

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 STEAM TURBINE GENERATOR

The Board is pleased to announce that on 31 December 2020, the Purchaser (a subsidiary which is indirectly held as to 95% by the Company) entered into the Agreement, pursuant to which the Purchaser has agreed to purchase, and the Supplier has agreed to manufacture and sell, the Turbine Generator at a total consideration of USD1,020,000 (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 31 December 2020, the Purchaser (a subsidiary which is indirectly held as to 95% by the Company) entered into the Agreement, pursuant to which the Purchaser has agreed to purchase, and the Supplier has agreed to manufacture and sell, the Turbine Generator at a total consideration of USD1,020,000 (exclusive of VAT).

THE AGREEMENT

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

| | |
|--------------------------------------|---|
| Date | 31 December 2020 |
| Parties | (i) PT Sentosa Jaya Purnama, a subsidiary which is indirectly held as to 95% by the Company, as the purchaser; and (ii) Hangzhou Chinen Steam Turbine Power Company Limited* (杭州中能汽輪動力有限公司) as the supplier |
| Particulars of the Turbine Generator | Steam turbine generator set |
| Consideration | USD1,020,000 (exclusive of VAT), to be settled in the following manner: (i) within 75 days after the signing of the Agreement, the Purchaser shall pay USD204,000 to the Supplier as deposit, which is equivalent to 20% of the Consideration (the “ Deposit ”); (ii) within 40 days after paying the Deposit, the Purchaser shall pay USD204,000 to the Supplier, which is equivalent to 20% of the Consideration; (iii) within 90 days after paying the Deposit, the Purchaser shall pay USD204,000 to the Supplier, which is equivalent to 20% of the Consideration; and |

- (iv) 20 days before delivery of the Turbine Generator and upon the issuance of a bank guarantee in favour of the Purchaser in respect of the quality of the Turbine Generator, in an amount that is 10% of the Consideration, the Purchaser shall pay the remaining USD408,000, which is equivalent to 40% of the Consideration.

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

The 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 Turbine Generator. The Consideration will be funded by banking facilities.

The Turbine Generator 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 Turbine Generator 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 Turbine Generator, if necessary, have been made; and
- (iv) The Purchaser having paid the Deposit.

Delivery

The Turbine Generator shall (i) be dispatched by the Supplier from the Port of Shanghai within eight months of the Purchaser having paid the Deposit, and (ii) reach the Port of Jakarta within one month after such dispatchment.

REASONS FOR THE PURCHASE

As disclosed in the interim report of the Company for the six months ended 30 June 2020, taking into account the lower than expected utilisation rate of the Group's biomass power generation business in Jambi City, Indonesia (the "**Jambi Biomass Power Plants**"), the Group has been actively exploring alternatives for its Indonesian power supply business, including but not limited to the development of biofuel pellets business and the expansion of its business footprint into other parts of Indonesia. The purchase of the Turbine Generator will enable the Group to develop a new power plant in Bangka, Indonesia with 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**").

According to feasibility studies conducted by independent third party researchers, Bangka has been experiencing steady growth in population and business activities and is in need of new power plants to replace outdated and inefficient power generators in order to support its development. To the best of the Directors' knowledge, activities that require intense electricity consumption such as heavy industry businesses are less prevalent in outer islands of Indonesia, including Bangka. Given that household consumption still takes up the majority of Bangka's overall electricity consumption and the peak consumption capacity of Bangka is estimated to be around 152 megawatts, our Directors believe that such demographic environment, while less attractive to large scale PRC-state owned power supply companies which typically operate with a capacity of 300 megawatts, is suitable and less competitive for small scale power supply operation, which our Group specialises in.

Despite the fact that the operations of the Jambi Biomass Power Plants have been suspended, transporting existing equipment from Jambi City to Bangka may cause potential mechanical issues and may not necessarily be more cost effective than purchasing and customising brand new equipment to be directly delivered to Bangka. As such, the purchase of the Turbine Generator is essential for the development of the Bangka Project, which is currently expected to commercialise by 2023. The Bangka Project, if successful, may be replicated in other outer islands in Indonesia to help 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 in designing and manufacturing turbine generator and related equipment for various industries including the petroleum, construction, textile and electricity industries in the PRC. Based on information publicly available, the Supplier is directly held as to approximately 60.8% by Hangzhou Steam Turbine Company Limited* (杭州汽輪機股份有限公司), the majority stake of which is indirectly held by the State-owned Assets Supervision and Administration Commission of Hangzhou Municipal Government* (杭州市人民政府國有資產監督管理委員會). 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 turbine generator purchase agreement dated 31 December 2020 entered into between the Purchaser and the Supplier |
| “Board” | the board of Directors |
| “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 Turbine Generator in the amount of USD1,020,000 (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” | Hangzhou Chinen Steam Turbine Power Company Limited* (杭州中能汽輪動力有限公司), a company incorporated under the laws of the PRC, an independent third party of the Company |

| | |
|---------------------|---|
| “Turbine Generator” | the steam turbine generator set as described in this announcement |
| “USD” | United States dollar, the lawful currency of the United States of America |
| “VAT” | value-added tax |
| “%” | per cent |

* *For identification purposes only*

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

Hong Kong, 31 December 2020

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.