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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL SUMMARY

- Revenue for the six months ended 30 June 2024 amounted to HK\$45.7 million (six months ended 30 June 2023: HK\$45.5 million), representing an increase of 0.5% as compared with that of the corresponding period in 2023 (the “**Last Corresponding Period**”).
- Gross profit for the six months ended 30 June 2024 was HK\$20.7 million (six months ended 30 June 2023: HK\$19.4 million), representing an increase of 6.5% as compared with that of the Last Corresponding Period.
- Net loss for the six months ended 30 June 2024 was HK\$10.1 million (six months ended 30 June 2023: net loss of HK\$7.6 million), representing an increase of 32.8% as compared with that of the Last Corresponding Period.
- The Board has resolved not to declare the payment of any dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of ELL Environmental Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Period**”), together with the relevant comparative figures as follows:

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	4	45,694	45,465
Cost of sales		<u>(25,038)</u>	<u>(26,065)</u>
Gross profit		20,656	19,400
Other income and net other gains and losses	6	1,023	(1,752)
Administrative expenses		(19,765)	(14,795)
Finance costs	7	<u>(6,425)</u>	<u>(6,118)</u>
Loss before tax	8	(4,511)	(3,265)
Income tax expense	9	<u>(5,613)</u>	<u>(4,361)</u>
Loss for the period		<u>(10,124)</u>	<u>(7,626)</u>
(Loss)/profit for the period attributable to:			
Owners of the Company		(8,931)	(8,127)
Non-controlling interests		<u>(1,193)</u>	<u>501</u>
		<u>(10,124)</u>	<u>(7,626)</u>
		<i>HK cent</i>	<i>HK cent</i>
Loss per share	11		
— Basic		<u>(0.81)</u>	<u>(0.73)</u>
— Diluted		<u>(0.81)</u>	<u>(0.73)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(10,124)	(7,626)
Other comprehensive expense		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(19,240)	(311)
Reclassification of cumulative exchange reserve to profit or loss upon deregistration of a subsidiary	—	(34)
Net fair value loss on debt instrument at fair value through other comprehensive income	—	(316)
	<u>(19,240)</u>	<u>(661)</u>
Other comprehensive expense for the period, net of nil income tax	<u>(19,240)</u>	<u>(661)</u>
Total comprehensive expense for the period	<u>(29,364)</u>	<u>(8,287)</u>
Total comprehensive (expense)/income for the period attributable to:		
— Owners of the Company	(28,296)	(8,723)
— Non-controlling interests	(1,068)	436
	<u>(29,364)</u>	<u>(8,287)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		58,943	65,204
Receivables under service concession arrangements	12	328,746	336,599
Prepayments and other receivables		296	316
		387,985	402,119
CURRENT ASSETS			
Inventories		6,835	5,430
Trade receivables	13	1,675	3,670
Receivables under service concession arrangements	12	30,221	28,182
Prepayments and other receivables		25,893	29,064
Debt instrument at fair value through other comprehensive income		81	81
Restricted bank deposits		27,112	27,480
Cash and cash equivalents		15,227	30,075
		107,044	123,982
CURRENT LIABILITIES			
Trade payables	14	3,405	2,970
Other payables and accruals		17,357	14,786
Amounts due to related parties	15	2,648	31,676
Borrowings	16	22,000	64,067
Lease liabilities		421	451
Income tax payable		3,046	3,377
		48,877	117,327
NET CURRENT ASSETS		58,167	6,655
TOTAL ASSETS LESS CURRENT LIABILITIES		446,152	408,774

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

As at 30 June 2024

		30 June	31 December
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
CAPITAL AND RESERVES			
Share capital		111	111
Reserves		255,976	284,272
		<hr/>	<hr/>
Equity attributable to owners of the Company		256,087	284,383
Non-controlling interests		(6,551)	(5,483)
		<hr/>	<hr/>
TOTAL EQUITY		249,536	278,900
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Amounts due to related parties	<i>15</i>	114,534	70,389
Borrowings	<i>16</i>	39,867	18,000
Lease liabilities		298	290
Deferred tax liabilities		25,052	24,963
Provision for major overhauls		15,824	15,088
Retirement benefit obligations		1,041	1,144
		<hr/>	<hr/>
		196,616	129,874
		<hr/>	<hr/>
		446,152	408,774
		<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ELL Environmental Holdings Limited (the “**Company**”) is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is Unit 2304, 23rd Floor, Westlands Centre, 20 Westlands Road, Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are engaged in the operation of wastewater treatment facilities, construction of biomass power plants, sales of biofuel business and provision of information technology services.

The condensed consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (the “**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements are presented in HK\$ and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated. These condensed consolidated financial statements have not been audited or reviewed by the Company’s external auditor, but has been reviewed by the Company’s audit committee.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (the “**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements of the Group for the six months ended 30 June 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023 (“**FY2023**”).

3. PRINCIPAL ACCOUNTING POLICIES – continued

Application of Amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

4. REVENUE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of goods and services		
Wastewater treatment facilities operation services	17,757	18,311
Biomass power plant construction services	9,416	8,585
Sales of biofuel	5,458	10,229
Information technology services	3,932	—
	<u>36,563</u>	<u>37,125</u>
Revenue from contracts with customers		
Imputed interest income on receivables under service concession arrangements	9,131	8,340
	<u>45,694</u>	<u>45,465</u>
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
A point in time	23,215	28,540
Over time	13,348	8,585
	<u>36,563</u>	<u>37,125</u>
Revenue from goods and services		

4. REVENUE – continued

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Six months ended 30 June 2024		
	PRC HK\$'000	Indonesia HK\$'000	Total HK\$'000
Wastewater treatment facilities operation	17,757	—	17,757
Biomass power construction services	—	9,416	9,416
Sales of biofuel	—	5,458	5,458
Information technology services	—	3,932	3,932
	<hr/>	<hr/>	<hr/>
Revenue from contracts with customers	17,757	18,806	36,563
Imputed interest income on receivables under service concession arrangements	3,708	5,423	9,131
	<hr/>	<hr/>	<hr/>
Total revenue	21,465	24,229	45,694
	<hr/>	<hr/>	<hr/>
	Six months ended 30 June 2023		
	PRC HK\$'000	Indonesia HK\$'000	Total HK\$'000
Wastewater treatment facilities operation	18,311	—	18,311
Biomass power construction services	—	8,585	8,585
Sales of biofuel	—	10,229	10,229
	<hr/>	<hr/>	<hr/>
Revenue from contracts with customers	18,311	18,814	37,125
Imputed interest income on receivables under service concession arrangements	4,113	4,227	8,340
	<hr/>	<hr/>	<hr/>
Total revenue	22,424	23,041	45,465
	<hr/>	<hr/>	<hr/>

5. SEGMENT INFORMATION

The Group is engaged in the operation of wastewater treatment facilities, construction of biomass power plant, sales of biofuel business and provision of information technology services. Information reported to the executive directors of the Company, being the chief operating decision maker (“**CODM**”) 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 the Republic of Indonesia (“**Indonesia**”). No operating segments have been aggregated in arriving at the reporting segments of the Group.

5. SEGMENT INFORMATION – continued

Segment Revenue and Results

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

Six months ended 30 June 2024 (unaudited)

	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Indonesia <i>HK\$'000</i>	Total <i>HK\$'000</i>
Results				
Segment revenue — external sales	—	21,465	24,229	45,694
Segment (loss)/profit	(11,540)	11,403	(4,374)	(4,511)
Unallocated expenses				—
Loss before tax				(4,511)

Six months ended 30 June 2023 (unaudited)

	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Indonesia <i>HK\$'000</i>	Total <i>HK\$'000</i>
Results				
Segment revenue — external sales	—	22,424	23,041	45,465
Segment (loss)/profit	(10,962)	9,673	(1,976)	(3,265)
Unallocated expenses				—
Loss before tax				(3,265)

6. OTHER INCOME AND NET OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	306	195
Interest income from advance to a third party	158	179
Interest income from debt instrument at fair value through other comprehensive income	—	94
Net foreign exchange gain/(loss)	147	(3,259)
Government grants	—	10
Gain on disposal of property, plant and equipment	65	33
Gain on deregistration of a subsidiary	—	34
Others	347	962
	1,023	(1,752)

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on borrowings	2,549	1,849
Interest on loans from related parties	3,437	3,873
Interest on lease liabilities	11	11
Increase in discounted amounts of provision for major overhauls arising from the passage of time	428	385
	<u>6,425</u>	<u>6,118</u>

8. LOSS BEFORE TAX

Loss before tax for the period has been arrived at after charging/(crediting) the following items:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs (including directors' remuneration):		
Salaries, allowances and benefits in kind	7,892	6,390
Discretionary bonus	323	209
Retired contributions retirement plan (<i>note</i>)	442	496
Less: Amount capitalised in inventories	(58)	(106)
	<u>8,599</u>	<u>6,989</u>
Depreciation of property, plant and equipment	2,852	2,855
Less: Amount capitalised in inventories	(179)	(58)
	<u>2,673</u>	<u>2,797</u>
Cost of construction services	8,313	7,573
Cost of wastewater treatment facilities operation services rendered	7,163	8,926
Cost of biofuel operation	6,446	9,566
Cost of information technology services	3,116	—
Provision for major overhauls	674	666
	<u>674</u>	<u>666</u>

Note: As at 30 June 2024, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (six months ended 30 June 2023: Nil).

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	<u>3,802</u>	<u>2,612</u>
Under provision in prior years:		
PRC Enterprise Income Tax	<u>809</u>	<u>430</u>
Deferred tax	<u>1,002</u>	<u>1,319</u>
	<u>5,613</u>	<u>4,361</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.

No provision for Hong Kong Profits Tax had been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2023: Nil).

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

The withholding tax on distributable profits is calculated at the rate of 5% (six months ended 30 June 2023: 5%) on total dividend distributed from the Group’s subsidiaries in the PRC.

No provision for Indonesian income tax had been made as the Group did not generate any assessable profits arising in Indonesia during the period (six months ended 30 June 2023: Nil).

10. DIVIDEND

No dividends were paid, declared or proposed during the current interim period. The Directors have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2023: Nil).

11. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the purpose of basic loss per share	<u>(8,931)</u>	<u>(8,127)</u>
	Number of shares	
	Six months ended 30 June	
	2024	2023
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,107,300</u>	<u>1,107,300</u>

The diluted loss per share is the same as the basic loss per share for the six months ended 30 June 2024 and 2023 as there were no potential ordinary share in issue for both periods.

12. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Receivables under service concession arrangements	358,967	364,781
Less: Portion classified as current assets	<u>(30,221)</u>	<u>(28,182)</u>
Portion classified as non-current assets	<u>328,746</u>	<u>336,599</u>

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

	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Billed within 3 months	13,380	13,777
Billed between 4 to 6 months	4,547	4,503
Unbilled (<i>note</i>)	<u>341,040</u>	<u>346,501</u>
	<u>358,967</u>	<u>364,781</u>

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

13. TRADE RECEIVABLES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Trade receivables	1,675	3,670
Less: Allowance for credit losses	—	—
	<u>1,675</u>	<u>3,670</u>

The Group had a policy of allowing a credit period of 30-60 days. The following is an aged analysis of trade receivables at the end of reporting period presented based on the invoice date:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
0-60 days	650	3,663
Over 60 days	1,025	7
	<u>1,675</u>	<u>3,670</u>

14. TRADE PAYABLES

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
0-60 days	2,956	2,398
61-90 days	29	102
Over 90 days	420	470
	<u>3,405</u>	<u>2,970</u>

15. AMOUNTS DUE TO RELATED PARTIES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Non-trading in nature:		
A related company	33,618	33,631
A close family member of a shareholder	20,936	20,244
Close family members of directors	36,278	21,840
A shareholder	26,350	26,350
	117,182	102,065
Less: Amount that is expected to settle after 12 months shown under non-current liabilities	(114,534)	(70,389)
Amount that is expected to settle within 12 months shown under current liabilities	2,648	31,676

16. BORROWINGS

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Bank borrowings	38,000	58,200
Other borrowings	23,867	23,867
	61,867	82,067
Less: Amount that is expected to settle after 12 months shown under non-current liabilities	(39,867)	(18,000)
Amount that is expected to settle within 12 months shown under current liabilities	22,000	64,067

During the current interim period, the Group repaid bank borrowings of HK\$20,200,000 (six months ended 30 June 2023: Nil), and did not obtained new bank borrowing (six months ended 30 June 2023: new bank borrowings of HK\$20,200,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's business includes operations of wastewater treatment facilities, wood pellet sales, data centre operation and the construction of the biomass power plant, with operations in China and Indonesia. The nature of these businesses is closely tied to local economic conditions and government policies.

According to the data released by the National Bureau of Statistics of China, China's Gross Domestic Product (GDP) reached RMB 61.7 trillion in the first half of 2024, marking a 5.0% year-on-year increase (31 December 2023: 5.2%). This slowdown was attributed to weaker consumer momentum, ongoing adjustments in the real estate market and a slight deceleration in infrastructure investment.

Despite the economy going through an adjustment phase, the government has continued to implement policies aimed at strengthening environmental protection. As an important part of the environmental protection industry, the wastewater treatment sector has shown a positive development trend in recent years, supported by the government.

From a local policy perspective, various provinces and cities have introduced related policies for wastewater treatment and resource utilisation, and set specific quantitative development targets, including wastewater treatment capacity, treatment rates and sludge resource utilisation rates. The Group will continue to actively follow national policy guidance and lead the Company towards positive development.

Indonesia's GDP is forecast to average 5.1% per year from 2024 to 2026 according to the World Bank's Indonesia Economic Prospects report. Electricity is a resource in high demand in Indonesia. Over the years, Indonesia's per capita electricity consumption has also steadily increased.

Coal power emissions in Indonesia have almost doubled in the past decade. Perusahaan Listrik Negara ("PLN"), Indonesia's main electricity provider, is working with the Ministry of Energy and Mineral Resources to add 60 gigawatts of electricity generation capacity based on renewable resources by 2040, mainly focusing on bioenergy. Furthermore, the country has set a target to achieve 23% renewable energy for use by 2025 and 31% by 2050. The Group is confident that the development of its biomass power plant can capture this business opportunity.

The wastewater treatment facilities operated by Rugao Hengfa Water Treatment Company Limited (如皋恆發污水處理有限公司) continued to contribute positively to the Group, with revenue remaining stable in the Period compared to the Last Corresponding Period. Due to a drop in wood pellet prices, revenue from wood pellet sales in Jambi, Indonesia decreased by approximately 46.6%. Information technology services in Jambi, Indonesia also continued to contribute positively to the Group. Overall, net loss for the Period was HK\$10.1 million, representing a 32.9% increase in loss compared to the Last Corresponding Period.

Construction of the power supply project in Bangka, Indonesia (the “**Bangka Project**”) was completed, and operations commenced in early August 2024. The operation is satisfactory, and the Bangka Project has begun supplying electricity to the national grid. According to a power supply agreement with PLN, the electricity is charged at a fixed price for a period of 25 years started from 2024. Cash inflows are expected to be generated for the Group in the second half of the year.

PT Rimba Palma Sejahtera Lestari (“**RPSL**”), a non-wholly owned subsidiary of the Company, entered into a framework agreement with PT Indorama Eco Viridian for a deemed disposal of 80% interest in RPSL’s wood pellet production business on 15 March 2024 (the “**Deemed Disposal**”). The Deemed Disposal is still in progress and is expected to be completed by the first half of 2025. For further details of the Deemed Disposal, please refer to the announcements of the Company dated 15 March 2024 and 10 April 2024, and the circular of the Company dated 17 May 2024.

Regarding the outstanding consideration from the disposal of 70% of the equity interest in Haian Hengfa Wastewater Treatment Company Limited (海安恆發污水處理有限公司) in July 2022 (the “**Haian Hengfa Disposal**”), on 5 February 2024, Everbest Water Treatment Development Company Limited (“**Everbest**”), being the seller and an indirect wholly-owned subsidiary of the Company, has initiated arbitration (the “**Arbitration**”) against CGN Environmental Protection Industry Co., Ltd (“**CGN**”), the purchaser, requesting payment of the outstanding consideration, liquidated damages, and certain costs and fees relating to the Arbitration. The hearing of the Arbitration is expected to be held on 26 September 2024.

OUTLOOK

The global economic environment is expected to remain challenging, with ongoing uncertainties and potential headwinds across various sectors. In response, the Company will maintain a strategic and composed approach, and carefully navigate through these challenges while balancing the risks and opportunities presented by different development projects.

Looking ahead, the Group will continue to prioritise vigilance in monitoring changes to national and regional policies in both the PRC and Indonesia. By staying attuned to these policy shifts, we will be able to respond proactively and adjust our strategies as needed to align with the evolving regulatory landscape.

Furthermore, we will persist in implementing rigorous cost control measures aimed at enhancing operational efficiency and improving the overall performance of the Group. These measures will be critical in ensuring that the Company remains competitive and resilient in the face of economic volatility.

FINANCIAL REVIEW

Revenue

Our total revenue increased by HK\$0.2 million or 0.5% to HK\$45.7 million for the Period from HK\$45.5 million for the Last Corresponding Period. Such slight increase was primarily attributable to the increase in construction revenue from the Bangka Project during the Period.

Cost of Sales

Our total cost of sales decreased by HK\$1.1 million or 3.9% to HK\$25.0 million for the Period from HK\$26.1 million for the Last Corresponding Period, primarily due to the decrease in water and electricity costs arising from the wastewater treatment operation during the Period.

Gross Profit and Gross Profit Margin

Our gross profit increased by HK\$1.3 million or 6.5% to HK\$20.7 million for the Period from HK\$19.4 million for the Last Corresponding Period, primarily due to the aforementioned factors. Our gross profit margin increased from 42.7% for the Last Corresponding Period to 45.2% for the Period.

Other Income and Net Other Gains and Losses

We recorded other income and net other gains of HK\$1.0 million for the Period as compared to other income and net other losses of HK\$1.8 million for the Last Corresponding Period, primarily due to the decrease in net foreign exchange loss as compared to the Last Corresponding Period.

Administrative Expenses

Our administrative expenses increased by HK\$5.0 million or 33.6% to HK\$19.8 million for the Period from HK\$14.8 million for the Last Corresponding Period, primarily due to the increase in legal and professional fee and staff cost during the Period.

Finance Costs

Our finance costs increased by HK\$0.3 million or 5.0% to HK\$6.4 million for the Period from HK\$6.1 million for the Last Corresponding Period, primarily due to the increase in weighted-average interest rate on the loan borrowings and amounts due to related parties for the financing of the Bangka Project during the Period.

Loss Before Tax

Our Group recorded a loss before tax of HK\$4.5 million for the Period as compared to a loss before tax of HK\$3.3 million for the Last Corresponding Period, primarily due to the factors mentioned above.

Income Tax Expense

Our income tax expense increased by HK\$1.2 million or 28.7% to HK\$5.6 million for the Period from HK\$4.4 million for the Last Corresponding Period, mainly due to the increase in profit before tax for our PRC subsidiary.

Loss for the Period Attributable to Owners of the Company

Loss attributable to owners of the Company amounted to HK\$8.9 million for the Period as compared to HK\$8.1 million for the Last Corresponding Period, 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 30 June 2024, the carrying amount of the Group's bank balances and cash was HK\$15.2 million, representing a decrease of 49.4% as compared with that of HK\$30.1 million as at 31 December 2023. As at 30 June 2024, the Group's bank balances and cash of HK\$5.2 million, HK\$6.0 million, HK\$0.7 million and HK\$3.3 million were denominated in Renminbi ("RMB"), Hong Kong Dollars ("HK\$"), Indonesian Rupiah ("IDR") and United States Dollars ("US\$"), respectively (31 December 2023: HK\$16.1 million, HK\$6.5 million, HK\$1.6 million and HK\$5.9 million were denominated in RMB, HK\$, IDR and US\$, respectively).

Bank and Other Borrowings

As at 30 June 2024, 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 1 to 2 years. All HK\$38.0 million of the outstanding bank borrowings were denominated in HK\$ (31 December 2023: all HK\$58.2 million were denominated in HK\$).

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 ("HIBOR"), HK\$20.0 million bore a fixed interest rate of 1% below Hong Kong Dollar prime rate (31 December 2023: HK\$18.0 million bore a floating interest rate of 1.4% per annum over the HIBOR, HK\$20.0 million bore a fixed interest rate of 2% below Hong Kong Dollar prime rate and HK\$20.2 million bore a floating interest rate of 0.8% per annum over the HIBOR). We had no unutilised banking facilities as at 30 June 2024 (31 December 2023: HK\$28.5 million).

As at 30 June 2024, the Company had an outstanding borrowing from independent third parties of the Group amounting to HK\$23.9 million (31 December 2023: HK\$23.9 million), which bore a fixed interest rate of 8% per annum. The loan was repayable within two year.

As at 30 June 2024, the Company had outstanding amounts due to related parties of the Group amounting to HK\$117.1 million (31 December 2023: HK\$102.1 million), of which HK\$50.2 million bore a fixed interest rate of 6% per annum and HK\$66.9 million bore a fixed interest rate of 8% per annum. Out of the HK\$117.1 million outstanding amounts due to related parties, HK\$2.6 million was repayable within one year and HK\$114.5 million was repayable within two to five years (31 December 2023: HK\$102.1 million outstanding amounts due to related parties, HK\$31.7 million was repayable within one year and HK\$70.4 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 at arm's length.

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 66.0% as at 31 December 2023 to 71.8% as at 30 June 2024.

Charge on Assets

As at 30 June 2024, the Group did not have any charge on assets (31 December 2023: 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 Period. 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 the Bangka Project and the biofuel pellet business in Indonesia. During the Period, our capital expenditures amounted to HK\$8.7 million (Last Corresponding Period: HK\$10.2 million), which were funded by funds generated from 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 30 June 2024, the Group had no material contingent liabilities (31 December 2023: Nil).

PRIOR PERIOD ADJUSTMENTS

As disclosed in the Group's audited consolidated financial statements for FY2023, certain adjustments were made to the Group's audited consolidated financial statements for the financial year ended 31 December 2022 (“**FY2022**”). During the course of preparing the consolidated financial statements for FY2023, the Directors revisited the terms of the sale and purchase agreement entered into between Everbest and CGN on 21 July 2022 regarding the Haian Hengfa Disposal (the “**Sale and Purchase Agreement**”) and, taking into account the advice from the Company's PRC lawyers, considered that the fair value of the consideration transferred should be adjusted downwards by RMB12,278,000 (equivalent to approximately HK\$13,701,000) (the “**Adjustment**”).

As a result of the Adjustment, restatements were made to the Group's audited consolidated financial statements for FY2022 (the “**FY2022 Restatements**”), which have been disclosed in the Company's annual results announcement and annual report for FY2023. No restatements were made to the unaudited condensed consolidated interim results of the Group for the Last Corresponding Period and the unaudited condensed consolidated interim results of the Group for the Period were not affected by the FY2022 Restatements.

ARBITRATION

As disclosed in the Company's announcement dated 14 February 2024, Everbest has applied to the Shenzhen Court of International Arbitration for an Arbitration against CGN in relation to a dispute arising from the Sale and Purchase Agreement.

In the aforementioned Arbitration application, Everbest has requested for (i) payment of the third instalment of the consideration amounting to RMB13,633,200 under the Sale and Purchase Agreement, (ii) liquidated damages, exchange loss and legal fees of approximately RMB2.2 million in total, and (iii) all costs of the Arbitration.

On 5 February 2024, Everbest received a Notice of Arbitration issued by the Shenzhen Court of International Arbitration. Subsequently, on 28 August 2024, Everbest received an Arbitration Tribunal Formation and Hearing Notice, confirming the hearing to be held on 26 September 2024.

As at the date of this announcement, the Arbitration is still in progress and the Group is unable to predict the outcome of the Arbitration. The Company will make further announcement(s) to update the shareholders of the Company (the “**Shareholders**”) on any material developments in relation to the Arbitration proceedings as and when appropriate, in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 244 employees (31 December 2023: 176 employees). Employee costs, including Directors' emoluments, amounted to approximately HK\$7.6 million for the Period (Last Corresponding Period: HK\$6.1 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 (the “**Existing Share Option Scheme**”) on 5 September 2014 for the purpose of providing incentives and rewards to eligible directors and employees of the Group. The Existing Share Option Scheme will expire on 4 September 2024. Upon the expiration of the Existing Share Option Scheme, no further options will be offered. Please refer to the announcement made by the Company on 30 August 2024.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this announcement, the Group did not have any other significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the section headed “**ARBITRATION**”, the Group has not undertaken any material event subsequent to the end of the Period and up to the date of this announcement.

INTERIM DIVIDEND

During the Board meeting held on 30 August 2024, the Board resolved not to declare the payment of any interim dividend for the Period (Last Corresponding Period: Nil).

CORPORATE GOVERNANCE

The Company strives to maintain a high standard of corporate governance, and 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 C1 (the “**CG Code**”) to the Listing Rules throughout the Period and up to the date of this announcement.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct governing the securities transactions by the Directors. Following specific enquiries made by the Company with all the Directors, all of them have confirmed that they had complied with the required standard as set out in the Model Code during the Period.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Period, neither the Company nor any of its subsidiaries purchased, sold (including sale of treasury shares) or redeemed any of the Company’s listed securities.

As at 30 June 2024, the Company did not hold any treasury shares.

REVIEW BY AUDIT COMMITTEE

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 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 unaudited interim results of the Group for the Period.

PUBLICATION OF INTERIM REPORT

The 2024 interim report of the Company will be published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ellhk.com>) and despatched to the Shareholders in due course.

APPRECIATION

I would like to take this opportunity to express my most sincere thanks and gratitude to our Shareholders and various parties for their continuing support, and to my fellow Directors and our staff for their dedication and hard work during the Period.

By Order of the Board
ELL Environmental Holdings Limited
Chau On Ta Yuen
Chairman

Hong Kong, 30 August 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.