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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO MAJOR TRANSACTION AND DELAY IN DESPATCH OF CIRCULAR

Reference is made to the announcement of ELL Environmental Holdings Limited (the “**Company**”) dated 15 March 2024 in relation to the Disposal of the Target Business by the Seller to the Purchaser pursuant to the Framework Agreement (the “**Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meaning as those defined in the Announcement.

Further to the disclosure made in the Announcement, the Board wishes to clarify and supplement the following information in relation to the Disposal.

Given (i) the Target Business is currently held by the Seller which also holds other assets which do not form part of the Target Business, and (ii) there will be time and cost involved in transferring the necessary operating licences and assets in relation to the Target Business to the Target Company, the parties agree to first enter into the Framework Agreement before conducting the Restructuring by transferring the Target Business to the Target Company for the purpose of allowing the Purchaser’s investment solely in the Target Business by way of a deemed disposal.

Upon Completion, taking into account the Target Company will settle the full amount of the Consideration by cash and the Company will continue to hold 20% equity interest in the Target Company, the net amount of Consideration to be received by the Seller would be IDR48 billion (equivalent to approximately HK\$24 million).

The total Consideration was IDR60 billion (equivalent to approximately HK\$30 million) determined after arm's length negotiation between the Seller and the Purchaser with reference to, among others (i) the initial investment cost of the Target Business of an aggregate amount of approximately USD3.8 million (equivalent to approximately HK\$30 million) given the Target Business only commenced in 2021 and is still at its ramping up stage, (ii) 100% of the unaudited net asset value attributable to the Target Business of approximately HK\$19.6 million, which is approximately HK\$10.4 million less than the initial investment cost of the Target Business primarily due to (a) depreciation of the fixed assets of the Target Business and (b) impairment of land cost of the Target Business, (iii) the historical financial performance of the Target Business which is not in its full scale of operation, (iv) the growth prospect of the Target Company based on the assumption of higher utilisation rate of the production capacity upon Completion of the Disposal resulting in achieving the economies of scale of production, (v) the prime condition of the machines belonging to the Target Business which have only been in use for less than two years, and (vi) the transaction costs of the Disposal of approximately HK\$3.7 million, of which tax payments in relation to the Disposal is expected to account for approximately HK\$2.1 million. As such, the total Consideration equals to the approximate amount of the total initial investment cost of the Target Business.

FINANCIAL EFFECT OF THE DISPOSAL

As disclosed in the Announcement, upon Completion, the Company will hold 20% equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Company. Based on the terms of the Framework Agreement, the remaining 20% equity interest in the Target Company will be accounted for as an investment in associate. Accordingly, the assets and liabilities as well as the financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group and instead, the Group's share of the profit or loss and other comprehensive income of the associate will be recognised in the consolidated financial statements of the Group.

Saved as disclosed above, all other information as set out in the Announcement remains unchanged and shall continue to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

DELAY IN DESPATCH OF CIRCULAR

As disclosed in the Announcement, a circular containing, among other things, (i) details of the Framework Agreement and the Disposal; and (ii) other information required to be included in the circular pursuant to the Listing Rules (the “**Circular**”) will be despatched to the Shareholders for their information on or before 10 April 2024.

As additional time is required for the Company to prepare and finalise the financial information to be included in the Circular, the Company had applied to the Stock Exchange for and the Stock Exchange has granted a waiver from strict compliance with the requirements set out in Rule 14.41(a) of the Listing Rules for an extension of the date of despatch of the Circular to on or before 26 April 2024.

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

Hong Kong, 10 April 2024

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*