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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in ELL Environmental Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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  
FRAMEWORK AGREEMENT IN RESPECT OF  
DISPOSAL OF TARGET BUSINESS**

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Unless the context otherwise requires, all capitalised terms in this cover page shall have the same meanings as those defined the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 4 to 15 of this circular.

The Company has obtained Written Shareholders’ Approval for the Framework Agreement and the Disposal in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders who together hold more than 50% of the entire issued capital of the Company. Accordingly, no extraordinary general meeting will be convened for the purpose of approving the Framework Agreement and Disposal as permitted under Rule 14.44 of the Listing Rules.

This circular is being despatched to the Shareholders for information only.

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Appendix I — Financial Information of the Group</b> .....	I-1
<b>Appendix II — General Information</b> .....	II-1

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms or expressions used shall have the following meanings:*

“Board”	the board of Directors
“Company”	ELL Environmental Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1395)
“Completion”	the completion of the Disposal
“Conditions Precedent”	the condition(s) precedent to the Completion as set out under the section headed “Framework Agreement — Conditions Precedent” of this circular
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the total consideration of IDR60.0 billion (equivalent to approximately HK\$30.0 million) in respect of the Disposal pursuant to the Framework Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the conditional deemed disposal of the Target Business by the Seller to the Purchaser pursuant to the Framework Agreement by the Purchaser subscribing for New Shares
“Everbest Environmental”	Everbest Environmental Investment Limited, is owned as to 50%, 30% and 20% by Ms. Wong, 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 is the mother of all of Ms. Judy Chan, Mr. Chan Kwan and Mr. Chan Pak Lam Brian, the non-executive Director of the Company
“Framework Agreement”	the framework agreement entered into between the Seller and the Purchaser dated 15 March 2024
“Group”	the Company and its subsidiaries from time to time
“Hightop”	Hightop Investment Limited

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## DEFINITIONS

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“HK\$”	Hong Kong Dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IDR”	Indonesian Rupiah, the lawful currency of Indonesia
“Latest Practicable Date”	13 May 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ministry of Law and Human Rights”	the Ministry of Law and Human Rights of the Republic of Indonesia
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Purchaser”	PT Indorama Eco Viridian, a limited liability company incorporated under the laws of Indonesia
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between Everbest Water Treatment Development Company Limited and CGN Environmental Protection Industry Co., Ltd. dated 21 July 2022 in relation to the sale of 70% of the issued share capital of Hai'an Hengfa Wastewater Treatment Company Limited at the total consideration of approximately RMB68.2 million (inclusive of applicable tax)
“Seller”	PT Rimba Palma Sejahtera Lestari, a limited liability company incorporated under the laws of Indonesia and a non-wholly owned subsidiary of the Company
“SFO”	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Share(s)”	ordinary share(s) of par value HK\$0.0001 each in the share capital of our Company

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## DEFINITIONS

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“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
“Target Business”	the wood pellet production business currently operated and managed by the Seller
“Target Company”	the new company to be formed by the Seller as part of the Disposal under the Framework Agreement, which has subsequently been established on 5 April 2024
“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 15 March 2024 given by a closely allied group of Shareholders in respect of the Framework Agreement and the Disposal
“%”	per cent

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Chau On Ta Yuen (*Chairman*)  
Mr. Chan Kwan (*Chief Executive Officer*)  
Mr. Radius Suhendra  
Mr. Chau Chi Yan Benny

*Registered Office:*

Cricket Square  
Hutchins Drive, P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Non-executive Director:*

Mr. Chan Pak Lam Brian

*Headquarters:*

Rugao Hengfa Municipal and Industrial  
Wastewater Treatment Facility  
North of Huimin Road  
Rugao Economic and Technological  
Development Zone  
Jiangsu Province, The PRC

*Independent Non-executive Directors:*

Ms. Ng Chung Yan Linda  
Mr. Ng Man Kung  
Ms. Leung Bo Yee Nancy

*Principal Place of Business in Hong Kong:*

Unit 2304, 23/F  
Westlands Centre  
20 Westlands Road  
Hong Kong

17 May 2024

*To the Shareholders*

Dear Sir or Madam

**MAJOR TRANSACTION  
FRAMEWORK AGREEMENT IN RESPECT OF  
DISPOSAL OF TARGET BUSINESS**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 15 March 2024 and the supplemental announcement of the Company dated 10 April 2024 in relation to the disposal of Target Business. On 15 March 2024 (after trading hours), the Seller and the

\* For identification purpose only

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## LETTER FROM THE BOARD

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Purchaser entered into the Framework Agreement, pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Target Business at the total consideration of IDR60.0 billion (equivalent to approximately HK\$30.0 million) in accordance with the terms and conditions of the Framework Agreement.

The purpose of this circular is to provide the Shareholders with further details of the Framework Agreement and Disposal, and such other information as required under the Listing Rules.

### THE FRAMEWORK AGREEMENT

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

**Date:** 15 March 2024

**Parties:**

- (i) PT Rimba Palma Sejahtera Lestari, a non-wholly owned subsidiary of the Company, as the seller; and
- (ii) PT Indorama Eco Viridian, as the purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

**Conditions to the Framework Agreement:** The Framework Agreement is valid upon:

- (i) the execution by the Parties; and
- (ii) the Company obtaining Shareholders' approval in respect of entering into the Framework Agreement.

**Long-stop date:** The Framework Agreement shall be valid for a period of one year upon execution or upon the Completion of the Disposal, whichever occurs first. In the event that the Disposal is not completed within one year, the term of the Framework Agreement may be extended for a further period of one year by written agreement of the Parties.

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## LETTER FROM THE BOARD

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**Subject matter of  
the Disposal:**

Pursuant to the Framework Agreement, the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Target Business.

The Seller shall establish the Target Company and transfer, among many others, its assets, land, permits, and/or inventories related to the Target Business to the Target Company (the “**Restructuring**”). Upon the completion of the Restructuring, the Purchaser shall subscribe for new shares to be issued by the Target Company (the “**New Shares**”), subject to the terms of the definitive agreements such that the Purchaser shall hold 80% of the enlarged issued share capital of the Target Company upon Completion of 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.

**Consideration, payment  
terms and schedule:**

The total Consideration of the Disposal was IDR60.0 billion (equivalent to approximately HK\$30.0 million), which may be subject to change, in accordance with the condition of the assets related to the Target Business and/or as may be mutually agreed by the Parties under the definitive agreements to be entered into between the Parties. The Company will ensure the adjustment to the Consideration (if any) to be fair and reasonable before entering into the definitive agreements.

In the event of any material change to the Consideration agreed in the definitive agreements, the Company will re-comply with Chapter 14 of the Listing Rules and announce any such change as and when appropriate.



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## LETTER FROM THE BOARD

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The payment of the Consideration shall be made in cash in the following manner upon Completion:

- (i) each of the Seller and the Purchaser shall subscribe new shares in the Target Company for capital contribution in the amount of IDR2.5 billion (equivalent to approximately HK\$1.25 million) and IDR10.0 billion (equivalent to approximately HK\$5.0 million), respectively, such that the Seller and the Purchaser shall own 20% and 80% interest in the Target Company upon Completion;
- (ii) the Purchaser shall provide a facility loan to the Target Company in the amount of IDR38.0 billion (equivalent to approximately HK\$19.0 million);
- (iii) the Seller shall provide a facility loan to the Target Company in the amount of IDR9.5 billion (equivalent to approximately HK\$4.75 million) (together with (ii) above, the “**Facility Loans**”);
- (iv) the Facility Loans are in proportion to the Purchaser’s and Seller’s shareholding interest for the purpose of settlement of the Consideration. Details of the terms of the Facility Loans shall be subject to the loan agreements to be entered into by the relevant parties; and
- (v) the Target Company will use the Facility Loans obtained from the Parties and the Target Company’s cash resources to settle the Consideration to the Seller.

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## LETTER FROM THE BOARD

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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 IDR48.0 billion (equivalent to approximately HK\$24.0 million). It is expected that the Consideration will be finalised by December 2024. The Company expected that (i) to (v) above will take place in or around December 2024.

At the time of incorporation of the Target Company, the number of directors on the board of the Target Company will be two. One director will be nominated by the Purchaser and the other one director will be nominated by the Seller. The Purchaser may nominate one more director to the board of the Target Company. In this regard, the Seller will have one director to sit on the board of the Target Company. The Parties intend to add the Target Company as a party to the Framework Agreement following its establishment. It is expected that the obligation will be imposed on the Target Company to timely settle the Consideration when the Parties enter into further definitive agreements.

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## LETTER FROM THE BOARD

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The total Consideration of IDR60.0 billion (equivalent to HK\$30.0 million) was 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\$30.0 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.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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**Conditions precedent:**

Completion of the Disposal shall be subject to the entering into of the definitive agreements and conditional upon, among others:

- (i) the Seller completing the Restructuring and all other actions that are incidental thereto;
- (ii) the due establishment of the Target Company by the Seller as evidenced by a deed of incorporation of the Target Company and receipt of the decision letter from the Ministry of Law and Human Rights on the approval of the establishment of a limited liability company;
- (iii) the Seller obtaining approval from its board of commissioners whose role and function is to supervise the board of directors, management policies and the course of management in general regarding both the company and the company's business carried out by the board of directors in respect of the Restructuring;
- (iv) the Seller obtaining approval and the necessary waiver from its shareholders in respect of the Restructuring and Disposal;
- (v) there is no objection from the creditors of the Seller;
- (vi) the Seller fulfilling its obligations in connection with the appointment of certified technical personnel;
- (vii) the Seller fulfilling its obligations in connection with the fulfillment of industrial development and production facilities, as required in certain business permits owned related to the Target Business and applicable laws and regulations, prior to the transfer of these certain permits to the Target Company; and
- (viii) the Seller obtaining approval from the Shareholders in respect of the Disposal.

The Purchaser may waive any Conditions Precedent in its sole and absolute discretion.

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## LETTER FROM THE BOARD

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Save for the establishment of the Target Company, PT. Indo Wood Pellets, on 5 April 2024, no other Conditions Precedent have been fulfilled as at the Latest Practicable Date.

**Irrevocable call option:**

The Seller irrevocably grants the Purchaser and/or other parties appointed by the Purchaser the right, but not the obligation, to purchase some or all of the Seller's shares in the Target Company and upon request by the Purchaser to buy the Seller's shares in the Target Company, the Seller is required to sell its shares to the Purchaser (the "Call Option").

The Parties agree that the Seller cannot transfer either some or all of the shares owned by the Seller in the Target Company to a third party, without prior written approval from the Purchaser.

The Call Option can be exercised by the Purchaser on one or more occasions at any time from the date the Purchaser subscribes to New Shares until the later of: (a) three years from the date of the Purchaser subscribing to New Shares, or (b) one year after the fulfilment of all conditions subsequent to the Framework Agreement.

The enterprise value pertinent to the Call Option is fixed at IDR67.0 billion for 100% ownership of the Target Company. The enterprise value of IDR67.0 billion was determined based on the Consideration of approximately IDR60.0 billion plus a capital expenditure of the Target Company of approximately IDR7.0 billion out of IDR8.5 billion to be advanced by the Purchaser to the Target Company in the form of a loan to increase the capacity of machines related to production of wood pellets. The enterprise value is higher than that of the historical net asset value attributable to the Target Business as at 31 December 2023 of approximately IDR39.2 billion, as the Target Business was still at its ramping up stage in 2023 and the Target Company is expected to operate at its full capacity in future. The exercise price of the Call Option will be determined by multiplying the percentage of shares invoked under the Call Option by IDR67.0 billion. More detailed terms and conditions of the Call Option will be specified in the definitive agreements.

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## LETTER FROM THE BOARD

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**Completion:** Completion of the Disposal shall take place after the fulfillment of the Conditions Precedent.

Upon Completion, the Company is expected to hold 20% equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

### INFORMATION ON THE TARGET BUSINESS

The Seller is a non-wholly owned subsidiary of the Company and is primarily engaged in biofuel pellet production businesses in Jambi, Indonesia. The core raw material used in the production process is wood pellets, which are typically generated from the production of wood products. The Seller commenced its Target Business in 2021 and as at the Latest Practicable Date, the Seller has a production plant to process wood pellets for sale to power plants in Southeast Asia.

The assets and inventories relevant to the Target Business include (i) operational assets such as factory machines, factory vehicles, factory equipment, and factory buildings associated with the wood pellet plant, and (ii) inventory assets such as raw materials and wood pellet. The Target Business also consists of a parcel of land with an area of approximately 64,000 m<sup>2</sup> located in Kelurahan Payo Selincah, Kecamatan Paal Merah, Kota Jambi, Provinsi Jambi. Currently, the Seller holds the primary industry business permits for wood forest products and shall convert them into forest product processing business permits which will be transferred to the Target Company.

Set out below is the unaudited financial information of the Target Business for the two years ended 31 December 2022 and 2023:

	<b>For the year ended 31 December 2022 HK\$'000 (unaudited)</b>	<b>For the year ended 31 December 2023 HK\$'000 (unaudited)</b>
Revenue attributable to the Target Business	17,898	13,809
Net loss attributable to the Target Business before taxation	17,519	1,231
Net loss attributable to the Target Business after taxation	17,519	1,231

As at 31 December 2023, the unaudited net asset value attributable to the Target Business was approximately HK\$19.6 million.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECT OF THE DISPOSAL

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.

Subject to the entering into of the definitive agreements, it is estimated that the Company will recognise an estimated gain of IDR13.4 billion (equivalent to HK\$6.7 million) on the Disposal upon Completion. The estimated gain was calculated with reference to the difference between the Consideration for the Target Business of approximately IDR60.0 billion (equivalent to approximately HK\$30.0 million) after deducting (i) the unaudited net asset value attributable to the Target Business of approximately IDR39.2 billion (equivalent to approximately HK\$19.6 million) as at 31 December 2023; and (ii) the transaction costs and expenses of the Disposal of approximately IDR7.4 billion (equivalent to approximately HK\$3.7 million). The above financial impact is shown for illustrative purpose only and the actual gain or loss as a result of the Disposal to be recorded by the Company is subject to the terms of the definitive agreements and review by the auditors of the Group and will be assessed after Completion.

### INFORMATION RELATING TO THE GROUP AND THE PURCHASER

#### The Group

The Group is principally engaged in providing wastewater treatment facilities in Jiangsu Province, China, using the "Build – Operate – Transfer" (or BOT) model. The Group also owns a biomass power generation power plant in Jambi, Indonesia and is in the process of developing a biomass power plant in Bangka, Indonesia ("**Bangka Plant**").

The Seller is a limited liability company incorporated under the laws of Indonesia, a non-wholly owned subsidiary of the Company which principally engaged in biofuel pellet production businesses in Jambi, Indonesia.

#### The Purchaser

The Purchaser is a limited liability company incorporated under the laws of Indonesia, which principally engaged in investment in environmentally sustainable industries and green businesses in Indonesia, which is ultimately owned by a discretionary trust for the benefits of Mr. Sri Prakash Lohia, an Indonesian resident, and his immediate family members.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

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## LETTER FROM THE BOARD

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### REASONS AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

The Board is of the view that subject to the terms of the definitive agreements, the Disposal generate a net proceeds of approximately IDR40.6 billion (equivalent to approximately HK\$20.3 million). After the completion of the Disposal, the Group will continue to operate its business in relation to wastewater treatment facilities operation, biomass power construction services and information technology services. The audited revenue from the remaining operations for the year ended 31 December 2023 was approximately HK\$99.0 million. The Company expects that it can still generate stable revenue in the foreseeable future. The Disposal will not affect the other operations and business model of the Company. As the Target Business had been in a loss-making position for the two years ended 31 December 2022 and 2023, the Group expects that the Disposal would reduce the level of losses and improve its overall profitability of the Group. Furthermore, the proceeds from the Disposal would allow the Group to reallocate its financial resources to repay some of its existing external borrowings which could assist the Group to reduce its annual finance costs and lower its gearing ratio given the current high interest rate environment. The Group will use all of the proceeds from the Disposal to repay existing borrowings of approximately HK\$20.3 million from independent third parties by early 2025.

The Disposal also allows the Group to focus on the wastewater treatment facilities operated by Rugao Hengfa Water Treatment Company Limited, the development project of the Bangka Plant, and other businesses which the Group considers to be more profitable and have a higher return and development potential. The Company has not identified any potential acquisition targets or other businesses that are relevant to the Group's business. Given the high interest rate environment which discourages bank borrowings, the Directors had not considered any alternative fund-raising activities.

Based on the reasons above, the Directors (including independent non-executive Directors) are of the view that the terms of the Framework Agreement and the Disposal are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal under the Framework Agreement is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements thereunder.

In addition, the Company has obtained Written Shareholders' Approval for the Framework Agreement and the Disposal in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders who together hold in total 562,500,000 Shares, representing in aggregate approximately 51% of the entire issued capital of the Company as at the Latest Practicable Date. The names and the respective number of Shares held by the closely allied group of Shareholders are (i) Everbest Environmental which holds 492,500,000 Shares, 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



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## LETTER FROM THE BOARD

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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 and Mr. Chan Kwan), and (ii) Wealthy Sea which holds 70,000,000 Shares and 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 nine 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 Framework Agreement and the Disposal; and (ii) the Written Shareholders' Approval has been obtained, no extraordinary general meeting will be convened for the purpose of approving the Framework Agreement and the Disposal as permitted under Rule 14.44 of the Listing Rules.

### RECOMMENDATION

Although no general meeting of the Company will be convened for the approval of the Framework Agreement and the Disposal, the Board (including the independent non-executive Directors) considers that the terms of the Framework Agreement are on normal commercial terms, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, if a general meeting of the Company was convened for the approval of the Framework Agreement and the Disposal, the Board would have recommended that all Shareholders vote in favour of the resolutions to approve the Framework Agreement and the Disposal.

### ADDITIONAL INFORMATION

Your attention is drawn to the financial information of the Group and general information set out in the appendices to this circular.

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

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the financial years ended 31 December 2021, 2022 and 2023 are disclosed in the following documents which have been published both on the websites of the Stock Exchange at <https://www.hkexnews.hk> and the Company at <http://www.ellhk.com>:

- Annual report of the Company for the year ended 31 December 2021 (pages 122 to 276)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042802993.pdf>
- Annual report of the Company for the year ended 31 December 2022 (pages 130 to 288)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042701139.pdf>
- Annual report of the Company for the year ended 31 December 2023 (pages 134 to 296)  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042501506.pdf>

## INDEBTEDNESS

### Borrowings

As at the close of business on 31 March 2024, the total amount of our utilised bank borrowings was HK\$58.2 million, of which HK\$18.0 million was repayable on demand, HK\$22.2 million was repayable within one year and HK\$18.0 million was repayable within two to five years. All HK\$58.2 million of the outstanding bank borrowings were denominated in HK\$. Out of the HK\$58.2 million outstanding bank borrowings, HK\$18.0 million bore a floating interest rate of 1.4% per annum over the Hong Kong Interbank Offered Rate, HK\$20.0 million bore a floating interest rate of 1% below Hong Kong Dollar prime rate and HK\$20.2 million bore a floating interest rate of 0.8% per annum over the Hong Kong Interbank Offered Rate. We had HK\$28.7 million unutilised banking facilities as at 31 March 2024.

As at the close of business on 31 March 2024, the Company had an outstanding borrowing from independent third parties of the Group amounted to HK\$23.9 million, which bore a fixed interest rate of 8% per annum. The loan was repayable within two to five years.

As at the close of business on 31 March 2024, the Company had outstanding amounts due to related parties of the Group amounted to HK\$98.5 million, of which HK\$49.0 million bore a fixed interest rate of 8% per annum and HK\$49.5 million bore a fixed interest rate of 6% per annum. All HK\$98.5 million was repayable within two to five years. To the best knowledge of the Directors and management of the Group, all the interest rates of the above borrowings were determined on arm's length basis.

**Contingent Liabilities**

As at the close of business on 31 March 2024, the Group did not have any material contingent liabilities.

**Lease Liabilities**

As at the close of business on 31 March 2024, the Group had total lease liabilities, primarily the rental payable for the Group's office premise of approximately HK\$0.4 million.

**Commitments**

As at the close of business on 31 March 2024, the Group had total capital commitments of approximately HK\$13.5 million.

Save as disclosed above, as at the close of business on 31 March 2024, the Company did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, loans or term loans (secured, unsecured, guaranteed or otherwise), other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

**2. WORKING CAPITAL**

The Directors, after due and careful considerations, are of the opinion that, after taking into account the financial resources available to the Group including cash and cash equivalent on hand and the existing facilities, the Group has, in the absence of unforeseeable circumstances, sufficient working capital for its present requirement for the next 12 months from the date of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

### 3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

With regard to the business in Indonesia, the Bangka Plant is in the final phase of construction and is expected to commence operation in mid-2024. The Group and the local government have agreed on the sale of electricity and have entered into the power supply agreement with PT Perusahaan Listrik Negara (Persero) (also known as State Electricity Company), an Indonesian government owned corporation. It is expected to supply electricity to the national grid at a fixed price for 25 years starting from 2024.

Regardless of changes in the external economic environment, the Group will continue to adapt to market fluctuations and capitalise on domestic and foreign opportunities in accordance with national policies. Sustainable development has become a global trend and the Group is committed to contributing to environmental protection. As for wastewater treatment in China, the Group will further consolidate its existing foundation, provide excellent services and continue to contribute to the improvement of water quality in China.

In 2023, the Group commenced the data center business in Indonesia, where the Seller provides technology and information services to its customers. These services encompass computer system analysis and technical support.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects, is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors' and chief executive's interests and short positions in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered on the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors/chief executive	Capacity/nature of interest	Number of Shares held	Approximate percentage of shareholding interest in the Company
Mr. Chau On Ta Yuen	Interest in a controlled corporation	225,000,000 <sup>(1)(L)</sup>	20.32%
Mr. Chan Kwan	Interest in a controlled corporation	508,200,000 <sup>(2)(L)</sup>	45.90%

*Notes:*

- (1) By virtue of the SFO, Mr. Chau On Ta Yuen is deemed to be interested in 225,000,000 Shares, including (i) 70,000,000 Shares beneficially owned by Wealthy Sea which is owned as to 90% and 10% by Mr. Chau On Ta Yuen, an executive Director and the chairman of the Board, and Ms. Wong Mei Ling, the wife of Mr. Chau, respectively, and (ii) 155,000,000 Shares charged by Everbest Environmental in favour of Wealthy Sea in order to secure the obligations of Everbest Environmental under a loan agreement.

- (2) Everbest Environmental which held 492,500,000 Shares 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. Brian Chan, the non-executive Director. Mr. Chan Kwan also owns 20% of the issued shares in Kingdrive Limited which in turn owns 100% of the issued shares in Carlton Asia. Carlton Asia held 15,700,000 Shares and is accustomed to act in accordance with the directions of Mr. Chan Kwan.
- (L) All the above Shares were held in long position.

Save as disclosed above and to the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code set out in Appendix 10 to the Listing Rules.

#### Substantial Shareholder's Interest and Short Positions in the Shares and Underlying Shares of the Company

As at the Latest Practicable Date, the following persons/entities (other than directors of the Company) had interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholders	Capacity/nature of interest	Number of Shares held	Total	Approximate percentage of shareholding interest in the Company
Everbest Environmental	Beneficial interest	492,500,000 <sup>(1)(L)</sup>	492,500,000	44.48%
Ms. Wong Shu Ying	Beneficial interest Interest in controlled corporations	18,915,000 <sup>(1)(L)</sup> 507,165,000 <sup>(1)(L)</sup>	526,080,000	47.51%
Mr. Chan Chun Keung	Interest in a controlled corporation Interest held by spouse	14,665,000 <sup>(2)(L)</sup> 511,415,000 <sup>(1)(2)(L)</sup>	526,080,000	47.51%

Name of substantial shareholders	Capacity/nature of interest	Number of Shares held	Total	Approximate percentage of shareholding interest in the Company
Wealthy Sea	Beneficial interest Security interest in shares	70,000,000 <sup>(3)(L)</sup> 155,000,000 <sup>(3)(L)</sup>	225,000,000	20.32%
Ms. Wong Mei Ling	Interest held by spouse	225,000,000 <sup>(3)(L)</sup>	225,000,000	20.32%
Morgan Top Trading Co., Ltd.	Beneficial interest	143,300,000 <sup>(L)</sup>	143,300,000	12.94%

*Notes:*

- (1) Each of Everbest Environmental and Hightop is owned as to 50% by Ms. Wong Shu Ying and, therefore, Ms. Wong Shu Ying is deemed to be interested in the 492,500,000 Shares and 14,665,000 Shares held by Everbest Environmental and Hightop respectively pursuant to the SFO. Also, Ms. Wong Shu Ying is beneficially interested in 18,915,000 Shares.
  - (2) Hightop is also owned as to 50% by Mr. Chan Chun Keung, the husband of Ms. Wong Shu Ying. Therefore, Mr. Chan Chun Keung is deemed to be interested in the 14,665,000 Shares held by Hightop, 492,500,000 Shares deemed to be held by Ms. Wong Shu Ying through Everbest Environmental and 18,915,000 Shares beneficially owned by Ms. Wong Shu Ying pursuant to the SFO.
  - (3) Wealthy Sea is owned as to 90% and 10% by Mr. Chau On Ta Yuen, an executive Director and the Chairman, and Ms. Wong Mei Ling, the wife of Mr. Chau On Ta Yuen, respectively. Everbest Environmental has charged 155,000,000 Shares in favour of Wealthy Sea in order to secure the obligations of Everbest Environmental under a loan agreement. Ms. Wong Mei Ling is, therefore, deemed to be interested in the 225,000,000 Shares held by Wealthy Sea controlled by Mr. Chau pursuant to the SFO.
- (L) All the above Shares were held in long position.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has or is proposed to have a service contract or letter of appointment with the Company that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023 (being the date to which the latest published audited consolidated results of the Company have been made up).

**5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

**6. DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

As at the Latest Practicable Date, save as disclosed in the annual report of the Company for the year ended 31 December 2023:

- (a) none of the Directors had any interest, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited consolidated results of the Company were made up; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

**7. MATERIAL LITIGATION**

As at the Latest Practicable Date, save as disclosed in the annual report of the Company for the year ended 31 December 2023, to the best of the Directors' knowledge, information and belief, the Group was not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

**8. MATERIAL CONTRACTS**

The following contracts (not being in the ordinary course of business of the Group) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date that are or may be material:

- (a) Sale and Purchase Agreement; and
- (b) Framework Agreement.



**9. GENERAL**

- (a) The company secretary of the Company is Ms. Tung Wing Yee Winnie, who is a senior corporate secretarial manager of Boardroom Corporate Services (HK) Limited, and a fellow member of The Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia.
- (b) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The principal place of business of the Company in Hong Kong is Unit 2304, 23/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Boardroom Share Registrars (HK) Limited, Room 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong.

**10. DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the Sale and Purchase Agreement and Framework Agreement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.ellhk.com/>) from the date of this circular up to and including 31 May 2024.

**11. MISCELLANEOUS**

In the event of any inconsistency, the English version of this circular shall prevail over the Chinese version.