China Super Power Saving Holdings Limited (MLCSP FP)

Executive Summary

Company Name	China Super Power Saving Holdings Limited
Stock exchange	Euronext Paris www.euronext.com
Symbol	MLCSP FP
Number of shares	6,000,000
Price (15.12.2010)	Eur 15.99
Market Capitalization	Eur 95,940,000

Description

CSPS is active in the fast growing market of energy efficiency solutions and has established a strong foothold in its home market, China. The Company is listed at the Marché Libre in France, an unregulated trading facility operated by Euronext Paris SA. With a shareholding of approximately 65% owned by the Company's founder Ian Cheng Yi Feng (程一峰) (the "Founder", "Ian Cheng") through his investment vehicle, Lemonte Investments Limited, the Company ultimately remains under his control. The Founder has developed the Company to become a respected provider of energy saving solutions in China.

CSPS is looking to strengthen its position as one of the leading energy saving solution providers in China and introduce its services elsewhere in Asia and abroad. The Company has developed a unique business model, offering its clients a complete range of energy saving solutions and services.

As such it focuses its resources on
- i) R&D,
- ii) solution based offering, and
- iii) a strong distribution network.

The Company is offering a one-stop shop service for companies looking for energy savings. It offers its customers with a complete service including

- i) analysis of the current situation and energy saving potential,
- ii) engineering of the most suitable energy saving solution
- iii) assembly of the energy saving products,
- iv) installation of the equipment at the client's facilities, as well as
- v) after-sales services.

While offering a complete service package to its customers, CSPS runs an asset light business model, allowing it to adapt to changing business needs of its customers.

The Company is incorporated in Hong Kong and its operations are based in Mainland China with its office located in Shenzhen.
The Company outsources the production of most product components to third parties, and assembles them in its own assembly facilities in Shenzhen and Wujiang.
It employs approx. 100 permanent staff in key functions of the Company and over 200 temporary staff mainly active in its production department.
The Company has focused its business on the Chinese market for energy saving solutions. It is seeing strong growth due to fast economic development, strong urbanization and increasing environmental concerns, all of which have led to a strong increase in energy consumption and new regulation relating to environmental pollution and energy usage.

CSPS provides its solution based service to a broad client base, reaching from corporates from a wide variety of industries, to government related companies, as well as municipalities, all over Mainland China and Hong Kong. It is also exploring the overseas market potential, with first orders expected to come from the Middle East.

The Company markets its products almost exclusively through agents. It has one of the largest distribution networks of its kind in this sector in China, with over 140 agents in 28 provinces.

The Company has developed a wide range of energy saving products including energy saving devices (used in combination with fluorescent lights, street lights, sewing machines, pumps, fans, etc.) and a low consumption lamps series.

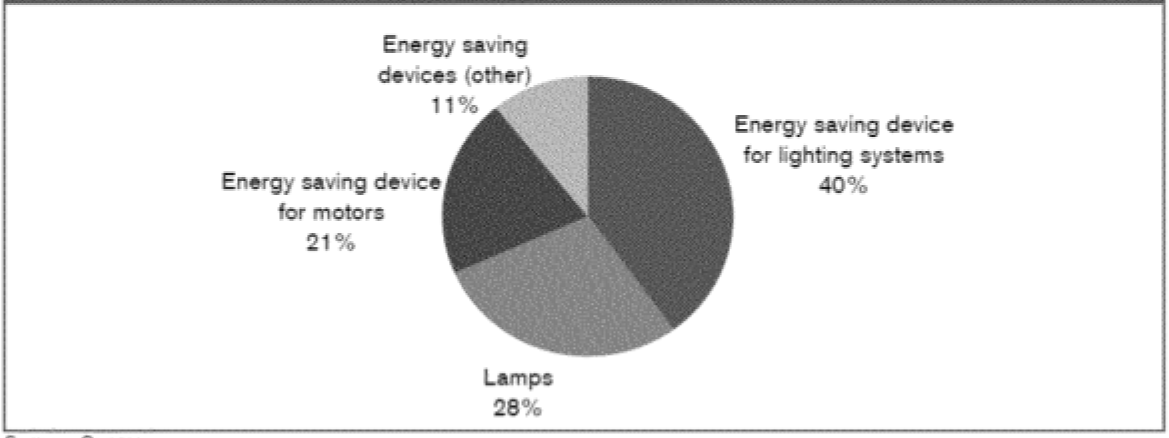
The Company analyses the customers current energy saving potential and then engineers an optimal solution, taking into consideration the customer's energy saving potential, current installation, investment budget, as well its quality considerations.

CSPS' core offering currently includes solutions around its three product categories, namely:

i) new generation lighting products,
ii) energy saving devices for motor and lighting systems, and
iii) new energy saving sets.

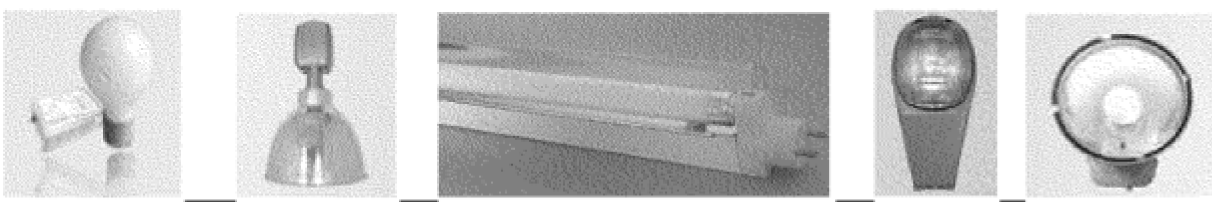
The first two categories are currently its key revenue drivers.

2009E revenue split by product group



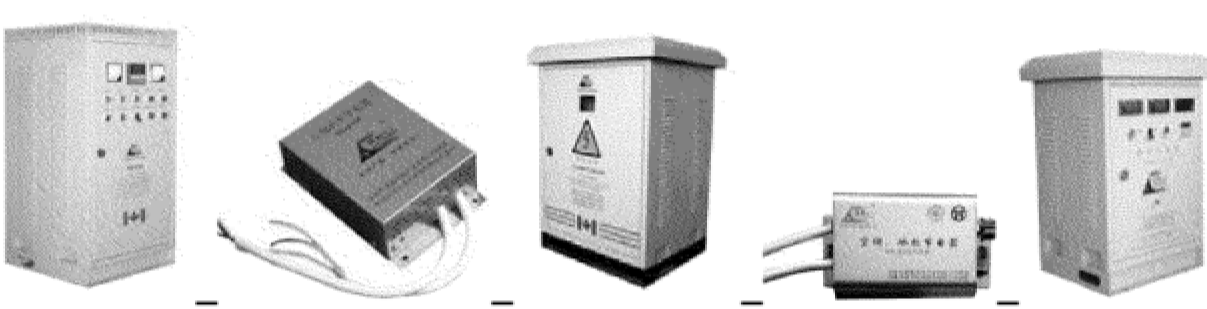
Source: Company.

New generation lighting products with a current focus on electrodeless magnetic discharge light ("EMDL") lamps often used in street lighting projects



Energy saving devices with a focus on:

- Energy saving devices for lighting systems, used to regulate electricity usage in large government buildings or production facilities
- Energy saving devices for motors such as fans, air compressors, pumps, central air conditioning etc.



Summary of key financials

The Company experienced significant growth with revenues increasing from 2005 to 2008 by a CAGR of 75%.
The management believes that the strong revenue and earnings growth experienced by the Company in recent years is poised to continue over the medium term. The Company is rolling out new energy saving devices and sets into the Chinese market and plans to enter new markets in Europe and the Middle East. Revenues are expected to grow from 2009 to 2012 by a CAGR of 37%. Over the same period EBITDA is expected to grow at a CAGR of 37.5%.

The following table presents CSPS' key historical and projected financial information.

Consolidated P&L account

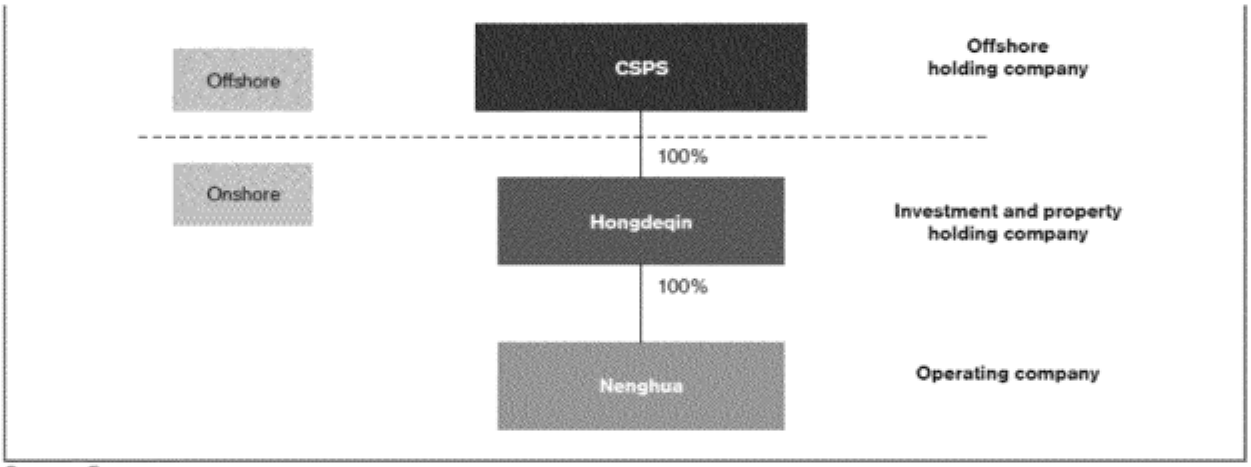
(RMB in millions)	2005	2006	2007	2008	2009E	2010E	2011E	2012E
Revenue	48.9	110.7	170.8	262.4	353.5	515.9	782.3	1,198.4
% growth		*126.5%*	*54.3%*	*53.6%*	*34.7%*	*45.9%*	*51.6%*	*53.2%*
EBITDA	13.9	33.4	49.4	80.4	130.6	190.2	288.7	441.7
% sales	*28.5%*	*30.2%*	*28.9%*	*30.6%*	*36.9%*	*36.9%*	*36.9%*	*36.9%*
Operating profit	13.9	33.4	49.3	68.3	103.0	155.6	264.4	428.7
% sales	*28.4%*	*30.1%*	*28.9%*	*26.0%*	*29.1%*	*30.2%*	*33.8%*	*35.8%*
Net income	12.5	28.5	42.3	53.7	77.9	117.6	200.5	325.4
% sales	*25.5%*	*25.8%*	*24.8%*	*20.5%*	*22.0%*	*22.8%*	*25.6%*	*27.2%*

Source: Company.
Note: D&A increase in 2009 due to amortization of new patents over a shortened 3 years period.

Legal structure

CSPS was incorporated under the laws of Hong Kong on August 15, 2007. It is registered with the Hong Kong companies registry under the number 1158791, having its registered office at Flat 1702, 17/F, Eastern Commercial Centre, No. 393-399 Hennessy Road, Wanchai, Hong Kong.
After the group's legal restructuring in 2007, CSPS became the holding company for its China onshore based operating businesses, namely Hongdeqin Energy Saving and Environmental Technology Limited ("Hongdeqin") and Shenzhen Nenghua Energy Saving and Environmental Protection Limited ("Nenghua").

<u>Legal Structure</u>



Source: Company.

Ownership structure

CSPS is listed at the Marché Libre in France (0.33% floating), but remains controlled by its founder Ian Cheng.
Through his investment holding company, Lemonte Investments Limited, he controls about 65% of the total issued share capital. Other shares are held among a limited number of company directors and private investors.
The Company's free float is currently below 1%.
Since December 28, 2007, CSPS has an authorized share capital of HKD 10m (divided into 20m shares of HKD 0.5 each). Its issued share capital is HKD 3m (divided into 6m shares of HKD 0.5 each).

The following table shows the ownership structure as of April 30, 2010.

Shareholder	Number of shares	% of capital
Lemonte Investments Limited(1)	3,896,000	64.94%
Finasia Limited	480,000	8.00%
Eufinasia Limited	360,000	6.00%
Pyrite SA	320,000	5.33%
Balboa International Limited	240,000	4.00%
Banque Neuflize OBC	198,000	3.30%
Global Cap	186,000	3.10%
China An Bang Investments Limited	180,000	3.00%
China Qiao De Xin Investments Limited	60,000	1.00%
Max Move International Limited	60,000	1.00%
Floating shares	20,000	0.33%
Total	**6,000,000**	**100.00%**

(1) Lemonte Investment is an investment vehicle wholly owned by Ian Cheng.
Source: www.boursorama.com, Company.

The Opportunity

A number of Venture Capital and Private Equity firms have approached the company with indications of interest to acquire it.
Those firms have valued the company at Euro 170- 200 mio or Eur 28.33 to 33.33.
Those offers however do not value the company at its full potential.
The company has Eur 23 mio in cash and will report net earnings of Eur 17 mio.
CITIC then came with an offer to underwrite MLCSP on the Hong Kong market at a price equivalent to Eur 45 a share.
The proposal is to increase the number of shares from the current 6 mio to 600 mio (in effect offering 100 new shares for 1old share) and price the IPO at Eur. 0.45 equivalent. 300 mio new shares will be issued at the same price.
This would give the company a market capitalization of Euro 405 mio of which Eur 135 mio would be cash for new investments.

Private Equity firms have already expressed their interest in acquiring a substantial amount of the 300 mio new shares to be issued.

Based on previous issues on the Hong Kong exchange, Citic is confident that within a few days the company stock could trade at a premium of 50 to 100% of its new listing price.

I have a privileged access to an advisor to the company. This advisor could get access to blocks of shares from current shareholders.
His remuneration for giving access to the shares is 20% of the net profits.
He believes he can get up to 600,000 shares from current shareholders.

The timing of the share issue on the Hong Kong market has been set for February 2011.