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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 ENHANCEMENT PROJECT FOR THE RUGAO HENGFA FACILITY

The Board is pleased to announce that on 15 April 2015, the Rugao ETDZ Administrative Committee and Everbest Water Treatment Development entered into the Rugao Hengfa Facility Enhancement BOT Agreement pursuant to which, among other things, Everbest Water Treatment Development shall invest in, and Rugao Hengfa shall undertake, the Enhancement Project according to the terms and conditions set out therein.

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

BACKGROUND

The Rugao ETDZ Administrative Committee and Everbest Water Treatment Development entered into agreements on 11 November 2003 and 9 September 2009, respectively, in relation to certain 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. The agreement was entered into after lengthy discussions among our Group, the Rugao ETDZ Administrative Committee and the related governmental authorities.

* *For identification purpose only*

As set out in the Prospectus, Rugao Hengfa Facility is required to be upgraded to conform to the New Discharge Standards. The Board is pleased to announce that on 15 April 2015, the Rugao ETDZ Administrative Committee and Everbest Water Treatment Development entered into the Rugao Hengfa Facility Enhancement BOT Agreement pursuant to which, among other things, Everbest Water Treatment Development shall invest in, and Rugao Hengfa shall undertake, the Enhancement Project according to the terms and conditions set out therein.

FACILITY ENHACEMENT AGREEMENT

The principal terms of the Rugao Hengfa Facility Enhancement BOT Agreement are set out below:

Date:	15 April 2015
Parties:	(i) Rugao ETDZ Administrative Committee (ii) Everbest Water Treatment Development
Key obligations of Everbest Water Treatment Development and Rugao Hengfa:	Everbest Water Treatment Development shall increase the registered capital of Rugao Hengfa by US\$4.0 million (equivalent to approximately HK\$31.2 million) in form of cash on or before 31 December 2015. Rugao Hengfa shall undertake the Enhancement Project.
Key obligations of the Rugao ETDZ Administrative Committee:	The Rugao ETDZ Administrative Committee shall: (i) allow Rugao Hengfa to exclusively use and occupy the Land Parcels for the Enhancement Project till the end of the Concession Period; (ii) assist Everbest Water Treatment Development to obtain all Authorisations; and (iii) increase the tariff for the Rugao Hengfa Facility after taking into account the construction costs of the Enhancement Project and the increase in the operation costs of the Rugao Hengfa Facility.
Expected completion date:	The expected completion date of the Enhancement Project will be 30 June 2015.

BASIS OF DETERMINATION AND SOURCE OF FUNDING

As disclosed in the Prospectus and as at the date of this announcement, the Company estimated that the capital expenditure of the Enhancement Project to be approximately HK\$48.3 million. On this basis, the Rugao ETDZ and Everbest Water Treatment Development had determined on arm's length basis that approximately US\$4.0 million (equivalent to approximately HK\$31.2 million) of such capital expenditure be invested in the Enhancement Project in form of registered capital injection in Rugao Hengfa in the timeframe specified in the Rugao Hengfa Facility Enhancement BOT Agreement. The Company shall fund the remaining amount of capital expenditure as and when such expenditure is incurred.

As at the date of this announcement, the Company intends to fund the capital expenditure of the Enhancement Project from the net proceeds it received from its initial public offering completed on 26 September 2014 in a manner consistent with that disclosed in the Prospectus. In the event the application of such proceeds materially deviates from the manner disclosed in the Prospectus, the Company shall inform its shareholders of such deviation by way of an announcement and shall comply with any applicable requirements under the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE RUGAO HENGFA FACILITY ENHANCEMENT BOT AGREEMENT

The investment by the Company in the Enhancement Project fulfills the national requirements set out in the Notice on Pollutants Discharge Standards and the local requirements set out in the Notice Wastewater Treatment Facilities Upgrade. Accordingly, the Rugao Hengfa Facility Enhancement BOT Agreement and the Enhancement Project are essential 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 Rugao Hengfa Facility Enhancement BOT 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.

INFOMRATION OF THE GROUP AND THE RUGO ETDZ ADMINISTRATIVE COMMITTEE

The Group is principally engaged in providing wastewater treatment facilities in Jiangsu Province, China, using the "Build — Operate — Transfer" (or BOT) model. It currently operates three wastewater treatment facilities, with one in Haian County and two in the Rugao ETDZ.

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 IMPLICATION

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

DEFINITION

In this announcement, unless context otherwise defined, the following expressions 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 Enhancement Project contemplated by the Rugao Hengfa Facility Enhancement BOT 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

“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”	the directors of the Company
“Enhancement Project”	the project to design and construct the improvement works to the Rugao Hengfa Facility to enable the facility to conform to the New Discharge Standards
“Everbest Water Treatment Development”	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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party which is a third party independent of the Company and its connected persons (as defined under the Listing Rules)
“Land Parcels”	a plot of land of approximately 12,000 square meters located in Lumen Village** (鹿門村) of Rugao City, Nantong, Jiangsu Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Discharge Standards”	Class 1-A Discharge Standard of GB18918-2002 as set out in the Notice on Pollutants Discharge Standards
“Notice on Pollutants Discharge Standards”	the Notice on Strict Implementation of Discharge Standard of Pollutants for Municipal Wastewater Treatment Plants** (《關於嚴格執行城鎮污水處理廠污染物排放標準的通知》) promulgated by the Ministry of Environmental Protection and implemented on 11 October 2005

“Notice on Wastewater Facilities Upgrade”	the Notice Relating to the Upgrade of Wastewater Treatment Facilities** (《關於現有污水處理設施提標改造的通知》) issued by Haiian government and Rugao City Environmental Protection Bureau** (如皋市環境保護局) on 4 March 2013
“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)
“Prospectus”	the prospectus issued by the Company on 12 September 2014 in connection with the offer of 200,000,000 shares of the Company
“Rugao ETDZ”	Rugao Economic and Technological Development Zone** (國家級如皋經濟技術開發區)
“Rugao ETDZ Administrative Committee”	Rugao ETDZ Administrative Administrative Committee** (江蘇省如皋經濟開發區管委會)
“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 on 27 November 2003
“Rugao Hengfa Facility”	the wastewater treatment facility operated by Rugao Hengfa in Rugao ETDZ, Natong City of Jiangsu Province, PRC
“Rugao Hengfa Facility Enhancement BOT Agreement”	the executed Rugao Hengfa Facility Enhancement BOT Agreement dated 15 April 2015 in relation to the Enhancement Project entered into between Everbest Water Treatment Development and the Rugao ETDZ Administrative Committee
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States

*In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with “**” is for identification purpose only.*

Unless otherwise specified in this announcement and for the purpose of illustration only, US\$ is translated into HK\$ at the rate of US\$1 = HK\$7.8. No representation has been made by the Company that any amount expressed in foreign currency in this announcement has been, could have been or could be converted at any rates at all.

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

Hong Kong, 15 April 2015

As at the date of this announcement, the Board comprises Mr. Chau On Ta Yuen (Chairman) and Mr. Chan Kwan (Chief Executive Officer) 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.