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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)

PROFIT WARNING

This announcement is made by ELL Environmental Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Directors**”) of the Company (the “**Board**”) would like to inform shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Group (the “**Management Accounts**”) for the financial year ended 31 December 2016 (“**FY2016**”), the Group is expected to record a significant decrease of not less than 70% in its net profit for FY2016 as compared with a net profit of approximately HK\$40.1 million for the financial year ended 31 December 2015 (“**FY2015**”). The Board believes that the decrease in the net profit of the Group for FY2016 was mainly attributed to (1) a significant decrease in construction profit arising from the upgrade works for Rugao Hengfa Facility, which was substantially completed during FY2016; (2) a substantial increase in cost of raw materials and overhead costs in relation to the operation of the wastewater treatment facilities due to inflation of market price and utility costs, despite construction costs decreased significantly as a result of the completion of the aforesaid upgrade works; (3) that the Group is still in negotiation with the local governments for water tariff adjustments for the wastewater treatment facilities to cover the aforesaid increase in costs of raw materials and overheads for FY2016; and (4) that the Group received an one-off tax refund of approximately HK\$10.0 million from the Taxation Bureau of Rugao City in FY2015, which was not available to the Group in FY2016.

* *For identification purpose only*

The information contained in this announcement is based solely on a preliminary assessment by the Board with reference to the Management Accounts for FY2016 along with any information currently available to the Company, which have neither been audited nor reviewed by the Company's auditors or the audit committee of the Company. Further details of the Group's financial results and performance will be disclosed in the annual results announcement of the Company for FY2016, which is expected to be published on 24 March 2017. The related annual report for FY2016 will be published subsequently.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 20 March 2017

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