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ELL Environmental Holdings Limited

強泰環保控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1395)

DISCLOSEABLE TRANSACTION IN RELATION TO THE EXPANSION AND ENHANCEMENT PROJECT FOR THE RUGAO HENGFA FACILITY

FACILITY EXPANSION AND ENHANCEMENT AGREEMENT

The Board is pleased to announce that on 29 September 2024, the Rugao ETDZ Administrative Committee and Everbest Water Treatment entered into the Facility Expansion and Enhancement Agreement pursuant to which, among other things, Everbest Water Treatment shall invest in, and Rugao Hengfa shall undertake, the Expansion and Enhancement Project according to the terms and conditions set out therein.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios are more than 5% but less than 25%, the Facility Expansion and Enhancement Agreement and the transaction contemplated thereunder constitute a discloseable transaction under Chapter 14 of the Listing Rules.

INTRODUCTION

The Rugao ETDZ Administrative Committee and Everbest Water Treatment entered into agreements on 11 November 2003 and 9 September 2009, respectively, in relation to certain operating concession rights granted by the Rugao ETDZ Administrative Committee to Rugao Hengfa to invest in, design, construct, operate and maintain Phase I and Phase II of the Rugao Hengfa Facility during the Concession Period under a “Build – Operate – Transfer” (“**BOT**”) model.

The Board is pleased to announce that on 29 September 2024, the Rugao ETDZ Administrative Committee and Everbest Water Treatment entered into the Facility Expansion and Enhancement Agreement pursuant to which, among other things, Everbest Water Treatment shall invest in, and Rugao Hengfa shall undertake, the Expansion and Enhancement Project according to the terms and conditions set out therein.

Based on the Facility Expansion and Enhancement Agreement, the Parties currently have no intention to change the existing BOT model concerning the Rugao Hengfa Facility, the length of the Concession Period or the water tariff amount due to the Expansion and Enhancement Project.

FACILITY EXPANSION AND ENHANCEMENT AGREEMENT

The principal terms of the Facility Expansion and Enhancement Agreement are set out as follows:

Date: 29 September 2024

Parties:

- (i) Rugao ETDZ Administrative Committee;
- (ii) Everbest Water Treatment; and
- (iii) Rugao Hengfa.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Rugao ETDZ Administrative Committee and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Project description: Expansion – The existing Rugao Hengfa Facility shall be expanded to increase its industrial wastewater treatment capacity by 10,000 tonnes per day from the 40,000 tonnes to 50,000 tonnes per day.

Enhancement – After the completion of the Expansion and Enhancement Project, apart from raising the total industrial wastewater treatment capacity to 50,000 tonnes per day, all effluents will be upgraded to Standard C under the “Jiangsu Provincial Local Standard Urban Wastewater Treatment Plant Pollutant Discharge Standard”* (《江蘇省地方標準城鎮污水處理廠污染物排放標準》) (DB32/4440-2022).

The aforementioned expansion and enhancement will be carried out at the same time during the course of the Expansion and Enhancement Project.

Key rights and obligations of the Rugao ETDZ Administrative Committee:

The Rugao ETDZ Administrative Committee shall:

- (i) assist Everbest Water Treatment and Rugao Hengfa to obtain all Authorisations;
- (ii) has the right to supervise and inspect the construction and operation of the Expansion and Enhancement Project to ensure that the project complies with relevant laws, regulations and technical standards;
- (iii) pay Everbest Water Treatment wastewater treatment fees during the Concession Period based on (a) the existing water tariff of RMB3.43 (equivalent to approximately HK\$3.81) per tonne multiplied by (b) the volume of wastewater processed or the guaranteed base volume (whichever is higher); and
- (iv) within the scope agreed upon in item (iii) below, allow Rugao Hengfa to exclusively use and occupy the land for the operation of the Rugao Hengfa Facility until the end of the Concession Period, during which the Rugao ETDZ Administrative Committee shall not invest, construct or operate any industrial wastewater treatment project within the aforementioned area or permit any third party to do so.

Key rights and obligations of Everbest Water Treatment and Rugao Hengfa:

Everbest Water Treatment shall:

- (i) carry out the Expansion and Enhancement Project in accordance with relevant national laws, regulations and technical standards to ensure the quality and progress of the project;
- (ii) have the right to charge wastewater treatment fee from the Rugao ETDZ Administrative Committee monthly; and
- (iii) allow the Rugao ETDZ Administrative Committee to invest via a social legal person in the construction of a domestic wastewater treatment facility in Rugao ETDZ with treatment capacity of 30,000 tonnes per day according to wastewater quality and classification requirements, provided that the Rugao ETDZ Administrative Committee fully and effectively performs its obligations under the Facility Expansion and Enhancement Agreement.

Investment amount and basis of determination:

As at the date of this announcement, the total Investment Amount to be contributed by Everbest Water Treatment was estimated by the Parties to be approximately RMB20.9 million (equivalent to approximately HK\$23.2 million), being the estimated total costs of the Expansion and Enhancement Project.

Following completion and acceptance of the Expansion and Enhancement Project, audit will be conducted on the project and the final Investment Amount shall be subject to any adjustments needed based on such assessment.

The final Investment Amount may be adjusted with reference to factors such as change in construction work, fluctuation in material costs and quantity, which is not expected to be significant. If and when any actual adjustments are made, the Company will inform its Shareholders and comply with any applicable requirements under the Listing Rules if and as required.

The Directors (including independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Expected commencement and completion date of the Expansion and Enhancement Project:

The Expansion and Enhancement Project shall commence upon signing of the Facility Expansion and Enhancement Agreement and is expected to complete in or around mid-2025.

BASIS OF DETERMINATION AND SOURCE OF FUNDING

The estimated and final Investment Amount was and will be determined by the Parties on arm's length basis with reference to the scale of the construction in the Expansion and Enhancement Project, which includes design fee, construction fee, costs for modifications of existing equipment, workers' salary and wages and other costs involved in such construction.

As at the date of this announcement, the Company intends to fund the Investment Amount required for the Expansion and Enhancement Project from internal resources and bank borrowings to the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE FACILITY EXPANSION AND ENHANCEMENT AGREEMENT

By entering into the Facility Expansion and Enhancement Agreement, the Group aims to align its wastewater treatment business with the objective to increase wastewater treatment capacity in Rugao following local development. Upon completion of the Expansion and Enhancement Project, the upgraded Rugao Hengfa Facility will allow the Group to generate more revenue from the collection of additional wastewater treatment fee. Accordingly, the Facility Expansion and Enhancement Agreement is beneficial for the continued operation of the Rugao Hengfa Facility and beneficial to the continued expansion of the Group's operations.

The Board (including the independent non-executive Directors) is of the view that the Facility Expansion and Enhancement Agreement was entered into on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP AND THE RUGAO ETDZ ADMINISTRATIVE COMMITTEE

The Group

The Group is principally engaged in providing wastewater treatment facilities in Rugao County, Jiangsu Province, PRC, using the BOT model. The Group also engages in wood pellet sale and data centre operation and owns a biomass power generation powerplant in Jambi, Indonesia.

Rugao ETDZ Administrative Committee

The Rugao ETDZ Administrative Committee is a local government administrative committee under the People's Government of Rugao County, Natong City of the Jiangsu Province, PRC, authorized to grant concession rights to wastewater treatment operators in the Rugao ETDZ. To the best of the Company's knowledge, information and belief and having made all reasonable enquiries, Rugao ETDZ Administrative Committee is an Independent Third Party as at the date of this announcement.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios are more than 5% but less than 25%, the Facility Expansion and Enhancement Agreement and the transaction contemplated thereunder constitute a discloseable transaction under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Authorisation”	any or all consents, approvals, waivers, notifications, registrations, applications, filings, authorisations, orders, grants, licenses, confirmations, clearances, permissions, no-action relief, exemption relief orders and approvals, and all applicable waiting periods (including any extensions thereof) required to permit the Expansion and Enhancement Project contemplated by the Facility Expansion and Enhancement Agreement, including without limitation, any construction permit, approval of the feasibility report, land use certificate and any consent or approval of the government and approval authorities, or any other relevant and necessary agencies, bureaus or officials of the local, municipal and provincial government or the renewal thereof
“Board”	the board of Directors
“Company”	ELL Environmental Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1395)
“Concession Period”	in relation to Phase I of the Rugao Hengfa Facility, the period from 7 February 2007 to 28 April 2035, inclusive; in relation to Phase II of the Rugao Hengfa Facility, the period from 29 April 2010 to 28 April 2035, inclusive
“Director(s)”	director(s) of the Company
“Everbest Water Treatment”	Everbest Water Treatment Development Company Limited (恆發水務發展有限公司), an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong
“Expansion and Enhancement Project”	the project to design and construct the expansion and enhancement to the Rugao Hengfa Facility to increase its wastewater treatment capacity and enhance its discharge standards

“Facility Expansion and Enhancement Agreement”	the executed Rugao Hengfa Wastewater Treatment Facility Expansion and Enhancement Project Agreement (如皋恆發污水處理廠擴建與提標改造項目協議) dated 29 September 2024 in relation to the Expansion and Enhancement Project entered into among the Rugao ETDZ Administrative Committee, Everbest Water Treatment and Rugao Hengfa
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong Dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party which is a third party independent of the Company and its connected persons (as defined under the Listing Rules)
“Investment Amount”	The total investment amount to be contributed by Everbest Water Treatment into the Expansion and Enhancement Project
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Rugao ETDZ”	Rugao Economic and Technological Development Zone* (如皋經濟技術開發區)
“Rugao ETDZ Administrative Committee”	Rugao ETDZ Administrative Committee* (如皋經濟技術開發區管委會)
“Rugao Hengfa”	Rugao Hengfa Water Treatment Company Limited* (如皋恆發水處理有限公司), an indirect wholly-owned subsidiary of the Company, established in the PRC
“Rugao Hengfa Facility”	the wastewater treatment facility operated by Rugao Hengfa in Rugao ETDZ, Natong City of Jiangsu Province, PRC
“Share(s)”	ordinary share(s) of par value HK\$0.0001 each in the share capital of our Company

“Shareholder(s)” holder(s) of the Share(s)

“Stock Exchange” The Stock Exchange of Hong Kong Limited

For and on behalf of
ELL Environmental Holdings Limited
Chan Kwan
Executive Director and Chief Executive Officer

Hong Kong, 8 October 2024

As at the date of this announcement, the Board comprises Mr. Chau On Ta Yuen (Chairman), Mr. Chan Kwan (Chief Executive Officer), Mr. Radius Suhendra and Mr. Chau Chi Yan Benny as executive Directors, Mr. Chan Pak Lam Brian as a non-executive Director, and Ms. Ng Chung Yan Linda, Mr. Ng Man Kung and Ms. Leung Bo Yee Nancy as independent non-executive Directors.

* *For identification purposes only*