



## Emefcy Group (ASX: EMC) Reports Progress in China Initiative: On Track to Achieve Plan

February 23, 2017

**Melbourne, Australia and Caesarea, Israel:** Emefcy Group Limited (ASX: EMC), a global leader in energy-efficient wastewater treatment solutions, today issued a progress report in its China strategy. The Company has achieved many of the milestones defined in its July 2016 announcement of the strategy, keeping it on target toward its goal of market leadership by 2020.

The strategic objectives announced in July 2016 are shown below along with current status: most are complete or on track, keeping our overall China plan on schedule.

### China Goals Update

Emefcy China Goals, Target Dates & Status			
	Goal	Target Date	Status
Corporate Structure	Establish Hong Kong subsidiary of EMC	Q3 2016	Done
	Establish China Wholly Foreign-Owned Entity	Q4 2016	Final approval
Local Team	Hire China General Manager	Q1 2017	Done
	Hire China Customer Support Leader	Q1 2017	Done
	Hire China Business Development & Sales Leader	Q1 2017	Pending
Manufacturing Capability	Sign contract for initial manufacturing facility	Q3 2016	Done
	Complete China production line design	Q3 2016	Done
	Hire production line operator	Q4 2016	Done
	Test China production line in Israel	Q2 2017	On target
	Bring up China production line in China & ship initial product from China to supplement Israel production capacity	Q4 2017	On target



Supply Chain Partners	Sign key Chinese supply chain partners	Q4 2016	80% done
	Build prototype of China-sourced MABR product	Q1 2017	Pending
	Successfully complete China-sourced MABR product	Q2 2017	On target
Market Access Partners	Sign first distribution partner including paid demo plant	Q3 2016	Done
	Sign second distribution partner including paid demo plant	Q4 2016	Done
	Sign third distribution partner including paid demo plant	Q4 2016	Done
	Commission first demo plant	Q4 2016	Done
	Obtain first provincial certification to enable commercial sales	Q1 2017	Q2 2017
Engineering Partners	Sign first engineering partnership	Q4 2016	Done

### **Management Team**

The Company has hired three key members of the China management team:

- **General Manager of Emefcy China.** The Company has hired a general manager for the China business unit, who will start in March. The new GM brings over a decade of successful experience in managing Chinese subsidiaries of foreign capital equipment manufacturers in the water and wastewater space. This position is based in Shanghai and will have responsibility for all of the Company's business development and sales in China.
- **Technical Director of Emefcy China: Michael Shnitzer.** Shnitzer most recently served as Chief Technology Officer of CGGC's wastewater treatment company. He has significant experience implementing several plants in China. Based in Beijing, Shnitzer's team will support plant design, construction, commissioning and operation.
- **China Production Plant Manager: Richard Li.** Li has over 20 years of experience in managing production facilities of foreign technology companies in China. Prior to Emefcy, he served as Plant Manager at Weatherford Oilfield Equipment (Tianjin) Ltd., a US company and the fourth largest in the oil and gas industry in the world. He is based in Changzhou.



## **Distribution Partners**

Emefcy signed an initial four distribution agreements with established water services companies in various regions around China:

- **China Gezhouba Group Corporation**, ("CGGC"), Wuhan, Hubei province. CGGC is one of China's largest construction and engineering companies, which operates in over 100 countries, with over 4,000 successful projects, including the Three Gorges Dam Project. CGGC and its subsidiaries will offer distribution in rural areas of Hubei, Hebei, and Guangdong Provinces.
- **Wuxi Municipal Design Institute**, Wuxi City, Jiangsu Province. This major institute is owned by Wuxi Guolian Environmental & Energy Group Co. Ltd. ("Wuxi Guolian"), a leading state-owned enterprise and provider of environmental protection services.
- **Beijing Sinorichen Environmental Protection Corp.** Ltd. ("Sinorichen"), Beijing. Sinorichen is a leader in wastewater treatment consulting and engineering services throughout Beijing Province and Northern China.
- **Jiangsu Jinzi Environmental Technology Company**, Ltd. ("Jinzi"), Changzhou, Jiangsu Jinzi is a leading environmental protection company focusing on the design, building and operation of wastewater treatment systems for rural communities in the Central and Southern Provinces of China.

As disclosed previously, these partnerships cover geographies representing substantial market opportunities during the next five years. Emefcy is deploying 20,000 litre/day demonstration plants at each partner, in order for them to verify performance, understand the technology, and use in marketing efforts.

## **Demonstration Plants**

Emefcy completed construction and started operations at one demonstration plant for Wuxi Guolian in Wuxi City, Jiangsu Province. The company decided to complete and debug this plant before completing additional plants, since the MABR module needed to be calibrated to local conditions, such as the composition of waste water being treated. This caused three week's delay in shipping additional demonstration plants which will still be shipped and operational by the end of Q2CY17.



## **Provincial Certification**

The certification process is typically intense, with at least 60 days' worth of operating data followed by an expedited application made for Emefcy's MABR by our local distribution partners. Due to delays in shipping the demonstration plants, first certification slipped from a target of Q1CY17 to Q2CY17. However commercial deployments remain on target.

## **Outlook for Balance of 2017**

Objectives for the rest of 2017 are focused on establishing local production, pursuing specific opportunities with the four distribution partners, signing additional distribution agreements, and pursuing research and development that can add further capabilities to Emefcy's technology.

Subject to final approval and registration of the WFOE, the Company is on schedule to ramp production of MABR modules at its first manufacturing facility in Changzhou City, Jiangsu Province. First units are expected to be manufactured in the third quarter, with volume production ramping throughout the fourth quarter. This first factory will be able to support up to an estimated US\$ 75 million in annual sales from each of the four planned production lines. Production equipment is being designed, assembled and tested now in Israel, and should be shipped to Changzhou and installed during the summer. Auxiliary production equipment is being procured in China, as well as initial inventory of parts and raw material. The Company is starting to recruit and hire manufacturing employees.

Each distribution partner is already pursuing tangible opportunities. For example, after verification of the demonstration unit at Sinorichen, that partner intends to immediately launch a multi-phase deployment roll out plan. In the first phase Sinorichen will use the Emefcy system for up to seventy rural installations, with the contract value for each system ranging from A\$50,000-A\$250,000. Similarly, CGGC and Emefcy intend to jointly bid on an initial 345 rural wastewater treatment plants of varying capacity in two key Districts in Hebei. Should the partners win the bidding, deployment could occur over the course of 2017.

The Company is in active discussions with ten additional potential distribution partners, some of whom cover territories not served by the first four partners. The Company expects to announce additional distribution agreements over the next few months.

Emefcy's engineering team is pursuing several technical objectives. The team is progressing in developing technical refinements that adapt its MABR system to local wastewater composition and effluent cleanliness standards, specifically the national Class 1A discharge guidelines. In addition, the team is modifying its technology to create a module specifically designed for treating urban rivers, which in China suffer from years of accumulation of pollutants.

"We see a vast market opportunity in rural China, one in which an obvious need is getting the government support necessary to resolve the problem. Our unique, energy efficient, low cost



technology is the perfect answer to rural China’s wastewater problems,” said Richard Irving, Emefcy’s Executive Chairman. “We are proud of the progress we made since we first outlined this strategic initiative last July and remain on plan for commercial deployments in China before the end of the year, anticipated to enable us to capture the leadership position in this market as it matures over the next few years.”

### **Conference Call**

Emefcy will host a conference call to further elaborate on progress in its China strategy. The call will be hosted by Executive Chairman Richard Irving. The call will commence on Tuesday February 28 at 11:00 am Australia Eastern Daylight Time / Monday February 27 at 7:00 PM US Eastern Standard Time. Interested parties can access the webcast Interested parties can access the live webcast at: <http://public.viavid.com/index.php?id=123152>. All questions will be submitted electronically through the webcast interface. For those wishing to dial into the call, please call your respective local number and reference conference ID 6482367.

Australia Toll-Free: 800 093 472

US Toll-Free: 888 500 6950

Israel Toll-Free: 80 924 5906

Other Countries: +1 (719) 325-2138

### **Forward – Looking Statements**

*Any forward-looking statements in this announcement are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management.*

### **About Emefcy Group Limited**

Emefcy develops, manufactures and markets new, energy-efficient MABR based wastewater treatment solutions, aiming to change the economics of various markets and addressing the growing global demand for clean water in municipal and industrial plants. With several global innovation awards and a strong scientific background, Emefcy is at the forefront of the next generation of MABR based wastewater treatment. Additional MABR based wastewater solutions out of Emefcy’s extensive R&D operations are expected to be announced during the year.

Emefcy Group Limited (ASX: EMC) is a public company traded on the Australian Stock Exchange.

Visit our website: [www.emefcy.com](http://www.emefcy.com)



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