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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)

ANNOUNCEMENT OF AN UPDATE ON THE DISPOSAL OF RUGAO HONGHAO

Reference is made to the announcement of ELL Environmental Holdings Limited (the “**Company**”) dated 21 September 2016 in relation to the disposal of Rugao Honghao, a subsidiary of the Company, and the terms of the related Equity Transfer Agreement (the “**Announcement**”). Except as otherwise defined, all capitalized terms used herein shall have the same respective meanings as given to them in the Announcement.

UPDATE

The Board would like to update the Shareholders that as at the date of this announcement, the Disposal under the Equity Transfer Agreement has not been completed and Rugao Honghao remains a subsidiary of the Company. Greatcorp, a subsidiary of the Company and the vendor under the Equity Transfer Agreement, has been closely communicating with the Purchaser, namely 南通嘉禾科技投資開發有限公司 (Nantong Jiahe Technology Investment Development Co., Ltd.*), in connection with the Completion. To the best of the Directors’ knowledge, the conditions precedent to the Completion have been fulfilled and the parties are ready to proceed to Completion and the settlement of the consideration thereof. The Company is working with the Purchaser with its best endeavours to complete the Equity Transfer Agreement as soon as practicable and not later than 31 March 2017.

SUPPLEMENTAL AGREEMENT

Under the Equity Transfer Agreement, the Purchaser was responsible for the incremental operating costs and capital expenditure incurred or to be incurred by Rugao Honghao for treating wastewater

** For identification purpose only*

with heavy metal content of levels that exceed those prescribed by the existing “build-operate-transfer” agreement entered into between Rugao Honghao and the Rugao ETDZ Administrative Committee (the “**Original BOT Agreement**”), for the period from 1 June 2016 to the date of Completion (the “**Original Additional Payment Arrangements**”).

On 28 February 2017, Greatcorp and the Purchaser signed a supplemental agreement in respect of the Disposal and the aforesaid arrangements (the “**Supplemental Agreement**”). Under the Supplemental Agreement, the fee arrangements under the Original BOT Agreement and the Original Additional Payment Arrangements were terminated with retrospective effect from 15 November 2016. The Supplemental Agreement provides that the Purchaser shall retrospectively be responsible for all operating costs and capital expenditure on an as-incurred basis with effect from 15 November 2016 and until the date of Completion (the “**New Payment Arrangements**”).

Based on current discussions between Greatcorp and the Purchaser, the Directors expect that all the fees payable by the Rugao ETDZ Administrative Committee and/or the Purchaser to Rugao Honghao under (i) the Original BOT Agreement and the Original Additional Payment Arrangements subsisting between 1 June 2016 and 15 November 2016, and (ii) the New Payment Arrangements deemed to have subsisted since 15 November 2016 and up to the date of Completion (together the “**Aggregate Additional Payments**”), will be paid by Rugao Honghao to Greatcorp by way of the distribution of dividends prior to the Completion (the “**Expected Dividends**”).

FURTHER ANNOUNCEMENT

The Company will make further announcement(s) on the Disposal as soon as practicable when the date of Completion and the amount of operating costs and capital expenditure to be incurred can be ascertained, and the Aggregate Additional Payments and the Expected Dividends are determined accordingly.

By order of the Board
ELL Environmental Holdings Limited
Chan Kwan
Executive Director and Chief Executive Officer

Hong Kong, 28 February 2017

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