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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 FINAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL SUMMARY

- Revenue for the Year amounted to HK\$145.5 million (2014: HK\$85.2 million), representing an increase of 70.8% as compared with the preceding year.
- Gross profit for the Year was HK\$50.4 million (2014: HK\$48.0 million), representing an increase of 5.1% as compared with the preceding year.
- Net profit for the Year was HK\$40.1 million (2014: HK\$11.3 million), representing an increase of approximately 2.6 times as compared with the preceding year.
- A final dividend of HK1 cent per Share has been recommended by the Board for the Year (2014: Nil).

The board (the “Board”) of directors (the “Directors”) of ELL Environmental Holdings Limited (the “Company”) is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2015 (the “Year”).

The annual consolidated results of the Group for the Year together with the comparative figures of 2014 are as follows:

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

		2015	2014
	Notes	HK\$'000	HK\$'000
REVENUE	3	145,462	85,183
Cost of sales		(95,035)	(37,225)
Gross profit		50,427	47,958
Other income and gains	3	5,318	6,140
Administrative expenses		(18,269)	(30,802)
Finance costs	4	(1,247)	(1,160)
PROFIT BEFORE TAX		36,229	22,136
Income tax credit/(expense)	5	3,920	(10,861)
PROFIT FOR THE YEAR		40,149	11,275
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences:			
— Translation of financial statements of entities not using Hong Kong dollars (“HK\$”) as functional currency		(16,224)	(7,863)
— Reclassification upon deregistration of a subsidiary		—	(5,779)
Available-for-sale investments:			
— Changes in fair value		(555)	—
— Reclassification adjustment for gains on disposal included in profit or loss		(246)	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		23,124	(2,367)

		2015	2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to:			
Owners of the parent		39,506	9,267
Non-controlling interest		643	2,008
		<u>40,149</u>	<u>11,275</u>
		<u>40,149</u>	<u>11,275</u>
Total comprehensive income attributable to:			
Owners of the parent		23,765	(3,695)
Non-controlling interest		(641)	1,328
		<u>23,124</u>	<u>(2,367)</u>
		<u>23,124</u>	<u>(2,367)</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	<u>HK4.37 cents</u>	<u>HK1.42 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Notes</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,310	2,778
Receivables under service concession arrangements	8	349,807	292,759
Available-for-sale investments		127,921	—
Total non-current assets		480,038	295,537
CURRENT ASSETS			
Inventories		246	308
Receivables under service concession arrangements	8	40,410	42,240
Prepayments and other receivables		1,289	647
Income tax recoverable		693	—
Cash and cash equivalents		87,763	99,064
Total current assets		130,401	142,259
CURRENT LIABILITIES			
Trade payables	9	12,186	5,062
Other payables and accruals		3,543	6,424
Derivative financial instrument		794	—
Interest-bearing bank borrowings	10	32,864	12,720
Income tax payables		627	848
Total current liabilities		50,014	25,054
NET CURRENT ASSETS		80,387	117,205
TOTAL ASSETS LESS CURRENT LIABILITIES		560,425	412,742
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowing	10	2,336	5,621
Deferred tax liabilities		36,514	37,017
Provision for major overhauls		6,440	5,275
Total non-current liabilities		45,290	47,913
Net assets		515,135	364,829

		2015	2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>11</i>	95	80
Reserves		487,447	336,515
		487,542	336,595
Non-controlling interest		27,593	28,234
Total equity		515,135	364,829

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Basis of preparation

Pursuant the reorganisation of the Company in connection with the listing of the Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 25 February 2014.

The Reorganisation has been accounted for in accordance with the principle similar to a reverse acquisition as set out in HKFRS 3 *Business Combinations*. The issue of Shares in exchange for the equity interest in Everbest Water Treatment Development Company Limited (“Everbest Water Treatment Development”) resulted in the Company becoming the holding company of Everbest Water Treatment Development.

This financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

This financial information has been prepared under the historical cost convention, except for available-for-sale investments and a derivative financial instrument which have been measured at fair value. This financial information is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Changes in accounting policies and disclosures

The accounting policies used in the preparation of this financial information is consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2014, except that the Group has in the current year adopted, for the first time, the following revised standards issued by the HKICPA.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*

Annual Improvements to *HKFRSs 2010-2012 Cycle*

Annual Improvements to *HKFRSs 2011-2013 Cycle*

The adoption of the above revised standards has had no significant financial effects on this financial information.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial information is on the presentation and disclosure of certain information in the financial information.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2. SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the construction and operation of wastewater treatment facilities. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

All of the Group's revenue is derived from customers located in Mainland China and all of the Group's non-current assets (excluding receivables under service concession arrangements, available-for-sale investments and deferred tax assets) are located in Mainland China.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Customer A	12,295	27,489
Customer B	133,167	57,694
	145,462	85,183

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents: (1) an appropriate proportion of contract revenue of construction contracts under service concession arrangements; (2) revenue from the operation of wastewater treatment facilities under service concession arrangements, net of value-added tax and government surcharges; and (3) the imputed interest income on receivables under service concession arrangements.

An analysis of the revenue, other income and gains is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue		
Construction services	79,752	16,680
Wastewater treatment facility operation services	48,952	54,011
Imputed interest income on receivables under service concession arrangements	16,758	14,492
	<u>145,462</u>	<u>85,183</u>
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other income and gains		
Bank interest income	370	239
Interest income from available-for-sale investments	2,068	—
Foreign exchange gains, net	—	77
Government grants [#]	1,703	45
Gain on deregistration of a subsidiary	—	5,779
Gains on disposal of available-for-sale investments	246	—
Refund of value-added tax	483	—
Realised gain on a cross currency swap contract	146	—
Others	302	—
	<u>5,318</u>	<u>6,140</u>

[#] Government grants have been received from local governments in Jiangsu Province for the purpose of carrying out environmental protection works. There were no unfulfilled conditions or contingencies relating to these grants as at 31 December 2014 and 31 December 2015.

4. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank loans	920	907
Increase in discounted amounts of provision for major overhauls arising from the passage of time	327	253
	<u>1,247</u>	<u>1,160</u>

5. INCOME TAX

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

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 Year (2014: Nil).

The provision for the People's Republic of China (the "PRC") income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC.

Haian Hengfa Wastewater Treatment Company Limited ("Haian Hengfa") and Rugao Hengfa Water Treatment Company Limited ("Rugao Hengfa"), subsidiaries of the Group, obtained preferential income tax treatment whereby their income taxes are charged at the taxable profit based on 90% of the revenue generated for the Year.

During the Year, Rugao Honghao Metal Water Treatment Company Limited ("Rugao Honghao") has confirmed from the relevant tax authority that it is entitled to full exemption on corporate income tax for 2012 (being the tax year in which Rugao Honghao began generating profit), 2013 and 2014 and a 50% reduction in corporate income tax rate for three years from 2015 to 2017. Tax refunds of HK\$9,998,000 in total relating to the tax years of 2012, 2013 and 2014 were received during the Year.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current — Mainland China		
Charge for the year	5,100	8,220
Overprovision in prior years	(212)	(216)
Tax refunds	(9,998)	—
Deferred	<u>1,190</u>	<u>2,857</u>
Total tax (credit)/expense for the year	<u>(3,920)</u>	<u>10,861</u>

6. DIVIDENDS

On 21 August 2015, the Company declared a special interim dividend of HK2 cents per ordinary share of the Company (the “Share”), absorbing a total of HK\$19,040,000. Such special interim dividend was paid on 31 October 2015.

The Board has recommended a final dividend of HK1 cent per Share for the Year (2014: Nil).

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per Share amount for the Year is based on the profit for the Year attributable to ordinary equity holders of the parent of HK\$39,506,000 (2014: HK\$9,267,000), and the weighted average number of Shares of 903,061,000 (2014: 653,151,000, as if the Reorganisation had been effective since 1 January 2014) in issue during the Year.

The weighted average number of Shares used to calculate the basic earnings per Share amount for the year ended 31 December 2014 includes the 1,000 Share issued upon incorporation and the 599,999,000 new Shares issued in the Share Swap (as defined in note 11(ii)), as if all these Shares had been in issue throughout the Year, and the weighted average of 53,151,000 new Shares issued pursuant to the Share Offer (as defined in note 11(iii)).

No adjustment has been made to the basic earnings per Share amounts presented for the years ended 31 December 2015 and 2014 as the Group had no potentially dilutive Share in issue during the years ended 31 December 2015 and 2014.

8. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Receivables under service concession arrangements	390,217	334,999
Portion classified as current assets	(40,410)	(42,240)
Non-current portion	349,807	292,759

As at the end of the Year, the ageing analysis of receivables under service concession arrangements, based on invoice date, is as below:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Billed:		
Within 3 months	16,426	15,947
4 to 6 months	14,694	14,784
7 to 12 months	—	5,001
	31,120	35,732
Not yet billed	359,097	299,267
	390,217	334,999

9. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Year, based on the invoice date, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	9,490	3,900
1 to 3 months	482	404
Over 3 months	2,214	758
	12,186	5,062

10. INTEREST-BEARING BANK BORROWINGS

	2015		2014	
	Maturity	HK\$'000	Maturity	HK\$'000
Current				
Bank loans – secured	2016	3,034	2015 or on demand	12,720
Bank loan – unsecured	On demand	29,830	N/A	—
		32,864		12,720
Non-current				
Bank loan – secured	2017	2,336	2016 - 2017	5,621
		35,200		18,341

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Analysed into:		
Bank loans repayable:		
Within one year or on demand	32,864	12,720
In the second year	2,336	3,176
In the third to fifth years, inclusive	—	2,445
	35,200	18,341

As at 31 December 2015, the Group had a three-year bank loan with a carrying amount of HK\$5,370,000 (2014: HK\$8,591,000) which was denominated in Renminbi (“RMB”) with a fixed interest rate at 6.77% per annum. This bank loan was secured by the Group’s land use right and properties used in the operation of the Group’s wastewater treatment business with a total construction cost of HK\$6,047,000 which had been charged to the cost of sales in profit or loss in the prior years of construction in accordance with HK(IFRIC)-Int 12 *Service Concession Arrangements*.

During the Year, the Group has drawn down a one-year bank loan with a carrying amount of HK\$29,830,000 as at 31 December 2015, which was denominated in RMB with a fixed interest rate at 4.5% per annum. The loan is unsecured and repayable on demand. To mitigate the foreign currency risks of the loan arising from the fluctuation of the exchange rate of HK\$ against RMB, the Group has entered into a one-year cross currency swap contract at the same time with the nominal amount and payment terms equal to and offsetting the principal and interest payments of the loan. The net cash flow of the loan and the cross currency swap contract resembles a HK\$ denominated loan of HK\$30,250,000 with a fixed interest rate at 2.6% per annum.

During the Year, the Group repaid a bank loan with a carrying amount as at 31 December 2014 of HK\$9,750,000. This bank loan was a five-year term loan, repayable on demand and denominated in United States dollars (“US\$”) with a floating interest rate at 1.25% above the US\$ prime rate per annum. As at 31 December 2014, it was secured by the wastewater treatment concession rights comprising receivables under service concession arrangements with a carrying amount of HK\$225,139,000.

11. SHARE CAPITAL

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Authorised:		
3,800,000,000 Shares of HK\$0.0001 each	<u>380</u>	<u>380</u>
Issued and fully paid:		
952,000,000 (2014: 800,000,000) Shares of HK\$0.0001 each	<u>95</u>	<u>80</u>

A summary of movements in the Company's issued capital is as follows:

	<i>Notes</i>	Number of Shares in issue	Issued capital <i>HK\$'000</i>
At 25 February 2014 (date of incorporation)		—	—
Issue of Shares	<i>(i)</i>	1,000	—
Issue of Shares pursuant to the Share Swap	<i>(ii)</i>	599,999,000	60
Issue of Shares pursuant to the Share Offer	<i>(iii)</i>	200,000,000	20
At 31 December 2014 and 1 January 2015		800,000,000	80
Issue of Shares pursuant to the Placing	<i>(iv)</i>	160,000,000	16
Cancellation of Shares repurchased	<i>(v)</i>	(8,000,000)	(1)
At 31 December 2015		<u>952,000,000</u>	<u>95</u>

Notes:

- (i) On the date of incorporation, one Share was allotted and issued by the Company to the initial subscriber, Mapcal Limited, at HK\$0.0001 per share and such one Share was transferred to Wealthy Sea Holdings Limited ("Wealthy Sea") on the same day. On the same day, 625 Shares were allotted and issued to Everbest Water Treatment Investment (Haian) Limited ("Everbest Investment Haian") and another 374 Shares were allotted and issued to Wealthy Sea for cash at par value. Wealthy Sea and Everbest Investment Haian were the shareholders of Everbest Water Treatment Development prior to the completion of the Reorganisation on 25 February 2014 in connection with the listing of the Company.

- (ii) On 25 February 2014, Everbest Investment Haian and Wealthy Sea transferred all the shares they held in Everbest Water Treatment Development to a directly wholly-owned subsidiary of the Company in consideration of the Company allotting and issuing 374,999,375 and 224,999,625 Shares to them, respectively, in connection with the Reorganisation (the “Share Swap”).
- (iii) In connection with the listing of the Shares on the Stock Exchange (the “Share Offer”), 200,000,000 new Shares were issued at a price of HK\$0.55 per Share for a total cash consideration, before expenses, of HK\$110,000,000. Dealings in the Shares on the Stock Exchange commenced on 26 September 2014.
- (iv) On 5 May 2015, 160,000,000 new Shares were issued at a price of HK\$0.98 per Share pursuant to the top-up placing agreement and top-up subscription agreement entered into by the Company under the general mandate of the Company (the “Placing”) for a total cash consideration, before expenses, of HK\$156,800,000. Further details are set out in the announcements of the Company dated 23 April 2015 and 5 May 2015.
- (v) During the Year, the Company repurchased and cancelled 8,000,000 of its own Shares on the Stock Exchange for an aggregate consideration of HK\$4,915,492, excluding transaction costs. Upon the cancellation of the Shares repurchased, the issued share capital of the Company was reduced by the par value of HK\$800.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Looking back into 2015, the overall economic and financial environment was very challenging as the global markets remained volatile. The PRC government's monetary policy was a matter of concern in the market. The significant depreciation of Renminbi against the US dollars has lifted investors' anxieties on the stability of the China market and the future development of the businesses. In light of the risks and uncertainties in the market, the Company exercised extra care and prudence in the past year.

The environmental protection industry in China, on the other hand, is becoming more mature. On 16 April 2015, the State Council introduced the Water Pollution Prevention and Control Action Plan, also known as the "Ten Rules for Water Pollution Control", to step up the prevention and control of water pollution, and to set higher requirements for sewage treatment in urban areas. To further increase the capacity and efficiency of water pollution prevention and control, the Ministry of Finance and the Ministry of Environmental Protection jointly published on 27 April 2015 the "Implementing Opinions on Carrying Out Public-Private-Partnership in the Field of Water Pollution Prevention and Control" to encourage the adoption of a public-private-partnership (PPP) model in the sector of water pollution prevention and control. In October 2015, the State Council released two documents, which stated that controls on water prices will be lifted in the future. The documents include "Opinions on Reforms of the Country's Pricing Mechanism" and "Guidelines to Push Forward the Sponge City Campaign". They aimed to promote better development of the water treatment supply industry. According to the "Report on the Analysis of Production and Sales Demand and Investment Forecast in China's Sewage Treatment Equipment Industry for 2016-2021" published by the Research Institute for Prospective Industries, the sewage treatment industry is still going through a growth period, and that the strong demand for sewage treatment systems in urban or rural areas, which will foster the sustainable and rapid development of the industry. This makes the industry which highly attractive for investment. Therefore, the management of the Company remains optimistic about the development of the sewage treatment industry in the future, while expecting the development of more water treatment projects in the market. The Company will seize more opportunities in the hope of exploring more areas for business growth.

Currently, ELL Environmental has three wastewater treatment facilities, namely the Haian Hengfa Facility, the Rugao Hengfa Facility and the Rugao Honghao Facility. They have a daily wastewater treatment capacity of 40,000 tonnes, 40,000 tonnes and 3,500 tonnes respectively. The upgrade works of Rugao Hengfa Facility was completed in December 2015 and is now undergoing the trial run stage. The negotiation with the local governments for water tariff adjustment has been carried on since the completion of the upgrade work of the Haian Hengfa Facility and the Rugao Hengfa Facility. An increase in water tariff will help further improve the Group's profitability.

Upon satisfactory completion and inspection of the environmental protection at Rugao Honghao Facility, Rugao Honghao obtained a permit for sewage discharge on 17 July 2015. Since then, the Group had been discussing with the Taxation Bureau of Rugao city Rugao Honghao's eligibility for tax exemption. On 30 November 2015, Rugao Honghao received a letter from the Taxation Bureau of Rugao city, confirming Rugao Honghao receiving a tax refund of RMB 8.1 million (equivalent to HK\$10.0 million), equivalent to the amount paid by Rugao Honghao from 2012 to 2014. Meanwhile, the Taxation Bureau confirmed in the refund notification that Rugao Honghao was entitled to a 50% tax reduction from 2015 to 2017.

On 16 April 2015, the Group entered into a letter of intent with Fujian Wuping State-Owned Investment Group Co., Ltd. (福建武平國有投資集團有限公司) ("Fujian Wuping") in relation to the proposed acquisition of a wastewater treatment facility, namely Wuping Second Waste Water Treatment Facility (武平縣第二污水處理廠) (the "Wuping Facility"). According to the letter of intent, the Group is expected to work with Fujian Wuping on a Public-Private Partnership (PPP) model, including the acquisition of land use and housing rights of Wuping Facility and a franchise in running the facility, whilst offering technical know-how to improve the operation of the Wuping Facility.

Future Outlook

With the increasing challenges and opportunities in the market, the Company will be prudently optimistic with an aim to maintaining its excellent business performance and competitiveness. Under the condition that risks and returns are in line with the Group's interest, the management is proactively looking at business expansions within new sewage treatment projects, as well as other environmental protection projects, locally and abroad. In the future, new projects or acquisitions will be the major growth driver for the Company. The Group will make the best of the advantages from the government policies to formulate appropriate business development strategies with an aim for a continuous growth for our shareholders.

Financial Review

Revenue

Our total revenue increased by 70.8% to HK\$145.5 million for the Year from HK\$85.2 million for the previous year. The increase in revenue was primarily attributable to the increase in construction revenue arising from the upgrade works of Rugao Hengfa Facility, which amounted to HK\$79.8 million (2014: HK\$16.7 million).

Cost of Sales

Our total cost of sales increased by 155.3% to HK\$95.0 million for the Year from HK\$37.2 million for the previous year, primarily due to (i) the incurrence of total construction costs of HK\$60.6 million as a result of the upgrade works of the Rugao Hengfa Facility during the Year (2014: HK\$14.7 million), and (ii) the increase in overhead costs of HK\$11.8 million, which was mostly attributable to the increased electricity consumption and raw materials costs due to the increase in volume of wastewater treated.

Gross profit and gross profit margin

Our gross profit increased by 5.1% to HK\$50.4 million for the Year from HK\$48.0 million for the previous year, primarily due to the net effect of (i) the recognition of construction margin as a result of the upgrade works of the Rugao Hengfa Facility which amounted to HK\$19.2 million, and (ii) the decrease in the operating margin of HK\$16.9 million as a result of the increase in volume of wastewater treated as abovementioned.

Our gross profit margin decreased to 34.7% for the Year from 56.3% for the previous year, primarily due to (i) the gross profit margins for the construction revenue of the upgrade works of the Rugao Hengfa Facility are lower than the gross profit margins for the operation of our wastewater treatment facilities, and (ii) the increase in cost of sales with the increase in volume of wastewater treated as abovementioned.

Administrative expenses

As a percentage of our revenue, our administrative expenses represented 12.6% and 36.2% for the year ended 31 December 2015 and 2014, respectively. Our administrative expenses decreased by 40.7% to HK\$18.3 million for the Year from HK\$30.8 million for the previous year. The decrease was primarily attributable to (i) the absence of the professional fees of HK\$20.1 million incurred in relation to the listing of our Shares during the year ended 31 December 2014, (ii) the increase in directors' fees, other office and administrative expenses, and legal and professional fees in relation to, among other things, regulatory compliance with the Listing Rules incurred for the Year, and (iii) foreign exchange loss due to depreciation in Renminbi against Hong Kong dollar incurred for the Year.

Finance Costs

Our finance costs increased by 7.5% to HK\$1,247,000 for the Year from HK\$1,160,000 for the previous year.

Profit before tax

Our profit before tax increased by 63.7% to HK\$36.2 million for the Year from HK\$22.1 million for the previous year, primarily due to the factors mentioned above.

Income Tax

We recorded an income tax credit of HK\$3.9 million for the Year as compared to an income tax expense of HK\$10.9 million for the previous year, primarily due to (i) the tax refund of HK\$10.0 million from the Taxation Bureau of Rugao city and (ii) the change in Group's dividend policy for its PRC subsidiaries which resulted in the reversal of deferred tax provision made on the distributable profits of the PRC subsidiaries in prior years amounted to approximately HK\$4.7 million.

Profit attributable to owners of the parent

Our profit attributable to owners of the parent increased by 3.3 times to HK\$39.5 million for the Year from HK\$9.3 million for the previous year, primarily due to the factors mentioned above.

Bank borrowings

As at 31 December 2015, the Group had a three-year bank loan with a carrying amount of HK\$5.4 million (2014: HK\$8.6 million), which was denominated in Renminbi with a fixed interest rate at 6.77% per annum. This bank loan was secured by the land use right and properties used in the operation of the Group's wastewater treatment business.

During the Year, the Group has drawn down a one-year bank loan with a carrying amount of HK\$29.8 million as at 31 December 2015, which was denominated in RMB with a fixed interest rate at 4.5% per annum. The loan is unsecured and repayable on demand. To mitigate the foreign currency risks of the loan arising from the fluctuation of the exchange rate of Hong Kong dollar against Renminbi, the Group has entered into a one-year cross currency swap contract at the same time with nominal amount and payment terms equal to and offsetting the principal and interest payments of the loan. The net cash flow of the loan and the cross currency swap contract resembles a HK\$ denominated loan of HK\$30.3 million with a fixed interest rate at 2.6% per annum.

Liquidity and financial resources

Our principal liquidity and capital requirements primarily relate to investments in our projects, construction of our wastewater treatment facilities and purchase of equipment, as well as costs and expenses. As at 31 December 2015, the net asset value of the Group was HK\$515.1 million (2014: HK\$364.8 million), increased by 41.2% when compared with 2014.

The Group's gearing ratio is calculated by dividing total debt by total equity and total debt is the interest-bearing bank borrowings. The gearing ratio was kept stable, being 0.1 as at 31 December 2014, and 0.1 as at 31 December 2015.

Capital expenditures

Our major capital expenditures consist primarily of expenditures to upgrade and improve the Group's wastewater treatment facilities. For the Year, our capital expenditures amounted to approximately HK\$60.6 million. These capital expenditures were funded by funds generated from our operating activities and the proceeds from the Share Offer and the Placing.

Foreign exchange risks

Individual companies in Mainland China within the Group have limited foreign currency risk as most of the transactions are denominated and settled in Renminbi. The Group did not have significant foreign currency exposures from its operations. However, our consolidated financial information is presented in Hong Kong dollars. Any appreciation or depreciation of Hong Kong dollar against Renminbi will affect our financial position and be reflected in the exchange fluctuation reserve. The Group does not have a foreign currency hedging policy. The management monitors the Group's foreign exchange fluctuation exposure closely. In light of the increased volatility of the exchange rate of Hong Kong dollar against Renminbi recently, the Group has managed to reduce the exposures in Renminbi by converting a majority of the cash and bank balances into United States dollars or Hong Kong dollars.

Contingent liabilities

As at 31 December 2015, the Group had no contingent liabilities.

Employee and remuneration policies

As at 31 December 2015, the Group had 78 (2014: 75) employees (including the Directors). Employee costs (including Directors' emoluments) amounted to HK\$9.8 million for the Year (2014: HK\$8.3 million). Our remuneration policy for the Directors and our senior management members is based on their experience, level of responsibility, length of service and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of the Directors and senior management members. The Company has 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.

Events after the reporting date

The Group had no material event subsequent to the end of the Year and up to the date of this announcement.

Final dividend

A final dividend of HK1 cent per Share has been recommended by the Board for the Year (2014: Nil) to be paid to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Thursday, 31 May 2016. Subject to the passing of the relevant resolution at an annual general meeting of the Company (the "AGM") to be held, the final dividend is expected to be paid to the Shareholder on or around Monday, 20 June 2016, in cash in Hong Kong dollars.

ANNUAL GENERAL MEETING

The 2016 AGM will be held on 20 May 2016, and the AGM notice will be published and dispatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

In relation to AGM

For determining the Shareholders' entitlement to attend and vote at the AGM, the register of members will be closed from Tuesday, 17 May 2016 to Friday, 20 May 2016 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending the forthcoming AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 16 May 2016.

In relation to the proposed final dividend

Conditional on the passing of the resolution approving the declaration of a final dividend by the Shareholders at the AGM, the register of members will be closed from Friday, 27 May 2016 to Tuesday, 31 May 2016 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 31/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Thursday, 26 May 2016.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all applicable code provisions as set out in the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "CG Code") throughout the Year, except as disclosed below.

Code provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of Shareholders. One non-executive Director (the "NED") and all the independent non-executive Directors (the "INEDs") were not able to attend the AGM held on 8 May 2015 (the "2015 AGM") due to their respective business engagements. Other Board members who attended the 2015 AGM were already of sufficient calibre and number for answering questions raised by the Shareholders at the 2015 AGM.

SCOPE OF WORK OF THE COMPANY’S EXTERNAL AUDITORS

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in this announcement have been agreed by the Company’s external auditors to the amounts set out in the Group’s audited consolidated financial statements for the Year. 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 Hong Kong Institute of Certified Public Accountants 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 C.3 of the CG Code for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises four members, namely Ms. Ng Chung Yan Linda (who is also the chairlady of the Audit Committee), Mr. Ng Man Kung and Mr. Sze Yeuk Lung Benedict, all being the INEDs and Mr. Chau Chi Yan Benny, a NED. The Audit Committee and the Company’s management have reviewed the accounting principles and practices adopted by the Group and the annual consolidated results of the Group for the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct governing securities transactions by the Directors. Following a specific enquiry 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 the Year.

ISSUE OF EQUITY SECURITIES

On 22 April 2015, (i) Wealthy Sea (the “Subscriber”), a substantial shareholder (as defined in the Listing Rules) of the Company and (ii) Convoy Investment Services Limited and Yicko Securities Limited (collectively, the “Placing Agents”) entered into a top-up placing agreement, pursuant to which the Subscriber agreed to sell up to 160,000,000 Shares to be placed (the “Top-up Placing Shares”) and the Placing Agents agreed, as agents of the Subscriber, to place the Top-up Placing Shares, at the placing price of HK\$0.98 each, to not less than six placees who were (i) independent of and not and would not become connected persons (as defined in the Listing Rules) of the Company and (ii) not acting in concert together.

On the same day, the Subscriber and the Company entered into a top-up subscription agreement, pursuant to which the Subscriber conditionally agreed to subscribe for such number of the Top-up Placing Shares (the “Subscription”). Upon completion of the Subscription on 5 May 2015, an aggregate of 160,000,000 Shares were issued and allotted to the Subscriber at HK\$0.98 per Share.

For details, please refer to the Company’s announcements dated 22 April 2015 and 5 May 2015.

The gross and net proceeds from the Subscription were HK\$156.8 million and HK\$151.1 million, respectively. The said net proceeds were intended to be used for (i) the potential acquisition of the Wuping Second Waste Water Treatment Facility (武平縣第二污水處理廠) and other potential investments subject to the execution of the relevant definitive agreements for such potential acquisition and investments; and (ii) further capital expenditure required for the upgrade works of the wastewater treatment facility operated by Rugao Hengfa Water Treatment Company Limited, an indirect wholly-owned subsidiary of the Company established in the Jiangsu Province, the PRC, in addition to the projected capital expenditure disclosed in the prospectus of the Company dated 12 September 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, the Company repurchased 8,000,000 Shares on the Stock Exchange for an aggregate consideration of HK\$4.9 million excluding transaction costs. All the repurchased Shares had been cancelled on 9 October 2015. The nominal value of the total issue capital of the Company was reduced by HK\$800.

Particulars of the repurchases during the Year are as follows:

Period of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration (excluding transaction costs) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
August 2015	4,175,000	0.63	0.57	2,506,000
September 2015	3,825,000	0.63	0.63	2,410,000

Save as disclosed herein and under the heading “ISSUE OF EQUITY SECURITIES” above, the Company did not redeem any of its Shares listed on the Main Board of the Stock Exchange nor did the Company or any subsidiaries purchase or sell any of such Shares during the Year.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange’s website (<http://www.hkex.com.hk>) and the Company’s website (<http://www.ellhk.com>). The annual report will be dispatched to the Shareholders and will be available on the respective websites of the Stock Exchange and the Company 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 continuous support as well as the Directors and our staff for their dedication and diligence.

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

Hong Kong, 18 March 2016

As at the date of this announcement, the executive Directors of the Company are Mr. Chau On Ta Yuen (Chairman) and Mr. Chan Kwan (Chief Executive Officer); the NEDs of the Company are Mr. Chan Pak Lam Brian and Mr. Chau Chi Yan Benny; and the INEDs are Ms. Ng Chung Yan Linda, Mr. Ng Man Kung and Mr. Sze Yeuk Lung Benedict.