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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 FINAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL SUMMARY

- Revenue for the year ended 31 December 2014 amounted to HK\$85.2 million (2013: HK\$65.1 million), representing an increase of 30.9% as compared with the preceding year.
- Gross profit for the year ended 31 December 2014 was HK\$48.0 million (2013: HK\$49.3 million), representing a decrease of 2.8% as compared with the preceding year.
- Net profit for the year ended 31 December 2014 was HK\$11.3 million (2013: HK\$33.9 million), representing a decrease of approximately 66.7% as compared with the preceding year.
- No final dividend is proposed by the Board for the year ended 31 December 2014 (2013: Nil)

The board (the “Board”) of directors (the “Directors”) of ELL Environmental Holdings Limited (the “Company”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2014.

The annual consolidated results of the Group for the year ended 31 December 2014 together with the comparative figures of 2013 are as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
REVENUE	3	85,183	65,090
Cost of sales		<u>(37,225)</u>	<u>(15,769)</u>
Gross profit		47,958	49,321
Other income and gains	3	6,140	5,664
Administrative expenses		(30,802)	(4,543)
Finance costs	5	<u>(1,160)</u>	<u>(2,468)</u>
PROFIT BEFORE TAX	4	22,136	47,974
Income tax expense	6	<u>(10,861)</u>	<u>(14,080)</u>
PROFIT FOR THE YEAR		<u>11,275</u>	<u>33,894</u>
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of financial statements of entities not using Hong Kong dollar (“HK\$”) as functional currency		(7,863)	8,286
Release of exchange fluctuation reserve upon deregistration of a subsidiary		<u>(5,779)</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(2,367)</u>	<u>42,180</u>
Profit attributable to:			
Owners of the parent		9,267	32,259
Non-controlling interests		<u>2,008</u>	<u>1,635</u>
		<u>11,275</u>	<u>33,894</u>
Total comprehensive income attributable to:			
Owners of the parent		(3,695)	39,795
Non-controlling interests		<u>1,328</u>	<u>2,385</u>
		<u>(2,367)</u>	<u>42,180</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	<u>HK1.42 cents</u>	<u>HK5.38 cents</u>

Details of the dividend for the year are disclosed in note 7.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,778	2,520
Receivables under service concession arrangements	9	<u>292,759</u>	<u>289,604</u>
Total non-current assets		<u>295,537</u>	<u>292,124</u>
CURRENT ASSETS			
Inventories		308	349
Receivables under service concession arrangements	9	42,240	50,804
Prepayments and other receivables		647	6,238
Amount due from a related party		—	542
Cash and cash equivalents		<u>99,064</u>	<u>75,625</u>
Total current assets		<u>142,259</u>	<u>133,558</u>
CURRENT LIABILITIES			
Trade payables	10	5,062	2,474
Other payables and accruals		6,424	43,003
Amounts due to a related party		—	8,965
Interest-bearing bank borrowings		12,720	17,550
Income tax payables		<u>848</u>	<u>9,900</u>
Total current liabilities		<u>25,054</u>	<u>81,892</u>
NET CURRENT ASSETS		<u>117,205</u>	<u>51,666</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>412,742</u>	<u>343,790</u>
NON-CURRENT LIABILITIES			
Shareholders' loans		—	89,329
Interest-bearing bank borrowing		5,621	—
Deferred tax liabilities		37,017	35,075
Provision for major overhauls		<u>5,275</u>	<u>4,134</u>
Total non-current liabilities		<u>47,913</u>	<u>128,538</u>
Net assets		<u>364,829</u>	<u>215,252</u>

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	11	80	—
Reserves		<u>336,515</u>	<u>188,346</u>
		336,595	188,346
Non-controlling interest		<u>28,234</u>	<u>26,906</u>
Total equity		<u><u>364,829</u></u>	<u><u>215,252</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 25 February 2014. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” to the prospectus of the Company dated 12 September 2014 (the “Prospectus”).

The Reorganisation has been accounted for in accordance with the principle similar to a reverse acquisition as set out in HKFRS 3 *Business Combinations*. The issue of shares of the Company in exchange for the equity interest in Everbest Water Treatment Development Company Limited (“Everbest Water Treatment Development”) resulted in the Company becoming the holding company of Everbest Water Treatment Development.

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements since 1 January 2013. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

This financial information has been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the construction and operation of wastewater treatment facilities. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

All of the Group’s revenue is derived from customers located in Mainland China and all of the Group’s non-current assets are located in Mainland China.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Customer A	27,489	13,203
Customer B	<u>57,694</u>	<u>51,887</u>
	<u><u>85,183</u></u>	<u><u>65,090</u></u>

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents: (1) an appropriate proportion of contract revenue of construction contracts under service concession arrangements; (2) revenue from operation of wastewater treatment facilities under service concession arrangements, net of government surcharges; and (3) the imputed interest income on receivables under service concession arrangements.

An analysis of the Group's revenue, other income and gains is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue		
Construction services	16,680	—
Wastewater treatment facility operation services	54,011	51,509
Imputed interest income on receivables under service concession arrangements	<u>14,492</u>	<u>13,581</u>
	<u><u>85,183</u></u>	<u><u>65,090</u></u>
Other income and gains		
Interest income	239	1,509
Foreign exchange gains, net	77	64
Government grants [#]	45	542
Gain on bargain purchase of subsidiaries	—	3,410
Gain on de-registration of a subsidiary	5,779	—
Others	<u>—</u>	<u>139</u>
	<u><u>6,140</u></u>	<u><u>5,664</u></u>

[#] Government grants have been received from local governments in Jiangsu Province for the purpose of carrying out environmental protection works. There were no unfulfilled conditions or contingencies relating to these grants as at 31 December 2013 and 31 December 2014.

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of construction services	14,684	—
Cost of wastewater treatment facilities operation services rendered	22,541	15,769
Depreciation	434	323
Listing expenses in relation to listing of existing issued shares	20,127	1,598
Provision for major overhauls	<u>1,000</u>	<u>766</u>

5. FINANCE COSTS

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	907	2,281
Increase in discounted amounts of provision for major overhauls arising from the passage of time	<u>253</u>	<u>187</u>
	<u>1,160</u>	<u>2,468</u>

6. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil). The provision for the People's Republic of China (the "PRC") income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC.

Haian Hengfa Wastewater Treatment Company Limited (“Haian Hengfa”) and Rugao Hengfa Water Treatment Company Limited (“Rugao Hengfa”), subsidiaries of the Group, obtained preferential income tax treatment in 2014 whereby their income taxes are taxed at the taxable profit based on 90% of the revenue generated for the year.

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current — Mainland China		
Charge for the year	8,220	9,455
Overprovision in prior years	(216)	—
Deferred	<u>2,857</u>	<u>4,625</u>
Total tax expense for the year	<u><u>10,861</u></u>	<u><u>14,080</u></u>

7. DIVIDENDS

On 5 September 2014, the Company declared a special interim dividend of HK\$30,000,000 (that is HK5 cents per ordinary share) to the then shareholders of the Company. Such special interim dividend was paid on 11 September 2014.

The directors of the Company do not recommend the payment of any final dividend in respect of the year (2013: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the year ended 31 December 2014 is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$9,267,000 (2013: HK\$32,259,000), and the weighted average number of ordinary shares of 653,151,000 (2013: 600,000,000) in issue during the year, as if the Reorganisation had been effective since 1 January 2013.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2014 includes the 1,000 ordinary share of the Company issued upon incorporation and the 599,999,000 new ordinary shares issued in the Share Swap (note 11(ii)), as if all these shares had been in issue throughout the year ended 31 December 2014, and the weighted average of 53,151,000 new ordinary shares issued pursuant to the Share Offer (note 11(iii)).

The number of ordinary share used to calculate the basic earnings per share amount for the year ended 31 December 2013 was based on 600,000,000 ordinary shares, representing the number of ordinary shares of the Company immediately after the Share Swap (note 11(ii)), as if all these shares had been in issue throughout the year ended 31 December 2013.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2014 as the Group had no potentially dilutive ordinary share in issue during the years ended 31 December 2013 and 2014.

9. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

At 31 December 2014, certain wastewater treatment concession rights of the Group comprising receivables under service concession arrangements with a carrying amount of HK\$225,139,000 (2013: HK\$231,467,000), were pledged to secure a bank loan granted to Group.

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Receivables under service concession arrangements	334,999	340,408
Portion classified as current assets	<u>(42,240)</u>	<u>(50,804)</u>
Non-current portion	<u>292,759</u>	<u>289,604</u>

As at the end of the reporting period, the ageing analysis of receivables under service concession arrangements, based on invoice date, is as below:

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Billed:		
Within 3 months	15,947	17,209
4 to 6 months	14,784	16,964
7 to 12 months	5,001	6,094
Over 1 year	<u>—</u>	<u>4,481</u>
	35,732	44,748
Not yet billed	<u>299,267</u>	<u>295,660</u>
	<u>334,999</u>	<u>340,408</u>

Receivables under service concession arrangements are usually due for settlement within 10 days after each month end.

An ageing analysis of receivables under service concession arrangements that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	299,267	295,660
Less than 1 month past due	6,259	5,694
1 to 3 months past due	9,688	11,515
4 to 6 months past due	14,784	16,964
7 months to 1 year past due	5,001	6,094
Over 1 year past due	<u>—</u>	<u>4,481</u>
	<u>334,999</u>	<u>340,408</u>

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	3,900	1,798
1 to 3 months	404	155
Over 3 months	<u>758</u>	<u>521</u>
	<u>5,062</u>	<u>2,474</u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 days.

11. SHARE CAPITAL

The Reorganisation was only completed on 25 February 2014, hence, the paid-in capital as at 31 December 2013 represented the paid-in capital of Everbest Water Treatment Development Company Limited and the paid-in capital as at 31 December 2014 represented the paid-in capital of the Company.

Shares

	2013 <i>HK\$'000</i>
Authorised:	
100,000 ordinary shares of HK\$1 each	<u>100</u>
Issued and fully paid	
4 ordinary shares of HK\$1 each	<u>—</u>
	2014 <i>HK\$'000</i>
Authorised:	
3,800,000,000 ordinary shares of HK\$0.0001 each	<u>380</u>
Issued and fully paid:	
800,000,000 ordinary shares of HK\$0.0001 each	<u>80</u>

The Company is a limited liability company incorporated in the Cayman Islands on 25 February 2014 with an initial authorised share capital of HK\$380,000 divided into 3,800,000,000 ordinary shares of HK\$0.0001 each.

The movements in the Company's issued share capital during the period from 25 February 2014 (date of incorporation) to 31 December 2014 were as follows:

	<i>Notes</i>	Number of ordinary shares in issue	Issued capital <i>HK\$'000</i>
At 25 February 2014 (date of incorporation)		—	—
Issue of shares	(i)	1,000	—
Issue of shares pursuant to the Share Swap	(ii)	599,999,000	60
Issue of new shares pursuant to Share Offer	(iii)	<u>200,000,000</u>	<u>20</u>
At 31 December 2014		<u>800,000,000</u>	<u>80</u>

Notes:

- (i) On the date of incorporation, one ordinary share was allotted and issued by the Company to the initial subscriber, Mapcal Limited, at HK\$0.0001 per share and such one share was transferred to Wealthy Sea Holdings Limited (“Wealthy Sea”) on the same day. On the same day, 625 ordinary shares were allotted and issued to Everbest Water Treatment Investment (Haian) Limited (“Everbest Investment Haian”) and another 374 ordinary shares were allotted and issued to Wealthy Sea for cash at par value. Wealthy Sea and Everbest Investment Haian were the shareholders of Everbest Water Treatment Development prior to the completion of the Reorganisation on 25 February 2014.
- (ii) On 25 February 2014, Everbest Investment Haian and Wealthy Sea transferred all the shares they held in Everbest Water Treatment Development to a directly wholly-owned subsidiary of the Company in consideration of the Company allotting and issuing 374,999,375 and 224,999,625 ordinary shares to them, respectively, in connection with the Reorganisation (the “Share Swap”). Further details are set out in the paragraph “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” to the Prospectus.
- (iii) In connection with the listing of the shares of the Company on the Stock Exchange (the “Share Offer”), 200,000,000 new ordinary shares of HK\$0.0001 each were issued at a price of HK\$0.55 per ordinary share for a total cash consideration, before expenses, of HK\$110,000,000. Dealings in the shares of the Company on the Stock Exchange commenced on 26 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

We are a wastewater treatment services provider with three wastewater treatment facilities in Jiangsu Province, China. We offer a one-stop approach to the provision of wastewater treatment services using the “Build—Operate—Transfer” or “BOT” model. We cover the whole spectrum of activities from the design of wastewater treatment facilities, through the procurement of suitable equipment and materials, to the supervision of their construction as well as the on-going operation and maintenance of the facilities throughout long-term concession periods. We currently have three wastewater treatment facilities, including one in Haiyan County, namely the Haiyan Hengfa Facility, and two in Rugao Economic and Technological Development Zone (the “Rugao ETDZ”), namely the Rugao Hengfa Facility and the Rugao Honghao Facility. The daily wastewater treatment combined capacities of the three facilities are about 40,000 tonnes, 40,000 tonnes and 3,500 tonnes, respectively. The Group is negotiating with the local government to adjust the water tariff. We expect to see a reasonable increment to our water tariff after the completion of the upgrade works of the Haiyan Hengfa Facility and the Rugao Hengfa Facility. In addition, the productivity of Rugao Honghao Facility will further increase to strengthen the project capability of the Group.

A fire accident occurred on the first floor of the Rugao Honghao Facility on 4 December 2014. The repair of the facility was completed on 18 December 2014 and its operation was resumed on 22 December 2014. The fire accident had not resulted in any loss of revenue during the period in which the operations of the Rugao Honghao Facility were suspended. The Fire Accident did not have any material impact on the operational and financial results of the Company for the year ended 31 December 2014. The Company has reviewed and updated its existing fire prevention policies and emergency procedures, and has enhanced communication with its employees to promote fire safety awareness to prevent occurrence of similar incidents.

As at 31 December 2014 and the date of this announcement, we have not completed the environmental inspection and acceptance procedures for the Rugao Honghao Facility and have not obtained the pollutants discharge permit for such facility. Based on our communication with the relevant authorities in the Rugao ETDZ, we expect to complete the environmental inspection and acceptance procedures and obtain the pollutants discharge permit for the Rugao Honghao Facility around June 2015 at the earliest. We had applied and the relevant authorities in Rugao ETDZ had approved the further extension of the trial operation period of the Rugao Honghao Facility to September 2015. The Company will continue to update the shareholders of the Company on the above matters in the next interim report.

Business Outlook

The PRC government's continuous promotion of urbanisation, the increasing awareness towards water pollution among the Chinese community, together with the inadequate wastewater treatment capacities in the country lay strong foundation for the long-term growth potential for the wastewater treatment industry in China. Moreover, the long-awaited "Action Plan on Prevention and Control of Water Pollution" is expected to be promulgated soon and the industry envisages approximately RMB2,000 billion of investment will be made to develop the sector. Under these favourable policies, we expect the water utilities industry to continue to grow steadily.

Going forward, the wastewater treatment industry in Jiangsu Province remains to be our development focus. The Group will continue to adopt the BOT model to provide wastewater treatment services to maintain satisfactory business performance. With our long accumulated experience, established network and relationships in Jiangsu Province, and proficient and effective project capability, our management believes that the Company possesses unique business strengths to ensure sustainable development of the Group. The Group is also considering opportunities to develop more wastewater treatment projects and is evaluating the possibility to expand into other green businesses. We will adopt a strict and disciplined approach when pursuing any new opportunities. In addition to applying our careful project selection criteria, which take into account key factors such as profitability, growth potential and technical requirements, we will ensure that (i) we will only pursue such opportunities if they are in the best interest of the shareholders of the Company, and (ii) we have or are able to employ the necessary personnel with the appropriate experience and expertise to execute the projects. As at 31 December 2014 and the date of this announcement, we had not identified any potential opportunities for tendering or for acquisition.

Financial Review

Revenue

Our total revenue increased by approximately 30.9% to approximately HK\$85.2 million for the year ended 31 December 2014 from approximately HK\$65.1 million for the preceding year, of which revenue excluding the imputed interest income increased to approximately HK\$70.7 million for the year ended 31 December 2014 from approximately HK\$51.5 million for the preceding year. The increase in revenue was primarily attributable to (i) the increased total volume of wastewater treated, and (ii) the recognition of construction revenue as a result of the

upgrade works of the Haian Hengfa Facility and improvement works of the Rugao Hengfa Facility, which amounted to approximately HK\$13.2 million and HK\$3.5 million, respectively, while no construction revenue was recognised for the year ended 31 December 2013.

Cost of sales

Our total cost of sales increased by approximately 136.1% to approximately HK\$37.2 million for the year ended 31 December 2014 from approximately HK\$15.8 million for the preceding year primarily due to (i) the incurrence of total construction costs of approximately HK\$14.7 million as a result of the upgrade works of the Haian Hengfa Facility and the improvement works of the Rugao Hengfa Facility, both commenced during the year ended 31 December 2014, while no construction cost was incurred for the preceding year, (ii) an increase in raw materials costs of approximately HK\$1.8 million due to the increase in chemicals used to treat the increased volume of wastewater, (iii) the increase in overhead costs of approximately HK\$2.7 million, which was mostly attributable to the increased electricity consumption by the Rugao Hengfa Facility to operate additional equipment and machinery for treating the increased volume of wastewater, and (iv) an increase in repair and maintenance costs of approximately HK\$1.3 million for replacing a number of obsolete parts in the Rugao Hengfa Facility and Rugao Honghao Facility.

Gross profit and gross profit margin

Our gross profit decreased by approximately 2.8% to approximately HK\$48.0 million for the year ended 31 December 2014 from approximately HK\$49.3 million for the preceding year, primarily due to the increase in our cost of sales mentioned above. As the gross profit margins for the construction revenue of the upgrade works of the Haian Hengfa Facility and the improvement works of the Rugao Hengfa Facility (both commenced during the year ended 31 December 2014) are lower than the gross profit margins for the operation of our wastewater treatment facilities, our gross profit margin decreased to approximately 56.3% for the year ended 31 December 2014 from approximately 75.8% for the preceding year.

Administrative expenses

As a percentage of our revenue, our administrative expenses represented approximately 7.0% and 36.2% for the year ended 31 December 2013 and 2014, respectively. Our administrative expenses increased by approximately 5.8 times to approximately HK\$30.8 million for the year ended 31 December 2014 from approximately HK\$4.5 million for the preceding year. The increase was primarily attributable to (i) the professional fees of HK\$20.1 million incurred in relation to

the Listing during the year ended 31 December 2014, and (ii) the increase of salaries and staff costs by approximately 349.8% to approximately HK\$4.2 million for the year ended 31 December 2014 from approximately HK\$0.9 million for the preceding year due to the hiring of more employees, including senior personnel, to manage our expanded operations and to prepare for the Listing.

Finance costs

Our finance costs decreased by approximately 53.0% to approximately HK\$1.2 million for the year ended 31 December 2014 from approximately HK\$2.5 million for the preceding year. The decrease in finance costs was primarily attributable to the full repayment in October 2013 of the bank loan drawn down in October 2012.

Income tax

Our income tax expense decreased by approximately 22.9% to approximately HK\$10.9 million for the year ended 31 December 2014 from approximately HK\$14.1 million for the preceding year. The decrease was mainly attributable to (i) the preferential income tax treatment obtained by the Haian Hengfa Facility and the Rugao Hengfa Facility pursuant to which its income tax for the year ended 31 December 2014 was taxed at the taxable profit based on 90% of their revenue generated for the year, and (ii) the reversal of the overprovision of withholding tax on the distributable profits derived from Haian Hengfa Property Development Limited (海安恆發置業有限公司), the subsidiary that we deregistered with effect from 6 June 2014, of approximately HK\$0.4 million. Notwithstanding the decrease of profit before tax for the year ended 31 December 2014 by approximately 53.9% as compared with the preceding year, our income tax expense decreased only by 22.9% as compared with the preceding year, as the decrease in our profit before tax was mainly attributable to the net effect of increase in listing expenses in 2014, which were non-tax deductible, the gain on deregistration of a subsidiary in 2014 and the gain on bargain purchase of subsidiaries in 2013, which were not taxable.

Profit attributable to owners of the parent

Our profit attributable to owners of the parent decreased by approximately 71.3% to approximately HK\$9.3 million for the year 31 December 2014 from approximately HK\$32.3 million for the preceding year primarily due to (i) the substantial increase in our administrative expenses, comprising mostly of the professional fees in relation to the Listing, and (ii) the increase in our cost of sales, both as discussed above.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2014, the Group had 75 employees (including the Directors). Employee costs (including Directors' emoluments) amounted approximately to HK\$8.3 million for the year ended 31 December 2014. Our remuneration policy for the Directors and our senior management members is based on their experience, level of responsibility, length of service and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members.

FOREIGN EXCHANGE RISK

Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated and settled in RMB. As of 31 December 2014, the Group did not have significant foreign currency exposure from its operations. However, our consolidated financial information is presented in Hong Kong dollars. Any appreciation or depreciation of Hong Kong dollar against Renminbi will affect our financial position and be reflected in the exchange reserve. The Group does not have a foreign currency hedging policy. The Directors monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting significant foreign currency hedging policy in the future.

LIQUIDITY, FINANCIAL AND RESOURCES

As at 31 December 2014, the net asset value of the Group was approximately HK\$364.8 million (2013: approximately HK\$215.3 million) and the carrying amount of the Group's cash and cash equivalents was approximately HK\$99.1 million (2013: HK\$75.6 million). The increase in net asset value and cash and cash equivalent of the Group was primarily due to the receipt of the net proceeds from the Share Offer. As at 31 December 2014, the Group had net current assets of approximately HK\$117.2 million (2013: approximately HK\$51.7 million) and its current ratio increased from 1.6 times as at 31 December 2013 to 5.7 times as at 31 December 2014. Current ratio is calculated by dividing current assets by current liabilities as at the end of the year. The increase in the current ratio is primarily due to (i) the prompt payment of wastewater treatment fees by our customers in 2014 which in turn reduced our receivables under service concession arrangements as at 31 December 2014 as compared with that of 31 December 2013, and (ii) the settlement of the other payables and accruals and an amount due to a related party.

As at 31 December 2014, the Group's total bank loans amounted to approximately HK\$18.3 million (2013: approximately HK\$17.6 million).

The Group's gearing ratio is calculated by dividing total debt by total equity and total debt is the sum of other payables and accruals, amounts due to a related party, interest-bearing bank borrowings and shareholders' loans which represent payables of the Group incurred not in the ordinary course of business. Our gearing ratio was 0.1 times (2013: 0.7 times). The decrease was primarily due to the increase in total equity as a result of the Share Offer.

CAPITAL EXPENDITURE

Our major capital expenditures consist primarily of expenditures to construct wastewater treatment facilities, purchases of property, plant and equipment and other upgrades and improvement works for the wastewater treatment facilities.

For the year ended 31 December 2014, our capital expenditures amounted to approximately HK\$14.7 million. These capital expenditures were funded by funds generated from our operating activities as well as bank loans.

USE OF PROCEED FROM INITIAL PUBLIC OFFERING

Based on the offer price of HK\$0.55 per offer share and 200,000,000 new shares offered by the Company, the net proceeds received by the Company from the Share Offer, after deducting the relevant underwriting commissions and other related listing expenses payable by the Company, was approximately HK\$77.6 million. The net proceeds is intended to be applied in a manner consistent with that in the Prospectus.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material event subsequent to the end of the reporting period and up to the date of this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the period from 25 February 2014 (date of incorporation of the Company) to 31 December 2014.

ANNUAL GENERAL MEETING (THE "AGM")

The 2015 AGM will be held on Friday, 8 May 2015 at 11:00 a.m. and the AGM notice will be published and dispatched to the shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the shareholders' entitlement to attend and vote at the AGM, the register of members will be closed from Wednesday, 6 May 2015 to Friday, 8 May

2015 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for attending the forthcoming AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 5 May 2015.

CORPORATE GOVERNANCE PRACTICES

As the Company's shares were initially listed on the Main Board of the Stock Exchange on 26 September 2014 (the "Listing Date"), the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") was not applicable to the Company for the period from 25 February 2014 (the date of incorporation of the Company) to 25 September 2014 (the date immediately before the Listing Date). The Company applied the principles and complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date to 31 December 2014 (the "Period").

AUDIT COMMITTEE'S REVIEW

The Company has established an audit committee (the "Audit Committee") in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises four members, namely Ms. Ng Chung Yan Linda (who is also the chairman of the Audit Committee), Mr. Ng Man Kung and Mr. Sze Yeuk Lung Benedict, all being independent non-executive Directors (the "INEDs") and Mr. Chau Chi Yan Benny, a non-executive Director. The Audit Committee and the Company's management have reviewed the accounting principles and practices adopted by the Group and the annual results of the Group for the year ended 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct governing securities transactions by the Directors. Following a specific enquiry made by the Company on the Directors, all of them have confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The shares of the Company were initially listed on the Main Board of the Stock Exchange on the Listing Date. The Company did not redeem any of its shares listed on the Main Board of the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares during the Period.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.ellhk.com>). The annual report will be dispatched to the shareholders and will be available on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

I would like to take this opportunity to express my most sincere thanks and gratitude to our shareholders, and various parties for their continuing support, the Directors and our staff for their dedication and hard work.

By order of the Board
ELL Environmental Holdings Limited
Chau On Ta Yuen
Chairman

Hong Kong, 18 March 2015

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