balance of RMB 3.5 bln may not actually be there: with average interest income at around 0.3%, the company is unwilling to use that cash and instead chooses to borrow at 9%.

+ Dirty business

Bribery and corruption are rampant in China's WWT industry, and our checks indicate that Sound Global is no exception. We suspect that the company has used its equity as a piggy bank to provide emoluments, and it may, for this reason, need to maintain a high share price. Sound Global also engages in a lot of related-party transactions about which there is weak disclosure. The company started as a contractor of BSE Group and Sound Resources, providing EPC services to both sister companies and remains actively involved in transactions with related parties. Without transparent disclosure of EPC projects, we think the company could use its multi-level contracting system to hide self-dealing.

+ Initiation with a PT of HKD 3.48; SELL

Given our negative view of Sound Global's business based on our checks and interviews, we initiate with a price target of HKD 3.48, derived from a DCF method with a WACC of 8.8%, and give Sound Global a SELL recommendation.

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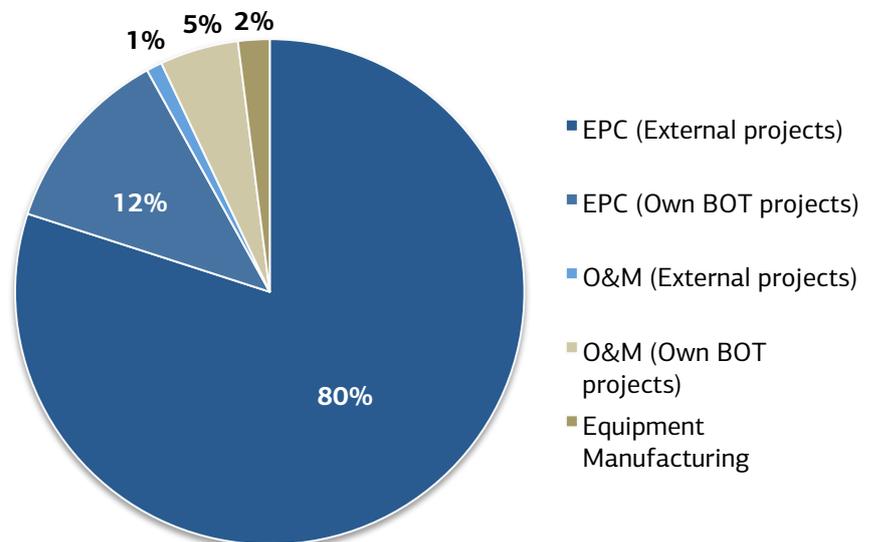
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Company background

Established in 1993, Sound Global is one of the leading one-stop integrated water and wastewater treatment solutions providers in China. The company was first listed in Singapore in 2006, dual-listed in HK in 2010 and then delisted in Singapore in January 2014.

Sound Global started its business offering Engineering, Procurement and Construction (EPC) project services, including EPC of their own BOT (Build-Operate-Transfer) projects, which accounted for 92% of the company's total revenue in 2013. In 2008, Sound Global started construction of its first BOT project and derived 5% of its total revenue from BOT Operation & Maintenance in 2013. Additionally, the company also expanded into operation and maintenance (O&M) project service with eight local governments in Hainan Province in 2006 for municipal water plants, and diversified into WWT equipment manufacturing after it acquired Hi-Standard in 2008.

Chart 1. Revenue by Segment



Source: Company data, J Capital Research

The world of local-government environmental projects is a murky one, seldom driven by appropriate incentives and transparent bids.

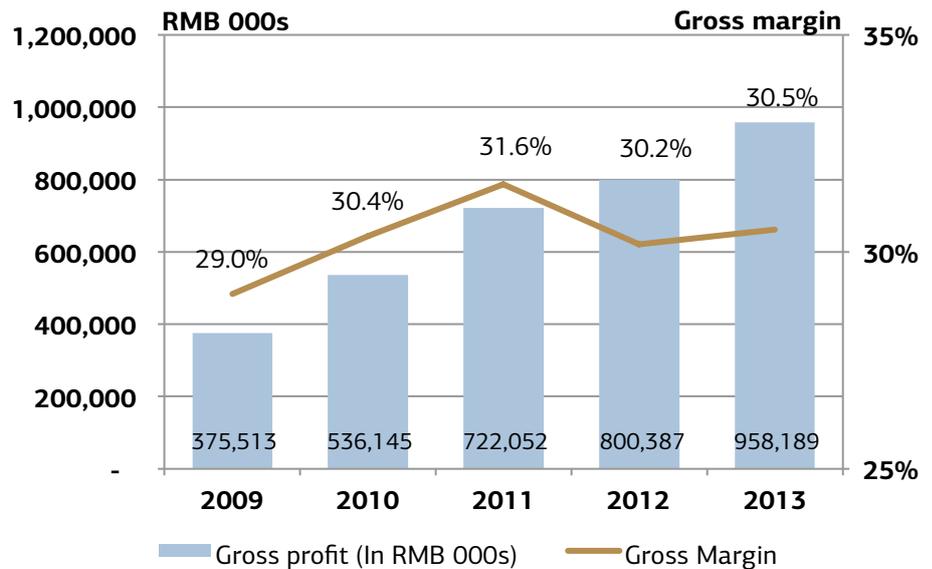
The company should benefit from the government-led capital investment in wastewater treatment, which may bring newer construction orders. Its early entrance into the rural market, should also provide the potential for strong growth. However, the non-transparent disclosure of EPC projects, mounting receivables from local governments and involvement in related-party transactions give us a negative view on Sound Global. Furthermore, our checks and interviews also indicate overstated gross margins.

Overstated gross margin

SGL reported steady gross margins at around 30% for the past years. But, given the company's position as a contractor or subcontractor for EPC projects, we believe the margins to be lower.

We believe SGL gross margins to be lower than its reported 30%, and roughly ~21%.

Chart 2. Reported gross margin



Source: Company data, J Capital Research

Table 1. Gross margin comparison

Gross Margin	2012	2013	YoY
Everbright International	49.4%	44.7%	-4.72%
BEWG	38.6%	39.1%	0.50%
Beijing Capital-Water Business	38.6%	35.0%	-3.69%
CQ Water	49.9%	50.3%	0.39%
Sound Global	30.2%	30.5%	0.34%

Source: Company data, J Capital Research

Higher margins are available only when governments build the facilities, which generally occurs in industrial “new areas” outside major cities. Sound Global does not win many of these projects.

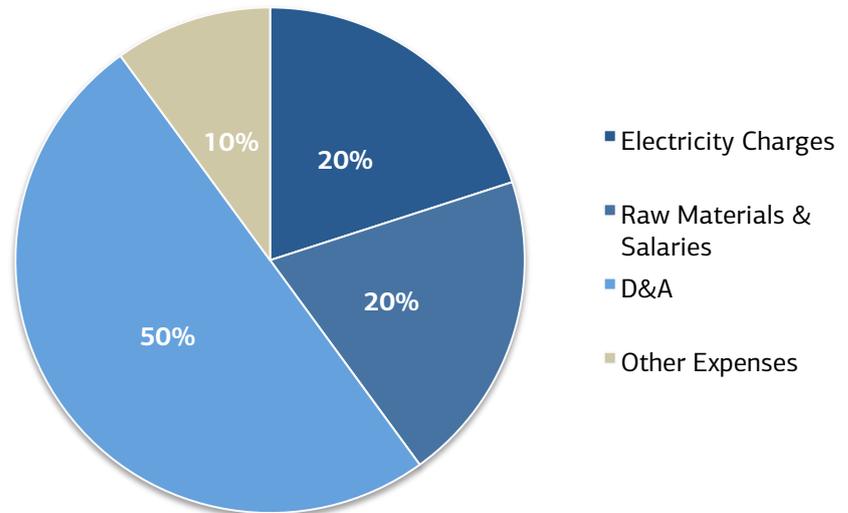
We believe Sound Global's gross margin is roughly ~21%, based on weighted average gross margins of EPC and BOT projects.

Our interviews and research show that EPC project gross margins are relatively higher than BOT projects, and range from 10% to 30% depending on the type of client. Normally, EPC projects for wastewater treatment at industrial parks have a gross margin of 25-30%, while projects built by local governments for household wastewater treatment are less profitable, with a gross margin of 10-15%.

BOT projects tend not to be very profitable, with gross margins at

10% or even worse. At the BOT projects we visited, Sound Global charges treatment fees of RMB 0.4-4.9 per ton. The average municipal treatment tariff, based on our checks, is around RMB 1.0/ton, however, the average cost per ton, including depreciation of the initial capital investment, is as much as RMB 0.9 per ton. In other words, gross margins are very slim.

Chart 3. Cost of sales of BOT projects



Source: J Capital Research estimate

Our channel checks show that many companies maintain margins by cutting corners; for example, not treating the wastewater before discharging into local rivers. We learned that some WWT plants use their treatment facilities only on the day of inspection. One reason for this is that companies want to save costs, such as electricity and raw materials, which can be ~40% of total cost of sales. Sound Global has a reputation for engaging in these market practices, relying on relationships with local governments to cover up these inconvenient problems.

Electricity costs tend to crush margins for BOT projects.

The rural project dilemma

The majority of SGL's BOT projects are located in counties or rural areas for a number of reasons. First, the municipal WWT market is saturated; rural WWT penetration is less than 30%, while it's 80% in urban areas. Because the 12th Five-Year Plan has a target of RMB 427 bln in WWT spending, 29% increase over the 11th FYP target, the growth potential for the rural WWT market is high.

Table 2. Highlights of the 12th FYP targets for wastewater treatment

	11th FYP		12th FYP
	Target	Actual	Target
Investments in building new sewage pipelines (Rmb bln)	208.5		244.3
Length of new pipelines (10,000 km)	16	7	15.9
Investments in new WWT capacity (Rmb bln)	69		104
WWT ratio for cities	>70%	77.50%	85%
WWT ratio for counties	>30%	60.10%	70%
WWT ratio for towns		<20%	30%
New WWT capacity added (mln m ³ /day)	45	64.78	45.69
Investments in upgrading WWT capacity (Rmb bln)	12		13.7
WWT capacity upgraded (mln m ³ /day)	20		26.11
Investments in new sludge treatment facilities (Rmb bln)	32.3		34.7
Investments in reclaimed water facilities (Rmb bln)	10.2		30.4
Reclaimed water capacity added (mln m ³ /day)	6.8	12.1	38.85
Total Investment in constructing WW related facilities (Rmb bln)	332	376.6	427.1

Source: State Council

More importantly, it is easier for Sound Global to win rural projects. Local governments are short of cash, and companies like Sound Global are welcomed, as it uses its own balance sheet or borrowings to finance projects.

However, in general, county or rural BOT projects are not very profitable in China. On the one hand, most rural WWT plants are not in normal operation, and their actual utilization rate remains very low. One key reason is the lack of sewage pipelines to collect wastewater. Total length of new pipelines built during the 11th FYP period was 70,000 km, compared to the 160,000 km target set by the government. Most wastewater is therefore discharged directly into rivers or used for farmland. We were also told that many rural villages still do not have running water and need to use well water, so it is very hard to quantify the actual volume of water that is being used, which makes it difficult to collect WWT fees from people.

On the other hand, our checks show that governments at different

The government is way behind target on building unsexy but important sewage pipelines, making it hard to collect wastewater for treatment.

Many villages still rely on well water. Their governments sign an agreement for water treatment because it's in the plan, but they don't follow through.

levels all have payment problems. Most of them cannot make the full payment on time, and there is no guarantee of collecting WWT fees from rural governments in particular, as they are often struggling with their financial situation or using the money they have for other expenses. In some occasions, local governments do not pay the WWT fees to which they agreed with WWT companies. All of these drive down the actual gross margin of BOT projects to only about 10%.

Land problems

To build WWT plant in rural areas requires land from farmers. We visited a few rural projects announced by Sound Global in recent years and found four of them where the company is unable to acquire land due to disputes over compensation to farmers.

Table 3. Suspended projects

Project name	Announcement date	City	Capacity (tons/day)	Investment (RMB mln)
Sanming Jikou New Emerging Industries Park Phase I	14-2-14	Sanming, Fujian	15,000	50.64
Three Projects in Fuqing	13-8-1	Fuqing, Fujian	80,000	350.00
Fuqing Dapu				>200
Yuxizhen				50
Changchun No. 6 Water Treatment Plant Phase I	12-12-14	Changchun, Jilin	250,000	2035

Source: J Capital Research

The Changchun No. 6 Water Treatment Plant was announced about 20 months ago, but the land where the plant is supposed to be located has yet to be determined, according to local farmers. An employee of Changchun Water Development Group told us the projects had been suspended since last year due to financial problems of the local government, and there is no clear plan for restarting.



The site of WWT plant at Dapu Village | Photo by J Capital

In Fuqing, Sound Global has three projects. But, apart from the project in Gaoshanzhen, where there is an excavator on the land, the other two projects have not started construction yet. The major project, in Dapu, is hung up over land compensation issues.

Finance issues

We believe that generous credit policy granted to the clients supported SGL's growth, and allowed it to maintain double-digit sales growth rate even when the total investments in environmental protection of sewage treatment dropped by 17.1% and 3.9% YoY in 2011 and 2012, respectively.

Sound Global's business model represents a mismatch between targets and existing infrastructure. The resulting financial problems show up on the company's balance sheet.

Table 4. Revenue and receivables vs. investments in environmental protection

YoY	2010	2011	2012	2013
Growth of revenue	36.5%	29.6%	15.9%	18.4%
Growth of receivables	70.2%	45.3%	39.1%	33.9%
Growth of investments in environmental protection: sewage treatment	13.2%	-17.1%	-3.9%	NA

Source: Wind, Company data, J Capital Research

Receivables increased significantly in 2013, up by 34% YoY in total, and DSO rose to 498 days at end of 2013, up from the 433 of 2012. These are mainly from amounts due from customers for contract work and receivables rising from BOT projects, which jumped by 87.6% and 36.1% YoY respectively.

Table 5. Mounting receivables

RMB 000s	2009	2010	2011	2012	2013
Amounts due from customers for contract work	227,089	337,651	427,640	584,436	1,096,568
% of total revenue	17.6%	19.1%	18.7%	22.0%	34.9%
Accounts receivable and other receivables	421,783	808,750	1,120,279	1,433,015	1,569,025
% of total revenue	32.6%	45.8%	49.0%	54.0%	50.0%
Receivables	415,747	665,118	1,083,659	1,643,483	2,237,138
% of total revenue	32.1%	37.7%	47.4%	62.0%	71.3%
Total receivables	1,064,620	1,811,520	2,631,579	3,660,935	4,902,732
DSO	300	297	354	433	498

Source: Company data, J Capital Research

If the industry majors are having trouble with bad debts, it's unlikely that Sound Global is in a better situation.

Allowance for doubtful debts as percentage of trade receivables has decreased to 3.8% in 2013 from 6.8% in 2010. While it looks like the quality of debtors has gradually improved, we think SGL is too optimistic about the ratio. Competitors such as BEWG, Beijing Capital and Chongqing Water have much lower AR DSO compared with SGL, and Beijing Capital and Chongqing Water have higher bad-debt ratios. If these companies are having trouble collecting, we think it can't be any better for SGL.

Table 6. Allowance for doubtful debts

RMB 000s	2010	2011	2012	2013
Trade receivables	701,477	961,838	1,254,867	1,298,751
Allowance for doubtful debts	47,995	48,038	51,041	49,184
Allowance as % of trade receivables	6.8%	5.0%	4.1%	3.8%

Source: Company data, J Capital Research

Table 7. Comparison of AR DSO & allowance for doubtful debts as % of AR

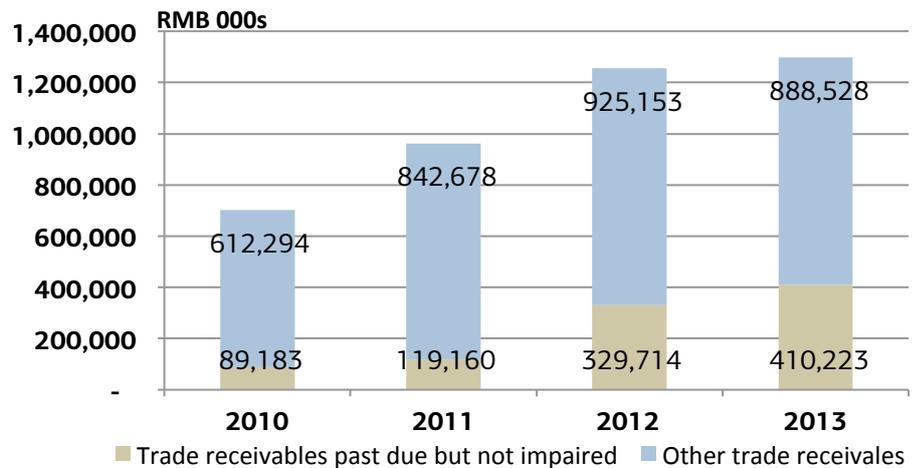
Companies	2013 AR DSO	Allowance for doubtful debts as % of AR
BEWG	118	1.6%
Beijing Capital	124	4.6%
CQ Water	68	11.2%
Sound Global	236	3.8%

Source: Company data, J Capital Research

One-third of trade receivables are “past due but not impaired,” and 84% of those receivables have been past due for more than a year.

Trade receivables past due but not impaired rose to RMB 410 mln at the end of 2013, accounting for 31.6% of total trade receivables, which is close to the 2009 level, when SGL’s allowance for bad debts was 11.6% of its total trade receivables. Of the total amount past due, 84% has been overdue for 1-2 years.

Chart 4. Trade receivables past due but not impaired



Source: Company data, J Capital Research

Sound Global just isn’t getting paid, and local governments are notorious scofflaws when it comes to payables.

The majority of overdue trade receivables are likely due from local governments. Our checks indicate that local government clients have strong bargaining power to defer and are notorious for delaying payments to private construction companies. In 2012, total WWT receivables in China were about RMB 28.5 bln according to Guosheng Securities, and only 65% were collected. Although the increase in water tariffs may solve some funding problems for running sewage facilities, whether local governments are willing to pay the money to WWT companies remains the key issue. Our checks found that, in some cases, local governments still do not fulfill payment commitments even when they have collected water fees. Some changed the tariff signed with companies, and some removed a certain part of electricity costs in compensation for WWT companies’ tariff revenues.

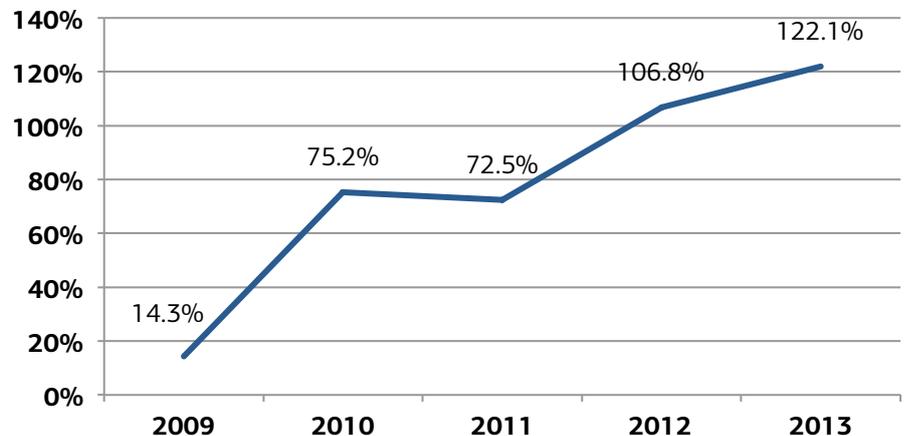
Based on a report published by the National Audit Bureau at end of 2013, total outstanding debt of local governments grew to RMB 17,891 bln in 2013 H1, up by 67% from RMB 10,717 bln in 2010. Although we have not found any defaults of local governments, credit quality should have already changed and receivables, though they might be recoverable in the long term as SGL claims, will keep rising.

As a private player, Sound Global has to bear higher borrowing costs than its peers.

High borrowing costs

Wastewater treatment is a capital-intensive industry. Sound Global, an aggressive operator of rural BOT projects, needs more cash to support its business as most rural governments do not have enough cash to build WWT plants by themselves. So, in order to enter into the rural market, SGL has incurred borrowings through bank loans and offshore bonds to raise capital. Though Sound Global kept net cash position before 2013 and only started to report net gearing ratio of 5.8% at end of 2013, its total debt-to-equity ratio hiked to 122.1% during the same period.

Chart 5. Total debt to equity



Source: Company data, J Capital Research

Borrowing costs also have risen, as Sound Global has borrowed more. Sound Global's borrowing cost is more than double those of its competitors.

Table 8. Average borrowing costs

Avg Borrowing Cost	2013
Sound Global	8.7%
Beijing Enterprises Water	3.2%
China Everbright International	3.6%
Beijing Capital	3.2%
Hyflux	1.9%
Chongqing Water Group	2.5%
Veolia	0.5%
Median	3.2%

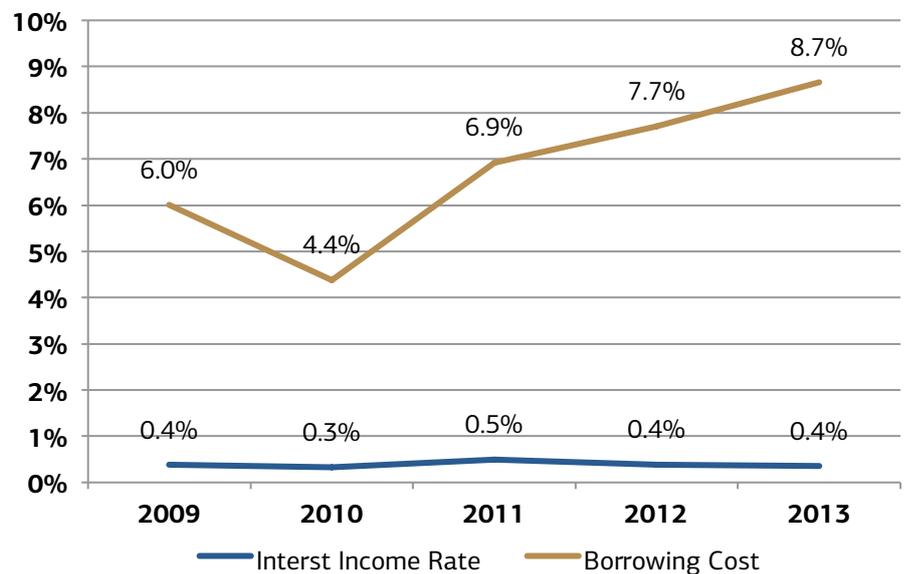
Source: Company data, J Capital Research

Real cash?

Consequences: is some of that cash missing?

While Sound Global has such a high interest rate, its rate of interest income stayed very low, at only 0.4% during the same period, which seems abnormal and leads us to question whether the company really has that amount of cash on its balance sheet. We know a company might poorly manage its cash, but how would a company rather keep its borrowing cost more than double that of its competitors and let its cash on the book?

Chart 6. Interest Income vs Borrowing Cost



Source: Company data, J Capital Research

The costs of doing business

Bribery and corruption have long pervaded environmental protection engineering projects, whether in project bidding, purchase of materials and equipment, project management, or inspection of completed projects. We believe Sound Global also faces these issues when competing for projects in China; bribery activity may take the form of equity transactions, the establishment of a subcontracting or consulting firm, or the purchasing of raw materials.

Some of the pre-IPO equity transactions were a little too conveniently connected with contract bids.

A series of small equity transactions with so-called independent third parties was undertaken before the company listed. Those transactions did not really bring any material change to the company but occurred at the same time that the company won contracting work. We know that SGL started as a contractor for BSE Group and Sound Resources, and we suspect that the cost of some of these projects may have been equity grants. In 2001, for

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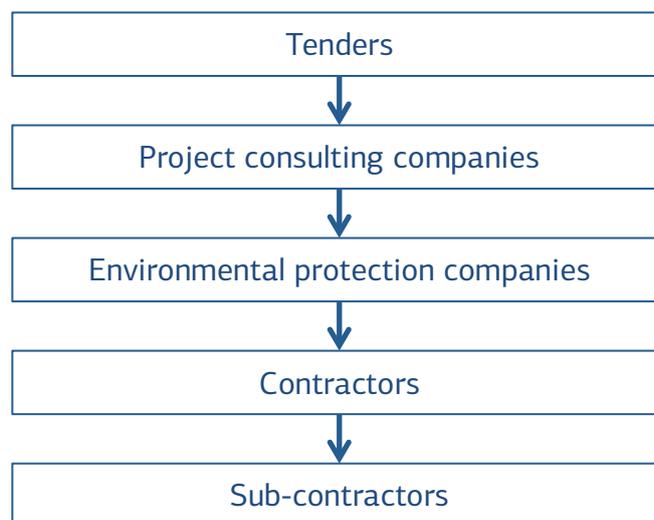
example, at least seven independent third parties were involved in equity transactions with SGL. One independent third party cashed out in 2001 and six other third parties sold their shares in 2005 in cash for RMB 8.6 mln, RMB 1.7 mln, RMB 13 mln, RMB 3.3 mln, RMB 4.7 mln, and RMB 18.3 mln, respectively.

In 2001, SGL provided EPC contracting services to Beijing Xiaojiahe WWT plant and to the Hubei Jingmen Xiajiawan project. Then in 2006, another third party, which we believe joined the company in 2004 or 2005, sold its shares for RMB 16 mln to Beijing Sanghua, which is a shareholder of SGL. In 2005, SGL provided EPC contracting services for Baotou Nanjiao, Handan Steel Group, and the Xingtai Steel Co. Ltd Industrial WWT Project.

After IPO, there were no more direct equity transfers, but our checks with ex-employees of Sound Global indicate that the company is still actively engaged in those activities. In addition to a private club inside Sound Global's headquarters, the company has many individual representatives, who work closely with the company to win projects in different locations. The multi-level system of China's contracting provides cover for insiders who benefit from contracts: people involved can create contracting companies or consulting companies to get the money.

So, if the anti-corruption persists and hits more deeply the construction industry, we believe Sound Global will face challenges to win the bid. And we think this is why the company is offering BOT project services to the unprofitable rural areas.

Chart 7. Project tendering structure



Source: J Capital Research

Sound Global's cozy relationship with unlisted sister companies, for which it provides contracted services, reduces financial transparency.

Related party transactions

Sound Global started its business as contractor or sub contractor to Beijing Sound Environment Group (BSE) and Sound Resources (000826.SZ), which are both important related parties controlled by Wen Yibo, the founder of Sound Global. From its annual reports, Sound Global has direct related party transactions and was also appointed as subcontractor for a few construction companies for the projects of its related parties.

The company is still actively involved in related-party transactions with BSE and Sound Resources. All three entities are located in the same industrial park and share the same management team. We think this will facilitate management to cash out from the listed entity or help build better financials for Sound Global. According to their filings, reported revenues through related party transactions was RMB 55mln in 2013, representing 1.8% of Sound Global's total revenue, lower than 7.9% in 2010. However, as the company can be appointed as subcontractor of independent third party contractors for BSE and Sound Resources, the actual number could be higher than it reported. Unfortunately, complete information on EPC projects is not publicly available.

We believe that Sound Global has failed to disclose transactions with related parties in a number of cases.

Table 9. Related party transactions

000s RMB	2010	2011	2012	2013
Revenue from construction contracts	100,304	46,938	17,241	27,452
Revenue from sales of goods	107	2,116	361	14,890
Revenue from design service	2,124	1,965	0	12,821
Total	102,535	51,019	17,602	55,163
Receivables			2012	2013
Trade receivables	46,035	20,926	11,183	20,932
Amounts due from customers for contract work	12,582	14,523	2,174	2,218
Other receivables	50	17	85	0
Total	58,667	35,466	13,442	23,150

Source: Company data, J Capital Research

Besides, we also noticed that in 2013 Sound Global's transactions with major customers and suppliers grew significantly. Considering the company is involved in multi-level contracting system and the undisclosed EPC projects information, we are suspecting some may be linked to its related parties.

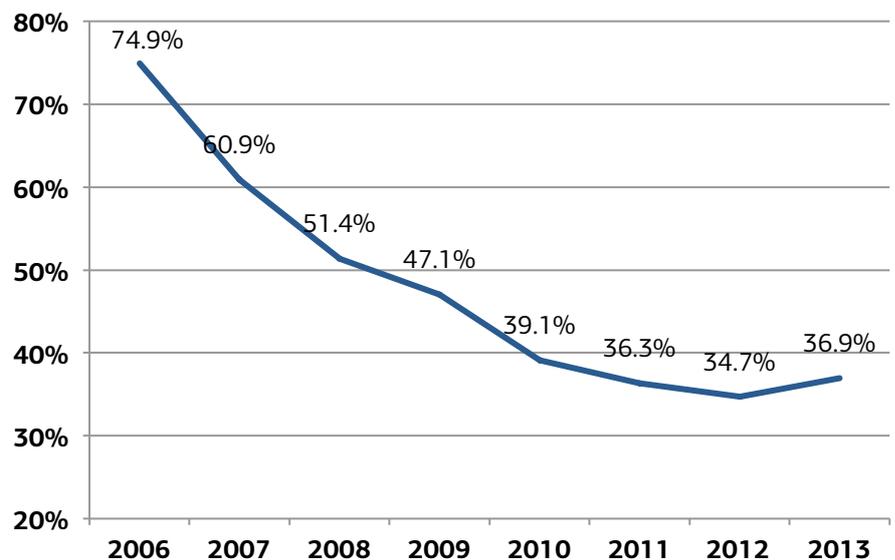
Table 10. Major customers & suppliers

RMB mln	2010	2011	2012	2013
Sales to the largest customer	117.0	330	284.5	550.0
% of the total sales of the Group	6.60%	14.40%	10.70%	17.50%
Total sales to the five largest customers	657.8	580.5	602.4	924.0
% of the total sales of the Group	37.30%	25.40%	22.70%	29.40%
Purchase from the largest supplier	116.8	107.0	136.7	350.9
% of the total purchase of the Group	9.90%	7.20%	7.80%	18.10%
Total purchase from the five largest suppliers	355	447.3	562.5	938.3
% of the total purchase of the Group	30.20%	30.10%	32.10%	48.50%

Source: Company data

In addition, we found that the gross margins of Sound Resources started to drop after SGL went listed in Singapore in 2006, and went up slightly in 2013 when an article about undisclosed related party transactions was published. This makes us to question whether the declining trend of gross margin of Sound Resources is related to the profit transferring to Sound Global.

Chart 8. Gross margin of Sound Resources



Source: Company data, J Capital Research

Purchases from related parties

Hi-Standard

Sound Global purchased equity in Hi-Standard at a valuation that somehow tripled in two months, after Hi-Standard had awarded a contracted to Sound.

A notable case of a related-party transaction is the acquisition of Hi-Standard by Sound Global for a consideration of RMB 208 mln in July 2008. Sound Global did not disclose the company as a related party; the vendor, Shanghai Jingke Investment Management Company, was reported as an independent third party even though Jingke owned over 30% of Hi-Standard, the balance of whose equity belonged to SGL related parties.

Hi-Standard was incorporated in 2007 with registered capital of RMB 66 mln. The company specializes in water and wastewater treatment equipment manufacturing, and is located inside the same industrial park as other Sound Group members.

At the time of its establishment, Hi-standard was 30.3% owned by Shanghai Jingke, and 69.7% owned by SGL's related parties: Beijing Sound Water Technology and Beijing Hi-standard Equipment Company. In April 2008, Shanghai Jingke purchased the 22.7% equity interest owned by Beijing Sound Water Technology, and in May 2008 it acquired a 47% share from Beijing Hi-standard Equipment Company for RMB 34 mln. This begs the question: how could the valuation of a company have nearly tripled in two months? Shanghai Jingke managed to earn RMB 139 mln by investing in Hi-Standard in one year. We don't believe any substantial change that drove up the valuation could happen in only two months after Shanghai Jingke fully controlled Hi-Standard, and it's purely a way to cash out money via Jingke.

Tongliao Water

The Tongliao acquisition was made at a valuation of 233x net profit. And even that profit was a card trick.

In May 2014, Sound Global acquired 97.8% of the equity share in Tongliao Water from Sound Group at a consideration of RMB 192 mln and 2.2% from an independent third party. The transaction was valued at nearly 233 times Tongliao's net profit in 2013, which we believe is overvalued. And from its balance sheet, the company may just turn profit by delaying payments to its suppliers.

Tongliao Water's distribution expenses and G&A expenses represented 10.2% and 18.4% of its total revenue, much higher than SGL's distribution expenses of 1.2% and G&A expenses of 4.2%.

Table 11. SAIC Report of Tongliao Water

Income Statement (RMB 000s)	2013
Total revenue	45,820
Cost of sales	31,340
Gross profit	14,480
Gross margin	31.6%
Operating costs:	
Distribution expenses	4,680
As % of total revenue	10.2%
G&A expenses	8,430
As % of total revenue	18.4%
Operating profit	1,370
Operating margin	9.5%
Interest expenses	210
Pre-tax profit	1,160
Tax	290
Net profit	870

Balance Sheet (RMB 000s)	2013
Total current assets	83,990
Cash	20,250
Accounts receivable	18,760
Other receivables	23,600
Inventories	11,840
Other current assets	9,540
Total non-current assets	8,430
Total assets	92,420
Total current liabilities	52,160
Accounts payable	30,650
Other payables	15,800
Other current liabilities	5,710
Total non-current liabilities	
Total equities	40,260
All paid-in capital	53,500
Total liabilities and equities	92,420

Source: SAIC, J Capital Research

Coincidentally, the independent third party, Shanghai Jingke Investment, also participated into other investments into subsidiaries of SGL's related parties.

Valuation

We arrive at our estimate based on our channel checks with industrial experts, ex-employees of Sound Global, and site visits. Given our findings of mounting receivables and overstated gross margins, we use DCF valuation because we think it incorporates our view on the intrinsic value of the company. Our target price of HKD 3.48 is derived from a DCF model based on a WACC of 8.8%.

Table 12. Our estimates

RMB 000s	2014e	2015e	2016e
Revenues	3,602,968	4,039,732	4,443,705
Gross Profit	771,035	864,503	950,953
EBIT	682,788	791,657	889,957

Source: Company data, J Capital Research

Table 13. WACC and sensitivity analysis

WACC	
Risk Free Rate	4.3%
Market Risk Premium	11.2%
Equity Beta	0.68
Cost of Equity	11.9%
Cost of Debt (Pre-tax)	8.7%
Cost of Debt (After tax)	6.5%
Target Debt weight	57.5%
Target Equity weight	42.5%
Tax Rate	24.9%
WACC	8.8%
Terminal Growth	2.0%

Sensitivity Analysis		WACC				
		7.8%	8.3%	8.8%	9.3%	9.8%
Terminal Growth Rate	+1.0%	3.70	3.37	3.10	2.86	2.65
	+1.5%	3.95	3.59	3.28	3.01	2.78
	+2.0%	4.26	3.84	3.48	3.18	2.93
	+2.5%	4.61	4.13	3.72	3.38	3.09
	+3.0%	5.05	4.47	4.00	3.61	3.29

Source: Company data, J Capital Research estimates

Risks

- More than expected order inflows following government-led environmental investments
- Stronger than expected water tariff hike
- Higher utilization rate of WWT plants
- Improvement of receivables collection issues.

Appendix

Table 14. Projects won by Sound Global in 2013 and 2014

Announcement date	Project	Location	Nature	Capacity ktpd	Investment (RMB mln)
14-7-3	Sewage treatment plant in the Agricultural Product Processing Center	Dazhou, Sichuan	BOT	10	42.79
14-6-12	Reconstruction and expansion works of the Water Treatment Plant for Longci Water Source	Lifen, Shanxi	BOT	20	323
14-5-15	Water supply in Tianhe County Economic Development Zone	Fuyang, Anhui	BOT	40	89
14-5-15	TOT project in Tianhe County Economic Development Zone	Fuyang, Anhui	ToT	20	na
14-5-15	5 sewage treatment plants and external supporting pipelines of Yaoli Town and other towns in Huoqiu County	Liu'an, Anhui	BOT	20	170
14-5-13	Urban-rural sewage treatment plant in Huangping County (Phase I), 3 urban-rural sewage treatment plants	Huangping, Guizhou	BOT	5.5	56
14-5-13	Expansion of the sewage treatment plant in Dingbian County, Shaanxi Province (Phase II)	Yulin, Shaanxi	BOT	20	50
14-3-17	Water supply in Jilin Changbai Mountain	Changbai Mountain, Jilin	BOT	20	45
14-3-17	WWT in Jilin Changbai Mountain	Changbai Mountain, Jilin	BOT	15	50
14-3-17	WWT in Jilin Lishu County (Phase I)	Lishu, Jilin	BOT	13	55
14-3-17	WWT in Jilin Lishu County (Phase II)	Lishu, Jilin	BOT	13	NA
14-2-24	WWT in Shaanxi Ankang (Phase I)	Ankang, Shaanxi	BOT	15	50
14-2-24	WWT in Shaanxi Ankang (Phase II)	Ankang, Shaanxi	BOT	15	NA
14-2-24	Water supply in Western Industrial Zone of Hebei Qian'an (Phase I)	Qian'an, Hebei	BOT	15	59
14-2-24	Water supply in Western Industrial Zone of Hebei Qian'an (Phase II)	Qian'an, Hebei	BOT	15	NA
14-2-24	WWT in Western Industrial Zone of Hebei Qian'an (Phase I)	Qian'an, Hebei	BOT	10	NA
14-2-24	WWT in Western Industrial Zone of Hebei Qian'an (Phase II)	Qian'an, Hebei	BOT	10	NA
14-2-24	WWT in Fujian Sanming Jikou industrial park (Phase I)	Sanming, Fujian	BOT	15	51
14-2-10	WWT in Fujian Sanming Jikou industrial park (Phase II)	Sanming, Fujian	BOT	30	NA
14-2-10	WWT in Guizhou Xishui County (12 villages and towns) - water plant	Xishui, Guizhou	BOT	NA	260
14-2-10	WWT in Guizhou Xishui County (12 villages and towns) - drainage network	Xishui, Guizhou	BT	NA	NA
14-1-27	WWT in Jiangsu Siyang wood park (Phase I)	Siyang, Jiangsu	BOT	15	60

14-1-27	WWT in Jiangsu Siyang wood park (Phase II)	Siyang, Jiangsu	BOT	15	NA
14-1-22	WWT in Xinjiang Urumqi Saybagh (Phase I)	Urumqi Saybag, Xinjiang	BOT	50	153
14-1-22	WWT in Xinjiang Urumqi Saybagh (Phase II)	Urumqi Saybag, Xinjiang	BOT	25	NA
14-1-14	No. 3 WWT in Xinjiang Yining (Phase I)	Yining, Xinjiang	BOT	25	230
14-1-14	No. 3 WWT in Xinjiang Yining (Phase II)	Yining, Xinjiang	BOT	25	NA
14-1-14	WWT in Xinjiang Tacheng (Phase I)	Tacheng, Xinjiang	BOT	40	80
14-1-14	WWT in Xinjiang Tacheng (Phase I) - ancillary drainage network	Tacheng, Xinjiang	BT	NA	60
14-1-9	WWT in Anhui Fuyang	Fuyang, Anhui	BOT	100	240

Source: Company filings

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