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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

PURCHASE OF BOILER

The Board is pleased to announce that on 21 January 2021, the Purchaser (a subsidiary which is indirectly held as to 95% by the Company) and the Supplier entered into the Agreement, pursuant to which the Purchaser has agreed to purchase, and the Supplier has agreed to manufacture and sell, the Boiler at a total consideration of RMB10,380,000 (exclusive of VAT).

As one or more of the applicable percentage ratios in respect of the Agreement exceed 5% but are all below 25%, the entering into of the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

* *For identification purpose only*

INTRODUCTION

The Board is pleased to announce that on 21 January 2021, the Purchaser (a subsidiary which is indirectly held as to 95% by the Company) and the Supplier entered into the Agreement, pursuant to which the Purchaser has agreed to purchase, and the Supplier has agreed to manufacture and sell, the Boiler at a total consideration of RMB10,380,000 (exclusive of VAT).

THE AGREEMENT

The principal terms of the Agreement are set out as follows:

Date	21 January 2021
Parties	(i) PT Sentosa Jaya Purnama, a subsidiary which is indirectly held as to 95% by the Company, as the purchaser; and (ii) Jinan Boiler Group Company Limited* (濟南鍋爐集團有限公司) as the supplier.
Particulars of the Boiler	A sub-high temperature and sub-high pressure hybrid efficient water-cooling vibrating grate boiler set
Consideration	RMB10,380,000 (exclusive of VAT), to be settled in the following manner: (i) within seven days after the signing of the Agreement, the Purchaser shall pay RMB200,000 to the Supplier as deposit, which is equivalent to approximately 1.93% of the Consideration (the “ Deposit ”); (ii) within 75 days after the signing of the Agreement, the Purchaser shall pay RMB2,914,000 to the Supplier, which is equivalent to approximately 28.07% of the Consideration; (iii) within 60 days after the Purchaser makes the payment of RMB2,914,000 to the Supplier in accordance with (ii) above, the Purchaser shall pay RMB3,114,000 to the Supplier, which is equivalent to 30% of the Consideration; and

- (iv) two weeks before the Boiler is dispatched from the factory of the Supplier for delivery to the Purchaser and upon the issuance of a bank guarantee in favour of the Purchaser with respect to the quality of the Boiler in an amount that is equivalent to 10% of the Consideration, the Purchaser shall pay RMB4,152,000 to the Supplier, which is equivalent to 40% of the Consideration.

All of the aforementioned payments shall be made in cash by way of electronic transfer.

Any VAT payable shall be borne by the Supplier entirely.

The Consideration was determined between the parties after arm's length negotiations and on normal commercial terms, taking into account the prevailing market price of equipment and machinery similar to the Boiler. The Consideration will be funded by banking facilities.

The Boiler is expected to be recorded in the Group's financial statements at cost.

Conditions precedent

- (i) The Purchaser shall have duly obtained all approvals and carried out all corporate procedures as may be required under applicable laws to effect its execution, delivery and performance of the Agreement;
- (ii) The Purchaser shall have obtained sufficient banking facilities to fund the purchase of the Boiler and have notified the Supplier in writing accordingly;
- (iii) All licences, permits, consents and approvals of, notices to and filings or registrations with any governmental authority required pursuant to any applicable law of any governmental authority in relation to the delivery, installation and usage of the Boiler, if necessary, have been made; and
- (iv) The Purchaser having paid the Deposit.

Delivery

The Boiler shall be dispatched by the Supplier from the Port of Shanghai within eight months of the Purchaser having paid 30% of the Consideration.

REASONS FOR THE PURCHASE

As disclosed in the announcements of the Company dated 31 December 2020 and 8 January 2021 (the “**Announcements**”), the Group has been exploring alternatives for its biomass power generation business in Jambi City, Indonesia (the “**Jambi Biomass Power Plants**”), including but not limited to the development of biofuel pellets business and the expansion of its business footprint into other parts of Indonesia. In particular, the Group plans to develop a new power plant in Bangka, Indonesia, which will have a capacity of 10 megawatts to generate electricity for distribution by a national power supplier under a pre-existing power supply arrangement (the “**Bangka Project**”). In addition to the purchase of the steam turbine generator set as disclosed in the Announcements, the Group considers that the purchase of the Boiler is also essential for the development of the Bangka Project, which is expected to commercialise by 2023. As with the purchase of the steam turbine generator set as disclosed in the Announcements, the Group considers that the rental and transportation of the existing boiler from the Jambi Biomass Power Plants for use in the Bangka Project may cause potential mechanical issues and it may not be more cost effective to purchase, customise and deliver a new Boiler to Bangka.

As disclosed in the Announcements, Bangka is in need of new power plants to replace outdated and inefficient power generators in order to support its steady growth in population and business activities. Considering the electricity consumption in Bangka comprises mostly household consumption, the Group envisions that its expertise in small scale power supply operations will give it a competitive advantage in such demographic environment. Additionally, if successful, the Bangka Project may be replicated in other outer islands of Indonesia to strengthen the Group’s income base for its long-term benefit.

The Directors consider that the terms and conditions of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Agreement exceed 5% but are all below 25%, the entering into of the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

INFORMATION ON THE SUPPLIER

The Supplier is a company incorporated under the laws of the PRC, principally engaged designing and manufacturing boilers and researching and developing technologies in relation to the environmental protection industry in the PRC. Based on information publicly available as at the date of this announcement, the Supplier is held as to approximately 31.9% by Yang Xu* (楊栩) and all other registered owners of the Supplier hold less than 30% of its registered capital. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Supplier and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

INFORMATION ON THE GROUP AND THE PURCHASER

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 two wastewater treatment facilities, one in Hai'an County and the other in the Rugao Economic and Technical Development Zone. The Group also owns a biomass power generation powerplant in Jambi City, Indonesia.

The Purchaser is a company incorporated in Indonesia and indirectly held as to 95% by the Company. It is principally engaged in investment in the development and operation of biomass power plants.

DEFINITIONS

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

“Agreement”	the boiler purchase agreement dated 21 January 2021 entered into between the Purchaser and the Supplier
“Board”	the board of Directors
“Boiler”	the boiler set as described in this announcement

“Company”	ELL Environmental Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1395)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the total consideration of the Boiler in the amount of RMB10,380,000 (exclusive of VAT)
“Director(s)”	director(s) of our Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Indonesia”	the Republic of Indonesia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong and the Macau Special Administrative Region
“Purchaser”	PT Sentosa Jaya Purnama, being a subsidiary which is indirectly held as to 95% by the Company
“RMB”	Renminbi, the lawful currency of the 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
“subsidiary”	has the meaning ascribed to it in the Listing Rules

“Supplier”	Jinan Boiler Group Company Limited* (濟南鍋爐集團有限公司), a company incorporated under the laws of the PRC, an independent third party of the Company
“USD”	United States dollar, the lawful currency of the United States of America
“VAT”	value-added tax
“%”	per cent

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

Hong Kong, 21 January 2021

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 non-executive Director, and Ms. Ng Chung Yan Linda, Mr. Ng Man Kung and Ms. Leung Bo Yee Nancy as independent non-executive Directors.