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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)

MAJOR TRANSACTION CONSTRUCTION CONTRACT IN RELATION TO THE CONSTRUCTION OF THE BANGKA PLANT

THE CONSTRUCTION CONTRACT

The Board is pleased to announce that on 23 December 2021, PT SJP and the Contractor entered into the Construction Contract, pursuant to which the Contractor has agreed to undertake the Construction Works in respect of the Bangka Plant at the Total Contract Price of approximately RMB48,000,000 (exclusive of VAT).

LISTING RULES IMPLICATIONS

On 9 June 2021, PT SJP entered into a Pile Foundation Contract with PT HYPEC, an indirect subsidiary of Power Construction Corporation, pursuant to which PT HYPEC agreed to provide pile foundation supply and piling works for the Bangka Plant at a contract price of approximately IDR2,911 million (equivalent to approximately RMB1,300,000) (exclusive of VAT). As the Pile Foundation Contract and the Construction Contract are entered into by PT SJP with associated counterparties within a 12-month period, these contracts will be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Construction Contract, when aggregated with the Pile Foundation Contract, exceed 25% but are less than 100%, the transactions contemplated under the Construction Contract and the Pile Foundation Contract constitute a major transaction and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Construction Contract and the transaction contemplated thereunder, and as such, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Construction Contract and the transaction contemplated thereunder.

In addition, the Company has obtained Written Shareholders' Approval for the Construction Contract and the transaction contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders who together, holding in total 562,500,000 Shares, representing in aggregate approximately 50.80% of the entire issued capital of the Company as at the date of this announcement. The names and the respective number of Shares held by the closely allied group of Shareholders are Everbest Environmental which holds 337,500,000 Shares is owned as to 20% by Mr. Chan Kwan, an executive Director and the chief executive officer of the Company and Wealthy Sea which holds 225,000,000 Shares is owned as to 90% by Mr. Chau On Ta Yuen, an executive Director and the chairman of the Board. The closely allied group of Shareholders have been Shareholders for over seven years and they have been voting in the same way in all resolutions since they were Shareholders.

On the basis that (i) no Shareholder of the Company is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Construction Contract and the transaction contemplated thereunder; and (ii) the Written Shareholders' Approval have been obtained, no extraordinary general meeting will be convened for the purpose of approving the Construction Contract as permitted under Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) details of the Construction Contract and the transaction contemplated thereunder; and (ii) other information required to be included in the circular pursuant to the Listing Rules is expected to be despatched to the Shareholders for their information, on or before 14 January 2022 in accordance with Rule 14.41(a) of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 23 December 2021, PT SJP and the Contractor entered into the Construction Contract, pursuant to which the Contractor has agreed to undertake the Construction Works in respect of the Bangka Plant at a Total Contract Price of approximately RMB48,000,000 (exclusive of VAT).

THE CONSTRUCTION CONTRACT

The principal terms of the Construction Contract are set out as follows:

Date:	23 December 2021
Parties:	(i) PT SJP as the owner; and (ii) Powerchina Sepco1 Electric Power Construction Co., Ltd. as the contractor.
Scope of Construction Works:	The construction and installation work in respect of the Bangka Plant based on the design drawings prepared by PT SJP at South Sadai Industrial Zone, Bangka, Indonesia, including but not limited to, the construction of the foundation, structure and roofing of the main building, the boiler steel structure foundation, the composite building, the dormitory building, the structure of the mechanical ventilation cooling tower and the ancillary works and the installation works for the Bangka Plant.
Construction period:	The Bangka Plant is expected to be grid-connected in 2023.
Total Contract Price:	The total amount payable by PT SJP to the Contractor is approximately RMB48,000,000 (exclusive of VAT), which comprises approximately RMB34,000,000 (exclusive of VAT) with respect to the construction works for the Bangka Plant (“ Construction Contract Price ”) and approximately RMB14,000,000 (exclusive of VAT) with respect to the installation works for the Bangka Plant (“ Installation Contract Price ”), subject to adjustments arising from the increase of actual work performed and/or change in design of the Construction Works.

The Total Contract Price shall be funded by the Company's internal resources and external borrowings.

The Total Contract Price was determined after arm's length negotiations between PT SJP and the Contractor and on normal commercial terms with reference to (i) the expected scope, complexity and quality of the Construction Works; (ii) the experience, competency and market position of the Contractor; (iii) the anticipated material and labour costs; and (iv) the prevailing market prices for carrying out construction works of comparable scale and complexity.

Payment terms and schedule:

The Total Contract Price shall be settled by way of bank transfer in the following manner:

(i) Prepayment

10% of the Total Contract Price shall be paid by PT SJP to the Contractor within 10 days upon receipt of the invoice and request of payment as well as the fulfilment of the conditions including (a) the Construction Contract becomes effective; and (b) a performance guarantee of an amount of 10% of the Total Contract Price (for a period of 12 months commencing from the date on which the Construction Contract becomes effective) being provided from the Contractor to PT SJP;

(ii) Construction

- (a) 10% of the Construction Contract Price shall be paid by PT SJP to the Contractor within 15 days upon receipt of the invoice and request of payment after the completion of the foundation of the main building;
- (b) 10% of the Construction Contract Price shall be paid by PT SJP to the Contractor within 15 days upon receipt of the invoice and request of payment after the safety inspection of the boiler steel structure foundation;

- (c) 10% of the Construction Contract Price shall be paid by PT SJP to the Contractor within 15 days upon receipt of the invoice and request of payment after the completion of the structure of the main building;
- (d) 10% of the Construction Contract Price shall be paid by PT SJP to the Contractor within 15 days upon receipt of the invoice and request of payment after the completion of roofing of the main building including, among others, the steam turbines and auxiliary systems;
- (e) 10% of the Construction Contract Price shall be paid by PT SJP to the Contractor within 15 days upon receipt of the invoice and request of payment after the completion of the composite building;
- (f) 10% of the Construction Contract Price shall be paid by PT SJP to the Contractor within 15 days upon receipt of the invoice and request of payment after the completion of the dormitory building;
- (g) 10% of the Construction Contract Price shall be paid by PT SJP to the Contractor within 15 days upon receipt of the invoice and request of payment after the completion of the structure of the mechanical ventilation cooling tower;
- (h) 7% of the Construction Contract Price shall be paid by PT SJP to the Contractor within 15 days upon receipt of the invoice and request of payment after the completion of ancillary works, including, among others, the construction of roads and pipe trenches;
- (i) 10% of the Construction Contract Price shall be paid by PT SJP to the Contractor within 15 days upon receipt of the invoice and request of payment after the successful trial operation of the relevant construction parts for 96 hours;

(iii) Installation

- (a) progress payment of 92% of the monthly progress payment shall be paid by PT SJP to the Contractor, within 15 days upon receipt of the invoice and request of payment in accordance to the actual installation progress for the Bangka Plant in that month, pursuant to which the prepaid portion of the Installation Contract Price shall be deducted from the monthly progress payment payable in five equal portions when the accumulated monthly progress payment reaches 40% of the Installation Contract Price;
- (b) 5% of the Installation Contract Price shall be paid by PT SJP to the Contractor within 15 days upon receipt of the invoice and request of payment after the successful trial operation of the relevant construction parts for 96 hours; and

(iv) Warranty

the remaining 3% of the Total Contract Price shall be paid by PT SJP to the Contractor within 30 days upon receipt of the invoice and request of payment, after the expiry of the warranty period of any defects of the Construction Works, and upon the issuance of the final acceptance certificate from PT SJP to the Contractor.

Warranty: The warranty period of any defects of the Construction Works shall be 12 months commencing from the successful trial operation of the relevant construction parts for 96 hours.

Conditions precedent to the Construction Contract: The Construction Contract is subject to, among other things, (i) the approval of the board of directors of PT SJP and the approval of the Shareholders; and (ii) the compliance with applicable laws and regulations (including but not limited to the applicable requirements under the Listing Rules).

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT

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 the Bangka Plant which will have a capacity of 10 megawatts to generate electricity for distribution by a national power supplier under a preexisting 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.

The Directors consider that constructing a new power plant in Bangka for that purpose is more cost effective and efficient than transporting the Jambi Biomass Power Plants to Bangka. 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. After entering into the Pile Foundation Contract as well as the commencement of the piling works thereunder, the Company considered it is necessary to continue the construction of the Bangka Plant followed by the completion of the piling works as stipulated under the Pile Foundation Contract. As such, the Company initiated the tendering process with multiple third-party contractors and after considering (i) the terms and quotations provided, (ii) the relevant qualifications and experiences in the relevant industry and (iii) their credibilities and track records, the Company shortlisted the Contractor and entered into the Construction Contract for the construction of the Bangka Plant.

Based on the reasons above, the Directors consider that the terms and conditions of the Construction Contract are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

To the best of the directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past 12 months, there has been, no material loan arrangement between (i) the Contractor, its directors and legal representative and any of its ultimate beneficial owner(s) who can exert influence on the transactions; and (ii) the Company, any connected person at the Company's level and/or any connected person of PT SJP.

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To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Construction Contract and the transaction contemplated thereunder, and as such, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Construction Contract and the transaction contemplated thereunder.

In addition, the Company has obtained Written Shareholders' Approval for the Construction Contract and the transaction contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders who together, holding in total 562,500,000 Shares, representing in aggregate of approximately 50.80% of the entire issued capital of the Company as at the date of this announcement. The names and the respective number of Shares held by the closely allied group of Shareholders are Everbest Environmental which holds 337,500,000 Shares is owned as to 20% by Mr. Chan Kwan, an executive Director and the chief executive officer of the Company and Wealthy Sea which holds 225,000,000 Shares is owned as to 90% by Mr. Chau On Ta Yuen, an executive Director and the chairman of the Board. The closely allied group of Shareholders have been Shareholders for over seven years and they have been voting in the same way in all resolutions since they were Shareholders.

On the basis that (i) no Shareholder of the Company is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Construction Contract and the transaction contemplated thereunder; and (ii) the Written Shareholders' Approval have been obtained, no extraordinary general meeting will be convened for the purpose of approving the Construction Contract as permitted under Rule 14.44 of the Listing Rules.

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INFORMATION ON THE GROUP AND PT SJP

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 Haiyan 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.

PT SJP is a limited liability company incorporated under the laws of 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.

INFORMATION ON THE CONTRACTOR

The Contractor is a company incorporated under the laws of the PRC, principally engaged in the development and construction of thermal power, nuclear power and biomass power projects, and the provision of related power transmission, power plant operation and maintenance services. The Contractor is directly wholly-owned by Power Construction Corporation, a state-owned enterprise of the PRC. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Contractor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

DEFINITIONS

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

“Bangka Plant”	the Group’s biomass power plant in Bangka, Indonesia
“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
“Construction Contract”	the construction contract entered into between PT SJP and the Contractor dated 23 December 2021
“Construction Works”	the construction and installation works in respect of the Bangka Plant based on the design drawings prepared by PT SJP at South Sadai Industrial Zone, Bangka, Indonesia
“Contractor”	Powerchina Sepco1 Electric Power Construction Co., Ltd. (中國電建集團山東電力建設第一工程有限公司), a company incorporated under the laws of the PRC, an independent third party of the Company
“Director(s)”	director(s) of the Company
“Everbest Environmental”	Everbest Environmental Investment Limited, is owned as to 50%, 30% and 20% by Ms. Wong Shu Ying, Ms. Judy Chan and Mr. Chan Kwan, an executive Director and the chief executive officer of the Company, respectively. Mr. Chan Kwan is the sole director of Everbest Environmental. Ms. Wong Shu Ying is the mother of all of Ms. Judy Chan, Mr. Chan Kwan and Mr. Chan Pak Lam Brian, the non-executive Director
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“IDR”	Indonesian Rupiah, the lawful currency of Indonesia
“Indonesia”	the Republic of Indonesia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pile Foundation Contract”	the pile foundation supply and piling contract entered into between PT SJP and PT HYPEC dated 9 June 2021
“Power Construction Corporation”	Power Construction Corporation of China (中國電力建設集團有限公司), a state-owned enterprise of the PRC, an independent third party of the Company
“PRC”	the People’s Republic of China, excluding Hong Kong and the Macau Special Administrative Region
“PT HYPEC”	PT HYPEC International, a limited liability company incorporated under the laws of Indonesia, an independent third party of the Company
“PT SJP”	PT Sentosa Jaya Purnama, 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
“Total Contract Price”	the contractual amount of approximately RMB48,000,000 (exclusive of VAT) subject to the adjustments under the Construction Contract
“VAT”	value-added tax

“Wealthy Sea”	Wealthy Sea Holdings Limited, is owned as to 90% and 10% by Mr. Chau On Ta Yuen, an executive Director and the chairman of the Board and his spouse, Ms. Wong Mei Ling, respectively
“Written Shareholders’ Approval”	the written approval dated 23 December 2021 given by Wealthy Sea and Everbest Environmental in respect of the Construction Contract and the transaction contemplated thereunder
“%”	per cent

For and on behalf of
ELL Environmental Holdings Limited
Chan Kwan
Executive Director and Chief Executive Officer

Hong Kong, 23 December 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 a non-executive Director, and Ms. Ng Chung Yan Linda, Mr. Ng Man Kung and Ms. Leung Bo Yee Nancy as independent non-executive Directors.

* *For identification purposes only*