

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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)

ANNOUNCEMENT OF FINAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL SUMMARY

- Revenue for FY2022 amounted to HK\$203.6 million (FY2021: HK\$103.1 million), representing an increase of 97.5% as compared with FY2021.
- Gross profit for FY2022 was HK\$60.6 million (FY2021: HK\$53.6 million), representing an increase of 12.9% as compared with FY2021.
- Profit before tax for FY2022 was HK\$14.0 million (FY2021: HK\$22.9 million), representing a decrease of 38.7% as compared with FY2021.
- Net loss for FY2022 was HK\$2.2 million (FY2021: net profit of HK\$11.5 million).
- No final dividend has been recommended by the Board for FY2022 (FY2021: nil).

The board of directors of ELL Environmental Holdings Limited (the “**Board**”, the “**Directors**” and the “**Company**”, respectively) is pleased to announce the audited annual consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**ELL Environmental**”) for the year ended 31 December 2022 (“**FY2022**” or the “**Year**”).

The audited annual consolidated results of the Group for FY2022, together with the comparative figures for the year ended 31 December 2021 (“**FY2021**”), are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue	3	203,659	103,136
Cost of sales		<u>(143,090)</u>	<u>(49,498)</u>
Gross profit		60,569	53,638
Other income and net gains		4,942	4,456
Loss on disposal of a subsidiary	16	(359)	—
Impairment losses under expected credit loss model		(2,772)	(3,250)
Distribution and selling expenses		(8,509)	—
Administrative expenses		(30,539)	(27,536)
Finance costs	5	<u>(9,298)</u>	<u>(4,408)</u>
Profit before tax	6	14,034	22,900
Income tax expense	7	<u>(16,236)</u>	<u>(11,394)</u>
(Loss)/profit for the year		<u><u>(2,202)</u></u>	<u><u>11,506</u></u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(3,291)	6,145
Non-controlling interests		<u>1,089</u>	<u>5,361</u>
		<u><u>(2,202)</u></u>	<u><u>11,506</u></u>
		HK cent	HK cent
(Loss)/earnings per share	9		
— Basic		<u><u>(0.30)</u></u>	<u><u>0.55</u></u>
— Diluted		<u><u>(0.30)</u></u>	<u><u>0.55</u></u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
(Loss)/profit for the year	(2,202)	11,506
Other comprehensive (expense)/income		
<i>Item that will not be reclassified to profit or loss:</i>		
Actuarial gain of defined benefit retirement plan	28	754
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(41,051)	8,813
Reclassification of cumulative exchange reserve to profit or loss upon disposal of a subsidiary	(3,693)	—
Net fair value loss on debt instrument at fair value through other comprehensive income	(1,429)	(1,303)
Release on redemption of debt instrument at fair value through other comprehensive income	—	5
Impairment loss for debt instrument at fair value through other comprehensive income included in profit or loss	2,381	—
Other comprehensive (expense)/income for the year, net of income tax	(43,764)	8,269
Total comprehensive (expense)/income for the year	(45,966)	19,775
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	(44,365)	13,265
Non-controlling interests	(1,601)	6,510
	(45,966)	19,775

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		64,129	71,490
Receivables under service concession arrangements	10	298,498	313,194
Goodwill		—	—
Debt instrument at fair value through other comprehensive income		583	2,012
Other financial assets at amortised cost		—	14
Prepayments and other receivables		312	341
Restricted bank deposits		—	2,960
		<u>363,522</u>	<u>390,011</u>
CURRENT ASSETS			
Inventories		4,417	1,973
Trade receivables	11	414	73
Receivables under service concession arrangements	10	28,327	25,559
Prepayments and other receivables		94,360	30,867
Other financial assets at amortised cost		—	5
Restricted bank deposits		5,405	2,960
Time deposits		—	12,269
Bank balances and cash		34,611	65,054
		<u>167,534</u>	<u>138,760</u>
CURRENT LIABILITIES			
Trade payables	12	5,466	3,301
Other payables and accruals		10,126	5,984
Amounts due to related parties	13	90,977	35,207
Borrowings	14	41,867	35,107
Lease liabilities		438	472
Income tax payable		6,994	4,972
		<u>155,868</u>	<u>85,043</u>
NET CURRENT ASSETS		<u>11,666</u>	<u>53,717</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>375,188</u></u>	<u><u>443,728</u></u>

	NOTES	2022 HK\$'000	2021 HK\$'000
CAPITAL AND RESERVES			
Share capital	15	111	111
Reserves		<u>308,389</u>	<u>352,754</u>
Equity attributable to owners of the Company		308,500	352,865
Non-controlling interests		<u>(5,608)</u>	<u>30,200</u>
TOTAL EQUITY		<u>302,892</u>	<u>383,065</u>
NON-CURRENT LIABILITIES			
Amounts due to related parties	13	14,567	4,000
Borrowings	14	20,000	—
Lease liabilities		557	—
Deferred tax liabilities		22,891	36,620
Provision for major overhauls		13,352	18,978
Retirement benefit obligations		<u>929</u>	<u>1,065</u>
		<u>72,296</u>	<u>60,663</u>
		<u>375,188</u>	<u>443,728</u>

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred to as the “**Group**”) has applied the following amendments to HKFRSs issued by HKICPA for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022, for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds Before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE

	2022 HK\$'000	2021 HK\$'000
Types of goods and services		
Wastewater treatment facilities operation services	52,126	64,384
Wastewater treatment facilities construction services	—	420
Biomass power construction services	114,389	22,535
Sales of biofuel	18,886	72
	<u>185,401</u>	<u>87,411</u>
Revenue from goods and services	185,401	87,411
Imputed interest income on receivables under service concession arrangements	18,258	15,725
	<u>18,258</u>	<u>15,725</u>
	<u><u>203,659</u></u>	<u><u>103,136</u></u>

4. SEGMENTAL INFORMATION

The Group is engaged in the construction and operation of wastewater treatment facilities, construction of biomass power plant and sales of biofuel business. Information reported to the executive directors of the Company, being the chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on geographical locations of its manpower and customers, including Hong Kong, the People's Republic of China (the "PRC" or "China") and Indonesia. No operating segments have been aggregated in arriving at the reporting segments of the Group.

Segment Revenue and Results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December 2022

	Hong Kong HK\$'000	PRC HK\$'000	Indonesia HK\$'000	Total HK\$'000
Results				
Segment revenue	<u>—</u>	<u>65,847</u>	<u>137,812</u>	<u>203,659</u>
Segment (loss)/profit	<u>(21,994)</u>	<u>28,165</u>	<u>7,863</u>	<u>14,034</u>
Unallocated expenses				
Administrative expenses				<u>—</u>
Profit before tax				<u><u>14,034</u></u>

For the year ended 31 December 2021

	Hong Kong HK\$'000	PRC HK\$'000	Indonesia HK\$'000	Total HK\$'000
Results				
Segment revenue	<u>—</u>	<u>79,743</u>	<u>23,393</u>	<u>103,136</u>
Segment (loss)/profit	<u>(12,353)</u>	<u>45,213</u>	<u>(9,960)</u>	<u>22,900</u>
Unallocated expenses				
Administrative expenses				<u>—</u>
Profit before tax				<u>22,900</u>

There are no inter-segment sales for both years.

All of the segment revenue reported above is from external customers.

Segment Assets and Liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

As at 31 December 2022

	Hong Kong HK\$'000	PRC HK\$'000	Indonesia HK\$'000	Total HK\$'000
Assets				
Segment and total consolidated assets	<u>82,129</u>	<u>209,834</u>	<u>239,093</u>	<u>531,056</u>
Liabilities				
Segment and total consolidated liabilities	<u>176,492</u>	<u>35,487</u>	<u>16,185</u>	<u>228,164</u>

As at 31 December 2021

	Hong Kong HK\$'000	PRC HK\$'000	Indonesia HK\$'000	Total HK\$'000
Assets				
Segment and total consolidated assets	<u>9,120</u>	<u>367,885</u>	<u>151,766</u>	<u>528,771</u>
Liabilities				
Segment and total consolidated liabilities	<u>77,061</u>	<u>65,454</u>	<u>3,191</u>	<u>145,706</u>

OTHER SEGMENT INFORMATION

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 31 December 2022

	Hong Kong HK\$'000	PRC HK\$'000	Indonesia HK\$'000	Total HK\$'000
Additions to non-current assets (<i>note</i>)	1,029	308	3,838	5,175
Depreciation of property, plant and equipment	443	508	5,017	5,968
Impairment losses under expected credit loss model	2,381	374	17	2,772
Reversal of write-down of inventories	—	—	897	897
Interest income from advance to a third party	—	600	—	600
Bank interest income	4	492	197	693
Finance costs	8,211	1,087	—	9,298

For the year ended 31 December 2021

	Hong Kong HK\$'000	PRC HK\$'000	Indonesia HK\$'000	Total HK\$'000
Additions to non-current assets (<i>note</i>)	—	91	4,449	4,540
Depreciation of property, plant and equipment	543	464	4,334	5,341
Impairment losses under expected credit loss model	—	1,008	2,242	3,250
Write-down of inventories	—	—	1,058	1,058
Interest income from advance to a third party	—	975	—	975
Bank interest income	3	245	265	513
Finance costs	3,438	970	—	4,408

Geographical information

The Group's non-current assets by geographical locations of the assets are detailed below:

	2022 HK\$'000	2021 HK\$'000
Hong Kong	857	453
PRC	662	1,494
Indonesia	62,610	69,543
	<u>64,129</u>	<u>71,490</u>

Note: Non-current assets excluded receivables under service concession arrangements, debt instrument at fair value through other comprehensive income (“FVTOCI”), other financial assets at amortised cost, prepayments and other receivables and restricted bank deposits.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Group's revenue are as follows:

	2022 HK\$'000	2021 HK\$'000
Customer A from the PRC segment	N/A*	37,329
Customer B from the PRC segment	46,201	42,414
Customer C from the Indonesia segment	118,926	23,321

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest on borrowings	2,518	1,362
Interest on loans from related parties	5,676	2,048
Interest on lease liabilities	22	28
Increase in discounted amounts of provision for major overhauls arising from the passage of time	1,082	970
	<u>9,298</u>	<u>4,408</u>

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2022 HK\$'000	2021 HK\$'000
Staff cost (including directors' remuneration):		
Salaries, allowances and benefits in kind	14,298	12,634
Discretionary bonus	800	382
Pension scheme contributions (<i>note (a)</i>)	1,819	2,067
Less: Amount capitalised in inventories	(39)	(336)
Less: Amount recognised in cost of sales	<u>(2,305)</u>	<u>(37)</u>
	<u>14,573</u>	<u>14,710</u>
Depreciation of property, plant and equipment	5,968	5,341
Less: Amount capitalised in inventories	(28)	(650)
Less: Amount recognised in cost of sales	<u>(1,435)</u>	<u>(72)</u>
	<u>4,505</u>	<u>4,619</u>
Impairment losses recognised on:		
— Other receivables	374	1,008
— Other financial assets at amortised cost	17	2,242
— Debt instrument at FVTOCI	2,381	—
Auditor's remuneration	1,600	1,090
Cost of construction services	100,910	19,797
Cost of wastewater treatment facilities operation services rendered	32,229	28,393
Cost of biofuel operation (including reversal of write-down of inventories of HK\$897,000 (2021: write-down of inventories of HK\$1,058,000)) (<i>note (b)</i>)	9,951	1,308
Provision for major overhauls	1,868	757
Defined benefit retirement plans	<u>13</u>	<u>466</u>

Notes:

- (a) As at 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2021: Nil).
- (b) During the year ended 31 December 2022, there was a decrease in unit cost of inventories due to mass production. As a result, the net realisable value is higher than the cost of inventories and a reversal of write-down of HK\$897,000 has been recognised and included in cost of sales.

7. INCOME TAX EXPENSE

	2022 HK\$'000	2021 HK\$'000
Current tax:		
Hong Kong	5	5
PRC	<u>13,070</u>	<u>11,656</u>
	<u>13,075</u>	<u>11,661</u>
Under/(over) provision in prior years:		
Hong Kong	(51)	—
PRC	<u>196</u>	<u>83</u>
	<u>145</u>	<u>83</u>
Deferred tax	<u>3,016</u>	<u>(350)</u>
	<u><u>16,236</u></u>	<u><u>11,394</u></u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

For the year ended 31 December 2022, the provision for Hong Kong Profits Tax was calculated at 16.5% (2021: 16.5%) of the estimated assessable profit for the year.

The provision for the PRC enterprise income tax is based on the respective corporate income tax rates applicable to the subsidiaries of the Company located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

The withholding tax on distributable profits is calculated at the rate of 10% on total dividend distributed from the Group’s subsidiaries in the PRC.

The withholding tax on disposal of the Group’s subsidiary is calculated at the rate of 10% on consideration receivable less investment cost.

No provision for Indonesian income tax had been made as the Group did not generate any assessable profits arising in Indonesia during the year (2021: Nil).

8. DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Dividends recognised as distribution during the year:		
2021 interim dividend — HK0.5 cent per share	<u>—</u>	<u>5,536</u>

No final dividend was proposed in respect of the years ended 31 December 2022 and 2021.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	2022 HK\$'000	2021 HK\$'000
(Loss)/earnings for the purposes of basic (loss)/earnings per share, being (loss)/profit for the year attributable to owners of the Company	<u>(3,291)</u>	<u>6,145</u>
	Number of shares	
	2022 '000	2021 '000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>1,107,300</u>	<u>1,107,300</u>

No diluted earnings per share for 2022 and 2021 were presented as there were no potential ordinary shares in issue for 2022 and 2021.

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group's receivables under service concession arrangements are as follows:

	2022 HK\$'000	2021 HK\$'000
Receivables under service concession arrangements	326,825	338,753
Portion classified as current assets	<u>(28,327)</u>	<u>(25,559)</u>
Portion classified as non-current assets	<u>298,498</u>	<u>313,194</u>

The following is an aged analysis of receivables under service concession arrangements, presented based on the invoice date:

	2022 HK\$'000	2021 HK\$'000
Billed within 3 months	14,147	12,248
Billed between 4 to 6 months	4,648	—
Unbilled (<i>note</i>)	<u>308,030</u>	<u>326,505</u>
	<u>326,825</u>	<u>338,753</u>

Note: The balance included contract assets from construction contracts as the rights to considerations have not yet to be unconditional.

11. TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	414	73
Less: Allowance for credit losses	<u>—</u>	<u>—</u>
	<u>414</u>	<u>73</u>

The following is an aged analysis of trade receivables (net of allowance for credit losses) presented based on the invoice date:

	2022 HK\$'000	2021 HK\$'000
0–60 days	407	73
Over 60 days	<u>7</u>	<u>—</u>
	<u>414</u>	<u>73</u>

12. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date:

	2022 HK\$'000	2021 HK\$'000
0–60 days	5,036	667
61–90 days	3	3
Over 90 days	<u>427</u>	<u>2,631</u>
	<u>5,466</u>	<u>3,301</u>

13. AMOUNTS DUE TO RELATED PARTIES

	2022 HK\$'000	2021 HK\$'000
Non-trading in nature:		
Related company	32,440	11,579
Beneficial owner	20,920	11,698
Close family members of directors	<u>52,184</u>	<u>15,930</u>
	105,544	39,207
Less: Amount that is expected to settle after 12 months shown under non-current liabilities	<u>(14,567)</u>	<u>(4,000)</u>
Amount that is expected to settle within 12 months shown under current liabilities	<u>90,977</u>	<u>35,207</u>

14. BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Bank borrowings	38,000	20,240
Other borrowings	<u>23,867</u>	<u>14,867</u>
	<u>61,867</u>	<u>35,107</u>

	Bank borrowings		Other borrowings	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
The carrying amounts of the above borrowings are repayable:				
On demand or within one year	18,000	20,240	23,867	14,867
Within a period of more than one year but not exceeding two years	2,000	—	—	—
Within a period of more than two years but not exceeding five years	<u>18,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
	38,000	20,240	23,867	14,867
Less: Amounts due within one year shown under current liabilities	<u>(18,000)</u>	<u>(20,240)</u>	<u>(23,867)</u>	<u>(14,867)</u>
Amounts shown under non-current liabilities	<u>20,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

The exposure of the Group's borrowings are as follows:

	2022	2021
	HK\$'000	HK\$'000
Fixed-rate borrowings	23,867	14,867
Variable-rate borrowings	38,000	20,240
	<u>61,867</u>	<u>35,107</u>

15. SHARE CAPITAL

	Number of	Share capital
	shares	HK\$'000
	'000	
Ordinary shares of HK\$0.0001 each		
Authorised		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>3,800,000</u>	<u>380</u>
Issued and fully paid		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	<u>1,107,300</u>	<u>111</u>

16. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2022, the Group disposed of its entire 70% equity interest in Haian Hengfa Wastewater Treatment Company Limited (“**Haian Hengfa**”), an indirect subsidiary of the Company, which operates wastewater treatment facilities in the PRC. The net assets of Haian Hengfa at the date of disposal were as follows:

	HK\$'000
Consideration received:	
Cash received	—
Deferred cash consideration (<i>note</i>)	76,065
	<hr/>
Total consideration received	76,065
	<hr/> <hr/>

Note: The deferred consideration will be settled in cash by the purchaser within one year after the end of reporting period.

Analysis of assets and liabilities over which control was lost:

Property, plant and equipment	507
Receivables under service concession arrangements	98,228
Inventories	44
Prepayments and other receivables	753
Bank balances and cash	37,269
Trade payables	(1,213)
Other payables and accruals	(573)
Deferred tax liabilities	(13,688)
Provision for major overheads	(7,003)
	<hr/>
Net assets disposed of	114,324
	<hr/> <hr/>

Loss on disposal of a subsidiary:

Consideration received and receivable	76,065
Net assets disposed of	(114,324)
Non-controlling interests	34,207
Reclassification of cumulative translation reserve upon disposal of Haian Hengfa to profit or loss	3,693
	<hr/>
Loss on disposal	(359)
	<hr/> <hr/>

BUSINESS REVIEW

Due to external factors such as international geopolitical changes and the outbreak of Omicron, a variant of the COVID-19, coupled with internal factors such as the downturn in the domestic real estate market, China's overall economic growth was under pressure in 2022. However, with the support of the Chinese government's various "economy stabilisation" policies, the economy grew steadily throughout the Year, demonstrating the resilience of the China's economy. According to the data published by the National Bureau of Statistics, China's gross domestic product for 2022 was RMB121.0 trillion¹, representing a 3.0% growth over 2021.

In recent years, the Chinese government has taken a proactive approach to water pollution issues. The Chinese government has established distinct guidelines and specific targets for the two major rivers in China that cover vast areas, the Yangtze River and the Yellow River, in order to create a more comprehensive wastewater treatment system and improve water quality. In August 2022, 17 departments and units, including the Ministry of Ecology and Environment, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development and the Ministry of Water Resources, jointly issued the Action Plan for Deepening the Protection and Restoration of the Yangtze River* (《深入打好長江保護修復攻堅戰行動方案》)², which proposed a number of major targets to be achieved by the end of 2025 focusing on the Yangtze River and its surrounding areas, which include maintaining the water quality in the Yangtze River basin at an excellent level, maintaining the water quality of the mainstream of Yangtze River at Grade II, tackling and eliminating the problem of mixing and misconnecting sewage networks in cities at the prefecture level and above, and improving the centralised collection rate of urban domestic sewage to more than 70% or more than five percentage points higher than that of 2020. In addition, navigation-restricted and prohibited areas should be designated in important aquatic habitats of the Yangtze River, aquatic biological monitoring system should be established for the Yangtze River, and the closed fishing areas should be regulated, in order to achieve restorative growth for the aquatic biological resources in the Yangtze River. As for the Yellow River, another major river in China, 12 departments, including the Ministry of Ecology and Environment, jointly issued the Action Plan for Protecting and Managing the Ecology of the Yellow River* (《黃河生態保護治理攻堅戰行動方案》)³ in the second half of 2022, with the primary objective to improve the pollution control and water quality of the Yellow River, while also striving for continuous and steady improvement in the

Notes:

1. http://www.stats.gov.cn/sj/zxfb/202302/t20230203_1901718.html
2. <https://huanbao.bjx.com.cn/news/20220919/1255837.shtml>
3. <https://huanbao.bjx.com.cn/news/20220901/1252348.shtml>

ecosystem quality of the Yellow River basin. The actual target is that by 2025, the water quality in the upper and middle reaches of the mainstream of the Yellow River should reach Grade II, the elimination rate of black and odorous water bodies in the built-up areas of county-level cities should reach more than 90%, and no less than 90% of the drinking water in cities at county level and above should have the water quality of Grade III or above. The Yellow River basin covers nine provincial regions including Shanxi, Inner Mongolia, Henan and Shandong, with the focus of action should be directed towards the ecology of the main tributaries, mainstream and important lakes and reservoirs. It is apparent that China and various departments pay high attention to the water quality of the Yangtze River and the Yellow River, and are committed to implementing a series of measures to achieve the relevant targets. According to the national surface water environment quality status announced by the Ministry of Ecology and Environment in October 2022, from January to September this Year, among the 3,641 national surface water assessment sections, the proportion of sections with excellent water quality (Grade I-III) reached 86.3%⁴, which was 4.5% higher than that of the same period of 2021, and the proportion of inferior sections with Grade V was 0.9%, which was 0.3% lower than that of the same period of 2021. In the future, it is expected that more manpower and funds will be devoted by China in dealing with water quality issues, and the relevant index will continue to improve steadily.

Overall, the Group has been committed to prudently operating its existing businesses and exploring the potential of other environmental protection businesses in the past. Earlier, the Group sold the relevant interests in Haian Hengfa Wastewater Treatment Company Limited (“**Haian Hengfa**”), and no longer held a wastewater treatment facility operated by it, with the relevant resources to be reallocated to the wastewater treatment facilities operated by Rugao Hengfa Water Treatment Company Limited (“**Rugao Hengfa**”) and the power plant project in Bangka, Indonesia (the “**Bangka Project**”). After the disposal of Haian Hengfa, the Group will mainly operate the wastewater treatment facilities of Rugao Hengfa in China. In July 2021, the Group reached an agreement with the local administrative committee, increasing water tariffs from RMB2.67 per tonne to RMB3.43 per tonne, contributing to a more robust result for the Group. With the increase in water tariffs and improvement in project efficiency, the management expects that the revenue and gross profit of the Group will further increase.

The Group has also been actively preparing for the development of suitable environmental protection projects in overseas and two key projects are currently being developed. Among which, the Bangka Project is still under construction but has reached a consensus regarding the electricity selling plan with the local government and entered into the power supply agreement with PT Perusahaan Listrik Negara (Persero) (also known as State Electricity Company), an Indonesian government-owned corporation, and is expected to supply power to the national grid at a fixed price for 25 years since 2023. If the Bangka Project turns

Note:

4. https://www.mee.gov.cn/ywdt/xwfb/202210/t20221024_997602.shtml

out to be a success, we expect that the relevant operation model can be replicated in other outlying islands in Indonesia. Moreover, we will also continue our study on the feasibility of developing other new energy investment projects in other regions of Indonesia, while actively promoting the “Build-Operate-Transfer” or “BOT” investment projects in order to generate greater value for the Group and bring better cash flows and investment return.

As for the biofuel pellet business in Indonesia, the Group has been actively expanding such business and continuing to explore opportunities to cooperate with other power plants, thereby promoting and developing the biofuel pellet business. The Group’s biofuel pellet business in Indonesia commenced its wood pellet production business in 2021 and has been generating revenue. With the development of biofuel pellet business, the management is confident that the biofuel pellet business will provide growth momentum for the Group and enable the Group to achieve diversification of its environmental businesses in the future.

OUTLOOK

Despite the growth of the national economy has slowed down due to various internal and external negative factors, the Group will continue to respond to challenges calmly, actively manage existing projects, and strive for excellence. The Group will continue cooperating with the latest national and regional policies, continue solidifying our strong foundation in China’s wastewater treatment market and providing high-quality services to customers, creating a pristine water quality domestically. The Group will also continue to respond to market changes flexibly, proactively seek suitable opportunities with potential for development, capture and create more business opportunities, develop global diversified environmental businesses, and strive to be consistent, in order to further contribute to environmental protection while promoting the growth of the Group’s business. The Group adheres to its consistent philosophy of providing customers with excellent service quality, with a view to jointly build a better future.

FINANCIAL REVIEW

REVENUE

Our total revenue increased by HK\$100.5 million or 97.5% to HK\$203.6 million for FY2022 as compared to HK\$103.1 million for FY2021. Such increase was primarily attributable to (i) the increase in construction revenue arising from the construction works of the Bangka Project during FY2022, and (ii) the increase in sales of biofuel in Indonesia during FY2022 as compared to FY2021.

COST OF SALES

Our total cost of sales increased by HK\$93.6 million or 189.1% from HK\$49.5 million for FY2021 to HK\$143.1 million for FY2022, primarily due to (i) the increase in construction costs arising from the Bangka Project during FY2022 as compared to FY2021, and (ii) the increase in the cost of biofuel in Indonesia during FY2022 as compared to FY2021.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit increased by HK\$7.0 million or 12.9% from HK\$53.6 million for FY2021 to HK\$60.6 million for FY2022, primarily due to the reasons of the aforementioned fluctuation in revenue and cost of sales. Our gross profit margin decreased from 52.0% for FY2021 to 29.7% for FY2022.

OTHER INCOME AND NET GAINS

Our other income and net gains increased slightly by HK\$0.5 million or 10.9% from HK\$4.5 million for FY2021 to HK\$4.9 million for FY2022, primarily due to the foreign exchange gain.

ADMINISTRATIVE EXPENSES

Our administrative expenses increased by HK\$3.0 million or 10.9% from HK\$27.5 million for FY2021 to HK\$30.5 million for FY2022. Administrative expenses mainly include staff costs and other operating expenses.

FINANCE COSTS

Our finance costs increased by HK\$4.9 million or 110.9% from HK\$4.4 million for FY2021 to HK\$9.3 million for FY2022, primarily due to the increase in loan borrowing for the financing of the Bangka Project during FY2022.

PROFIT BEFORE TAX

Our profit before tax decreased by HK\$8.9 million or 38.7% from HK\$22.9 million for FY2021 to HK\$14.0 million for FY2022, primarily due to the factors mentioned above.

INCOME TAX EXPENSE

Our income tax expense increased by HK\$4.8 million or 42.5% from HK\$11.4 million for FY2021 to HK\$16.2 million for FY2022, mainly due to withholding tax incurred from the disposal of a subsidiary.

(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

(Loss)/profit attributable to owners of the Company decreased by HK\$9.4 million or 153.6% from profit of HK\$6.1 million for FY2021 to loss of HK\$3.3 million for FY2022, primarily due to the factors mentioned above.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Our principal liquidity and capital requirements primarily relate to investments in our projects, construction and upgrading of our wastewater treatment facilities, purchases of equipment as well as costs and expenses related to the operation and maintenance of our wastewater treatment and electricity generating facilities.

As at 31 December 2022, the Group's bank balances and cash was HK\$34.6 million, representing a decrease of 46.8% as compared with that of HK\$65.1 million as at 31 December 2021. As at 31 December 2022, the Group's bank balances and cash of HK\$13.0 million, HK\$1.8 million, HK\$0.9 million and HK\$18.9 million were denominated in Renminbi (“**RMB**”), Hong Kong Dollars (“**HK\$**”), Indonesian Rupiah (“**IDR**”) and United States Dollars (“**US\$**”), respectively (31 December 2021: HK\$35.8 million, HK\$4.9 million, HK\$7.7 million and HK\$16.7 million were denominated in RMB, HK\$, IDR and US\$, respectively).

BORROWINGS

As at 31 December 2022, the total amount of our utilised bank borrowings was HK\$38.0 million, of which HK\$18.0 million was repayable on demand and HK\$20.0 million was repayable within 2 to 5 years. All HK\$38.0 million of the outstanding bank borrowings were denominated in HK\$ (31 December 2021: HK\$18.0 million and HK\$2.2 million were denominated in HK\$ and US\$, respectively). Out of the HK\$38.0 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 and HK\$20.0 million bore a fixed interest rate of 2% below Hong Kong Dollar prime rate (31 December 2021: HK\$18.0 million bore a floating interest rate of 1.4% per annum over the Hong Kong Interbank Offered Rate and HK\$2.2 million bore a floating interest rate of 1.4% per annum over London Interbank Offered Rate). We had HK\$4.7 million unutilised banking facilities as at 31 December 2022 (31 December 2021: HK\$7.3 million).

As at 31 December 2022, the Company had an outstanding borrowing from independent third parties of the Group amounted to HK\$23.9 million (31 December 2021: HK\$14.9 million), which bore a fixed interest rate of 8% per annum. The loan was repayable within one year.

As at 31 December 2022, the Company had outstanding amounts due to related parties of the Group amounted to HK\$105.5 million (31 December 2021: HK\$39.2 million), of which HK\$82.0 million bore a fixed interest rate of 8% per annum and HK\$23.5 million bore a fixed interest rate of 6% per annum. Out of the HK\$105.5 million outstanding amounts due to related parties, HK\$90.9 million was repayable within one year and HK\$14.6 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.

GEARING RATIO

Gearing ratio is calculated by dividing total debt by total equity and then multiplied by 100%, and total debt includes the interest-bearing bank borrowings, amounts due to related parties and other borrowings. Our gearing ratio increased from 19.4% as at 31 December 2021 to 55.3% as at 31 December 2022.

CHARGE ON ASSETS

As at 31 December 2022, the Group did not have any charge on assets (31 December 2021: nil).

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. Surplus cash will be invested appropriately so that the Group's cash requirements for its strategy or direction from time to time can be met.

CAPITAL EXPENDITURES

Our capital expenditures consist primarily of expenditures for construction for our Bangka Project. During the Year, our capital expenditures amounted to HK\$106.1 million (31 December 2021: HK\$24.2 million), which were funded by our financing activities.

FOREIGN EXCHANGE RISK

Individual member companies in Mainland China and Indonesia within our Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. However, as these principal subsidiaries mainly carry assets and liabilities in RMB and IDR, any appreciation or depreciation of HK\$ against RMB and IDR will affect the Group's consolidated financial position which is presented in HK\$, and will be reflected in the exchange fluctuation reserve.

The Group does not have a foreign currency hedging policy. The Group minimises foreign exchange exposure by converting its cash and cash equivalents in other currencies generated from the operation of its foreign operating subsidiaries to HK\$.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities (31 December 2021: nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 185 employees (31 December 2021: 122 employees). Employee costs, including Directors' emoluments, amounted to approximately HK\$14.6 million for FY2022 (FY2021: HK\$14.7 million). The remuneration policy for our Directors, senior management members and general staff is based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors, senior management members and general staff. The Group encourages the self-development of its employees and provides on-the-job training where appropriate.

The Company adopted a share option scheme on 5 September 2014 for the purpose of providing incentives and rewards to eligible directors and employees of the Group.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the announcement of the Company dated 21 July 2022 and the circular of the Company dated 29 August 2022 regarding the disposal of Hai'an Hengfa, the Group did not have any other significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above in this announcement, the Group has no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material event subsequent to 31 December 2022 and up to the date of this announcement.

FINAL DIVIDEND

No final dividend has been recommended by the Board for FY2022 (FY2021: Nil).

ANNUAL GENERAL MEETING

The Company will hold its annual general meeting on Thursday, 1 June 2023 (the “**AGM**”), the notice of which will be published and dispatched to the shareholders of the Company (the “**Shareholders**”) in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders’ entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 29 May 2023 to Thursday, 1 June 2023 (both dates inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for attending and voting at the AGM, the non-registered Shareholders must lodge all transfer documents, accompanied by the relevant share certificates, with the Company’s Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Thursday, 25 May 2023.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the mandatory disclosure requirements and the applicable code provisions as set out in the section headed “Part 2 — Principles of good corporate governance, code provisions and recommended best practices” of the Corporate Governance Code contained in Appendix 14 (the “**CG Code**”) to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) throughout FY2022.

SCOPE OF WORK OF THE COMPANY'S EXTERNAL AUDITORS

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2022, consolidated statement of profit or loss and other comprehensive income for FY2022 and the notes thereto as set out in this announcement above have been agreed by the Company's external auditors to the amounts set out in the Group's audited consolidated financial statements for FY2022. The work performed by the Company's external auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by the Company's external auditors on this announcement.

AUDIT COMMITTEE'S REVIEW

The Company has established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee comprises three members, namely Ms. Ng Chung Yan Linda (who is also the chairlady of the Audit Committee), Mr. Ng Man Kung and Ms. Leung Bo Yee Nancy, all being the independent non-executive Directors. The Audit Committee has reviewed with the Company's management the accounting principles and practices adopted by the Group and the annual consolidated results of the Group for FY2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct governing securities transactions by the Directors. Following specific enquiries made by the Company on the Directors, all of them have confirmed that they had complied with the required standard set out in the Model Code throughout FY2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During FY2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.ellhk.com>). The Company's annual report for FY2022 will be dispatched to the Shareholders and will be available on the respective websites of the Stock Exchange and the Company in due course in the manner as required by the Listing Rules.

APPRECIATION

I would like to take this opportunity to express my most sincere thanks and gratitude to our Shareholders and various parties for their continuous support as well as my fellow Directors and our staff for their dedication and diligence.

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

Hong Kong, 30 March 2023

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 purpose only*