Integrated Waste Solutions Group Holdings Limited
綜合環保集團有限公司*

(Formerly known as Fook Woo Group Holdings Limited)
(前稱福和集團控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock code 股份代號：923

2013
INTERIM REPORT 中期報告

* For identification purpose only 僅供識別

Contents

CORPORATE INFORMATION

DIRECTORS

Non-executive directors
Mr. Cheng Chi Ming, Brian *(Chairman)*
Mr. Tsang On Yip, Patrick

Executive directors
Mr. Suen Wing Yip *(Chief Executive Officer)*
Mr. Lau Sai Cheong
Mr. To Chun Wai
Mr. Tam Sui Kin, Chris

Independent non-executive directors
Mr. Nguyen Van Tu, Peter
Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis

BOARD COMMITTEES

Executive Committee
Mr. Suen Wing Yip *(Chairman)*
Mr. Lau Sai Cheong
Mr. To Chun Wai
Mr. Tam Sui Kin, Chris

Audit Committee
Mr. Wong Man Chung, Francis *(Chairman)*
Mr. Cheng Chi Ming, Brian
Mr. Nguyen Van Tu, Peter
Mr. Chow Shiu Wing, Joseph

Remuneration Committee
Mr. Nguyen Van Tu, Peter *(Chairman)*
Mr. Tsang On Yip, Patrick
Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis

Nomination Committee
Mr. Chow Shiu Wing, Joseph *(Chairman)*
Mr. Tsang On Yip, Patrick
Mr. Nguyen Van Tu, Peter
Mr. Wong Man Chung, Francis

COMPANY SECRETARY

Mr. Kot Koon Yue, Eric

AUTHORISED REPRESENTATIVES

Mr. Suen Wing Yip
Mr. Kot Koon Yue, Eric

AUDITOR

KPMG

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Fook Woo Group Building
3 Kui Sik Street
On Lok Tsuen
Fanling, New Territories
Hong Kong

CORPORATE WEBSITE

www.iwsgh.com

STOCK CODE

923

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited

LEGAL ADVISER

As to Hong Kong law:
Troutman Sanders

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The loss attributable to equity holders of the Company for the six months ended 30 September 2013 (the "Current Period") was approximately HK$10.5 million, an increased loss of HK$8.9 million when compared to the loss of HK$1.6 million for the six months ended 30 September 2012 (the "Last Period").

The Group's revenue for the six months ended 30 September 2013 amounted to HK$258.1 million, representing a decrease of 14.7% as compared to the Last Period of HK$302.4 million. Gross profit also reduced by 48.0% in the Current Period to approximately HK$28.3 million largely due to the drop in the contribution of Recovered Paper segment.

The average selling prices of recovered paper had registered a decrease of 14% during the Current Period due to, firstly, an overall reduction in recovered paper demand, particularly in Mainland China as a result of tightened importation control, such as the "Green Fence" Campaign, undertaken by the Mainland authorities. Secondly, the increase in the cost of sales in terms of soared labour costs and rental expenses has significantly eaten into the gross profit margin of recovered paper sales.

Despite the inflationary pressure on the production costs of our PRC suppliers, the results of Tissue Paper segment remains satisfactory with gross profit contribution improved by 62% through better control on purchase costs.

Confidential Materials Destruction Service ("CMDS") of the Group continues to pivot on collecting and destroying confidential materials from banks, governmental bodies, financial and other professional institutions, publishers and printers, etc. in Hong Kong. Although the revenue contribution from this business is relatively small during the Current Period, we feel positive about the future of this business segment following our entry into other non-paper CMDS.

PROSPECT

The Group continues to operate its core businesses, including (i) waste materials trading; (ii) provision of CMDS; and (iii) trading in tissue paper products in Hong Kong, Macau and other overseas countries. The Group will do all it can to spur profitability, and become one of the largest integrated waste solutions providers in the Greater China. In addition, the incumbent management team will endeavor to bolster the Group's corporate governance and internal control to bring about good business practices, monitoring, documentation, and exercise of proper authority. The Group, meanwhile, will continue to recoup that unfortunate lost governance and rebuild its capacity to become a serious competitor in the provision of integrated waste solutions.

The Group has been undertaking the construction works for the industrial development in Tseung Kwan O (the "Project TKO"). In September 2013, the Group awarded the main construction contract for the Project TKO to an independent third party and the contract period is estimated to be 270 calendar days. The Project TKO will bring about centralisation and consolidation of the Group's existing businesses and the Group believes that its establishment should help to expand the Group's market share in recycling business.

As regards the date for trading resumption, a matter which the Group believes to be of all shareholders' concern, the Board holds that things should look bright. The Board believes that since all the resumption conditions imposed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") have been fulfilled and responded, trading in the shares of the Company could be resumed in the near future. As at the date of this report, the Company is diligently addressing some incidental comments on the resumption conditions posted by the Stock Exchange in a bid to expedite trading resumption.

FINANCIAL RESOURCES

Liquidity and Financial Resources

As at 30 September 2013, the Group had cash and cash equivalents of approximately HK$424.8 million (31 March 2013: HK$548.0 million). The Group had no bank borrowing as at 30 September 2013 (31 March 2013: Nil).

As at 30 September 2013, the Group had net current assets of approximately HK$1,144.2 million, as compared to net current assets of approximately HK$1,204.9 million as at 31 March 2013. The current ratio of the Group was 13.2 as at 30 September 2013 as compared to 14.5 as at 31 March 2013.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of its sales denominated in United States dollars and Hong Kong dollars. Most of the raw materials purchases are denominated in Hong Kong dollars. Furthermore, most of the Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars.

As at 30 September 2013, the Group recorded a net foreign exchange gain of HK$4.8 million (Last Period: exchange loss of HK$2.9 million). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Pledge of Assets

As at 30 September 2013, the Group had a total of HK$2.6 million (31 March 2013: HK$1.7 million) were pledged with banks for the purpose of issuing guarantees to certain suppliers to secure supply of materials.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 September 2013 (31 March 2013: Nil).

Commitments

The Group's commitments for capital expenditure were HK$310.9 million as at 30 September 2013 as compared to HK$32.3 million as at 31 March 2013. This represented capital expenditures committed for property, plant and equipment which to be funded by internal resources.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2013, the Group had approximately 300 employees in Hong Kong. Employee costs, excluding directors' emoluments, totalled HK$26.6 million for the Current Period (Last Period: HK$25.7 million). All of the Group companies are equal opportunity employers, with the selection and promotion of employees based on suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for its employees in Hong Kong. The Company has also adopted a share option scheme on 11 March 2010. During the period, no share option was granted. The Group did not experience any significant labour disputes or substantial changes in the number of employees that led to any disruption of its normal business operations.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Current Period.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2013, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange, nor had there been any grant or exercise of rights of such interests during the six months ended 30 September 2013.

SHARE OPTION

Pursuant to the resolutions in writing passed by all shareholders of the Company on 11 March 2010, the Company approved and adopted a share option scheme for the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group (the "Share Option Scheme"). No share option had been granted since the date of adoption of the Share Option Scheme. As at the date of this interim report, the total number of shares available for issue under the Share Option Scheme was 200,000,000 Shares, which represented approximately 8.29% of the Shares in issue as at that date.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2013, the following persons (other than the Directors and chief executives of the Company) had interests and short positions of 5% or more in the Shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	*Note*	Capacity	Number of ordinary Shares held*	% of the issued share capital of the Company
City Legend	1	Beneficial owner	785,100,000(L)	32.56%
Mr. Leung Kai Kuen	1	Interest in a controlled corporation	785,100,000(L)	32.56%
Dato' Dr. Cheng Yu Tung	2	Interest in controlled corporations	488,640,375(L)	20.27%
Chow Tai Fook Nominee Limited	2	Interest in controlled corporations	366,275,000(L)	15.19%
		Beneficial owner	122,365,375(L)	5.07%
Victory Day Investments Limited	2	Interest in controlled corporations	366,275,000(L)	15.19%
Smart On Resources Ltd.	2	Beneficial owner	366,275,000(L)	15.19%
Firstrate Enterprises Limited		Beneficial owner	151,875,000(L)	6.30%

* The letter "L" denotes the person's long position in the Shares.

Note:

(1) Mr. Leung Kai Kuen was deemed to be interested in these 785,100,000 shares of the Company which were held by City Legend International Limited ("City Legend"), a corporation wholly owned by Mr. Leung.

(2) Smart On Resources Ltd. is wholly owned by Victory Day Investments Limited (a wholly owned subsidiary of Chow Tai Fook Nominee Limited). Chow Tai Fook Nominee Limited is wholly owned by Dato' Dr. Cheng Yu Tung.

Save as disclosed above, as at 30 September 2013, no person, other than the Director whose interests and short positions are set out in the section headed "Directors' Interests in Shares" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has committed to maintain a high standard of corporate governance and has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with the code provisions set out in the CG Code throughout the six months ended 30 September 2013, except code provisions A.6.7 and C.1.2 of the CG Code. Key corporate governance principles and practices of the Company as well as the particulars of the foregoing deviations and the reasons thereof are detailed below.

Code provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other engagement, Mr. Lau Shun Chuen, an independent non-executive Director of the Company, was unable to attend the annual general meeting of the Company held on 30 September 2013.

Code provision C.1.2 of the CG Code requires the management of the Company to provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13. During the review period, the management of Company did not provide monthly updates to all members of the Board as required by the code provision C.1.2 as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including non-executive Directors and independent non-executive Directors) bi-monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail during the regular board meetings of the Company. In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board.

The Company will continue to bolster its corporate governance practices that are conducive to the conduct and growth of its business and to regularly review its corporate governance practices to ensure straightly compliance with all the regulatory requirements and meeting the expectations of shareholders and investors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 for dealing in securities of the Company by the Directors.

Having made specific enquiries by the Company with the Directors (including the former Directors who resigned during the review period) in the six months ended 30 September 2013, all Directors (including the former Directors who resigned during the review period) have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2013.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has also adopted written guidelines on no less exacting terms than the Model Code (the "Written Guidelines") for governing securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company or its securities. No incident of non-compliance of the Written Guidelines by any relevant employee was noted by the Company during the six months ended 30 September 2013.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the Company's 2013 annual report are set out below:

1. At the annual general meeting of the Company held on 30 September 2013, Mr. Tam Sui Kin, Chris was appointed as an executive Director of the Company.

2. At the annual general meeting of the Company held on 30 September 2013, Mr. Cheng Chi Ming, Brian, a retiring Director, who had been a non-executive Director of the Company since 1 January 2011, was re-elected as a non-executive Director of the Company.

3. At the annual general meeting of the Company held on 30 September 2013, Mr. Lau Sai Cheong, a retiring Director, who had been an executive Director of the Company since 16 October 2012, was re-elected as an executive Director of the Company.

4. At the annual general meeting of the Company held on 30 September 2013, Mr. Lau Shun Chuen, a retiring Director, who had been an independent non-executive Director of the Company since 1 October 2010, was re-elected as an independent non-executive Director of the Company. Subsequently, he resigned as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of the Company with effect from 10 October 2013.

5. Mr. Lai Hau Yin resigned as an executive Director with effect from 30 September 2013.

6. Mr. Chow Shiu Wing, Joseph was appointed as an independent non-executive Director, the chairman of the nomination committee, a member of the audit committee and a member of the remuneration committee of the Company with effect from 10 October 2013.

7. Mr. Wong Man Chung, Francis was appointed as an independent non-executive Director, the chairman of the audit committee, a member of the nomination committee and a member of the remuneration committee of the Company with effect from 10 October 2013.

8. Mr. Nguyen Van Tu, Peter, an independent non-executive Director of the Company was re-designated from the chairman of the nomination committee of the Company to the chairman of the remuneration committee of the Company with effect from 10 October 2013. He remains a member of the nomination committee and a member of the audit committee.

9. Mr. Chung Wai Kwok, Jimmy resigned as an independent non-executive Director, the chairman of the audit committee, a member of the nomination committee and a member of the remuneration committee of the Company with effect from 10 October 2013.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company, which comprises three independent non-executive Directors, namely, Mr. Wong Man Chung, Francis (Chairman of the Audit Committee), Mr. Nguyen Van Tu, Peter and Chow Shiu Wing, Joseph; and one non-executive Director, namely, Mr. Cheng Chi Ming, Brian, has reviewed the accounting principles and practices adopted by the Group and the unaudited interim financial report of the Group for the Current Period with the management and the external auditor. The unaudited interim financial report of the Group for the Current Period have been reviewed by the Company's external auditor, KPMG, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

By Order of the Board
Integrated Waste Solutions Group Holdings Limited
Cheng Chi Ming, Brian
Chairman

Hong Kong, 28 November 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2013	2012
	Note	**$'000**	$'000
Revenue	5	**258,123**	302,446
Cost of sales		**(229,779)**	(247,930)
Gross profit		**28,344**	54,516
Other income		**4,410**	2,170
Other gains/(losses), net		**5,205**	(3,805)
Selling and distribution expenses		**(21,763)**	(16,643)
Administrative and other operating expenses		**(32,719)**	(38,244)
Operating loss		**(16,523)**	(2,006)
Write-off of amounts due from the De-consolidated Subsidiaries		**–**	(2,500)
Finance income	6(b)	**5,576**	6,639
Finance costs	6(a)	**–**	(203)
Share of loss of an associate		**(844)**	–
(Loss)/profit before taxation	6	**(11,791)**	1,930
Income tax	7	**1,321**	(3,485)
Loss and total comprehensive income for the period attributable to equity holders of the Company		**(10,470)**	(1,555)
Basic and diluted loss per share for loss attributable to equity holders of the Company	9	**(0.4) cents**	(0.1) cents

The notes on pages 16 to 29 form part of this interim financial report. Details of dividends payable to equity holders of the Company are set out in note 8.

CONSOLIDATED BALANCE SHEET

At 30 September 2013
(Expressed in Hong Kong dollars)

	Note	**30 September 2013 $'000 (Unaudited)**	31 March 2013 $'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**222,973**	175,976
Land use rights		**27,832**	28,244
Interest in an associate		**–**	844
Prepayments		**8,689**	5,640
		259,494	210,704
Current assets			
Inventories		**6,331**	8,095
Trade and bills receivables	11	**67,029**	57,545
Other receivables, deposits and prepayments		**46,081**	36,924
Amounts due from related companies		**594**	601
Amounts due from De-consolidated Subsidiaries	16(b)	**690,617**	641,089
Bank deposits and cash		**424,793**	548,041
Restricted and pledged bank deposits		**2,600**	1,650
		1,238,045	1,293,945
Current liabilities			
Trade payables	12	**12,982**	14,397
Other payables and accruals		**73,655**	66,688
Amounts due to related companies		**5,273**	5,273
Taxation payable		**1,942**	2,704
		93,852	89,062
Net current assets		**1,144,193**	1,204,883
Total assets less current liabilities		**1,403,687**	1,415,587

CONSOLIDATED BALANCE SHEET

At 30 September 2013
(Expressed in Hong Kong dollars)

	Note	**30 September 2013 $'000 (Unaudited)**	31 March 2013 $'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		**487**	1,917
NET ASSETS		**1,403,200**	1,413,670
CAPITAL AND RESERVES			
Share capital	13	**241,117**	241,117
Reserves		**1,162,083**	1,172,553
TOTAL EQUITY		**1,403,200**	1,413,670

The notes on pages 16 to 29 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013 – unaudited

(Expressed in Hong Kong dollars)

	Share capital $'000	Share premium $'000	Capital reserve $'000	Accumulated losses $'000	Total $'000
At 1 April 2012	241,117	2,862,358	(964,044)	(720,139)	1,419,292
Loss and total comprehensive income for the period	–	–	–	(1,555)	(1,555)
At 30 September 2012	241,117	2,862,358	(964,044)	(721,694)	1,417,737
At 1 April 2013	241,117	2,862,358	(964,044)	(725,761)	1,413,670
Loss and total comprehensive income for the period	–	–	–	(10,470)	(10,470)
At 30 September 2013	241,117	2,862,358	(964,044)	(736,231)	1,403,200

The notes on pages 16 to 29 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2013	2012
	$'000	$'000
Cash flows from operating activities		
Cash used in operations	**(69,715)**	(143,948)
Income tax paid	**(871)**	–
Net cash used in operating activities	**(70,586)**	(143,948)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(57,902)**	(12,019)
Proceeds from disposal of property, plant and equipment	**818**	7,898
Prepayments for purchase of property, plant and equipment	**(3,049)**	–
Interest received	**4,457**	6,639
Net cash (used in)/generated from investing activities	**(55,676)**	2,518
Cash flows from financing activities		
Repayments of bank borrowings	**–**	(28,800)
Interest paid on bank borrowings	**–**	(203)
(Increase)/decrease in restricted and pledged bank deposits	**(950)**	910
Net cash used in financing activities	**(950)**	(28,093)
Net decrease in cash and cash equivalents	**(127,212)**	(169,523)
Cash and cash equivalents, net of bank overdrafts at the beginning of the period	**548,041**	747,167
Exchange difference on cash and cash equivalents	**3,964**	–
Cash and cash equivalents, net of bank overdrafts at the end of the period	**424,793**	577,644

The notes on pages 16 to 29 form part of this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

Integrated Waste Solutions Group Holdings Limited ("the Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 11 November 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered address of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company and its subsidiaries are collectively referred to as the "Group". The subsidiaries of the Group are principally engaged in the trading and manufacturing of tissue paper products and recycled greyboard, trading of recovered paper and materials and provision of confidential materials destruction services.

2 BASIS OF PREPARATION

The Directors are responsible for preparing the interim financial report in accordance with applicable law and regulations. The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the changes mentioned in note 3.

The preparation of an interim financial report in conformity with International Accounting Standard 34 ("IAS 34"), issued by the International Accounting Standards Board (the "IASB"), requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). The annual financial statements for the year ended 31 March 2013 are available from the Company's registered office. The auditors have expressed an adverse opinion on those financial statements in their report dated 23 August 2013.

The interim financial report has been reviewed by the auditors pursuant to the IASB guidance on International Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

In the course of preparing its interim financial report for the six months ended 30 September 2011, the Board of Directors of the Company (the "Board") were made aware of evidence indicating the potential existence of irregularities with respect to a deposit of RMB100,000,000 (approximately $120,000,000) recorded in the books of 惠州福和紙業有限公司("Huizhou Fook Woo"), an indirect wholly owned subsidiary of the Group (the "Incident"). Accordingly, in the interest of the Company and its shareholders, on 28 November 2011, the Company applied for suspension of trading in the Company's shares on the Stock Exchange.

2 BASIS OF PREPARATION (Continued)

On 29 November 2011, the Company received a cash deposit of RMB100,000,000 (approximately $120,000,000) (the "Deposit"). In December 2011 and January 2012, the Group further received cash deposits totalling $2,567,000. The Board represented that the Deposit was placed by a former Director of the Company. The Deposit was recorded as amount due to Huizhou Fook Woo in the consolidated balance sheet and the Company's balance sheet as at 31 March 2012. On 2 December 2011, the Board established an independent special committee (the "Special Committee") to conduct an investigation into the Incident and the Deposit and to review the internal control system of the Company with the assistance of an independent accounting firm. On 27 April 2012, the Special Committee engaged another independent accounting firm to conduct a forensic review into the Incident and the Deposit (the "Forensic Review") following the preliminary investigation results of the previous independent accounting firm.

Based on the results of the Forensic Review, the Board concluded that the deposit of RMB100,000,000 (approximately $120,000,000) was not in fact made and the amount was not transferred out of accounts of Huizhou Fook Woo and a number of documents related to the Incident were fabricated. In addition, the Forensic Review has revealed, among other things, certain irregular transactions entered into by Huizhou Fook Woo. Based on the results of the Forensic Review, the Board further concluded that, among other things, a substantial portion of the accounting books and records of Huizhou Fook Woo for the year ended 31 March 2012 and prior periods were missing.

Given the loss of a substantial portion of the accounting books and records and the fact that most of the key accounting personnel and previous management left the Group and are now not contactable, the Board believes that, as at the date of this interim report, it is almost impossible, and not practical, to ascertain the transactions and balances of Huizhou Fook Woo for inclusion in the interim financial report of the Group.

Furthermore, on 31 January 2013, Wealthy Peaceful Company Limited ("Wealthy Peaceful"), a wholly owned subsidiary of the Group, commenced voluntary liquidation by a resolution of the members and the voluntary liquidators were appointed on the same date. Wealthy Peaceful, and its wholly owned subsidiaries, namely Golddoor Company Limited ("Golddoor") and Huizhou Fook Woo are collectively referred to as the "De-consolidated Subsidiaries".

Given these circumstances, the Directors have not consolidated the financial statements of the De-consolidated Subsidiaries in the Group's interim financial report as at and for the six months ended 30 September 2012 and 30 September 2013. The results, assets and liabilities of the De-consolidated Subsidiaries have not been included in the financial reports of the Group since 1 April 2011. A resulting loss on de-consolidation of approximately $415,549,000, which was determined based on the net asset value of the De-consolidated Subsidiaries as at 1 April 2011, was recognised in the interim financial report for the six months ended 30 September 2011.

2 BASIS OF PREPARATION (Continued)

As at 31 March 2012, the total amounts due from the De-consolidated Subsidiaries to the Group and the Company, as recorded in the books and records before any impairment provision, amounted to approximately $2,262,677,000 and $1,157,845,000 respectively. The Directors have assessed the recoverability of these balances based on the valuation of the plant and machinery, properties and land use rights of Huizhou Fook Woo performed by independent valuers as at 30 September 2012, as the Directors considered this to be the earliest practicable date for such a valuation given the aforementioned circumstances. Accordingly, impairment losses on balances due from the De-consolidated Subsidiaries of approximately $1,730,505,000 were recognised in the consolidated income statement for the year ended 31 March 2012. During the six months ended 30 September 2012, the Group waived amounts due from De-consolidated Subsidiaries of $2,500,000 and accordingly, this amount was written off and charged to the consolidated statement of comprehensive income of the Group for the six months ended 30 September 2012.

As at 30 September 2013, the liquidation process of Wealthy Peaceful was still in progress and the Directors were not able to obtain sufficient documentary information to satisfy themselves about the transactions and balances with the De-consolidation Subsidiaries in prior periods. Given this limitation, to avoid undue costs and delays in finalising the interim financial report, the Directors have presented the carrying value of the balances due from De-consolidated Subsidiaries at 30 September 2013 as the sum of the opening balance as at 1 April 2012 of $532,172,000 plus the net movement of the current account with the De-consolidated Subsidiaries resulting from the transactions up to 30 September 2013.

The Group undertook certain sales and purchases transactions with the De-consolidated Subsidiaries totalling $43,777,000 (2012: $90,655,000) and $86,343,000 (2012: $105,952,000) respectively for the six months ended 30 September 2013.

The non-consolidation of the De-consolidated Subsidiaries is not in compliance with the requirements of IFRS 10, Consolidated Financial Statements. Given the aforementioned circumstances, the Directors are unable to ascertain the impact of the non-consolidation of the De-consolidated Subsidiaries on the interim financial report.

Except for the matters referred to above, including the non-consolidation of the De-consolidated Subsidiaries, the interim financial report of the Group has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial report has been prepared under the historical cost convention.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the interim financial report are consistent with those used in the annual financial statements for the year ended 31 March 2013 except the changes mentioned below.

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements.

IFRSs (Amendment), *Annual Improvements to IFRSs 2009-2011 Cycle*

IFRS 10, *Consolidated financial statements*

IFRS 12, *Disclosure of interests in other entities*

IFRS 13, *Fair value measurement*

IFRSs (Amendment), Annual Improvements to IFRSs 2009-2011 Cycle
The improvements to IFRSs 2009 to 2011 cycle consists of six amendments to five existing standards, including an amendment to IAS 34 "Interim Financial Reporting". The amendment aligns the disclosure requirements for segment assets and liabilities in interim financial reports with those in IFRS 8 "Operating Segments". It has had no significant impact on the results and financial position of the Group.

IFRS 10, Consolidated financial statements
IFRS 10 replaces the requirements in IAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the group in respect of its involvement with other entities as at 1 April 2013.

IFRS 12, Disclosure of interests in other entities
IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

3 ACCOUNTING POLICIES (Continued)

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The adoption of the other revisions, amendments and new standards has had no effect on the Group's interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2013.

There have no changes in the risk management department since 31 March 2013 or in any risk management policies.

Fair value measurement

The carrying amounts of financial assets and liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values, and accordingly, no disclosure of the fair values of these financial instruments is made.

For other non-current financial assets and liabilities, their carrying amounts are not significantly different to their respective fair values, therefore no disclosure of the fair values of these financial instruments is made.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 SEGMENT INFORMATION

The Board of Directors of the Company, which is the chief operating decision maker of the Group, reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments:

Recovered paper: sales of recovered papers and materials

Tissue paper products: manufacturing and sales of tissue paper products

Recycled greyboard: manufacturing and sales of recycled greyboard

Confidential materials destruction service ("CMDS"): provision of confidential materials destruction services

Although the Group's products and services are sold/rendered to Hong Kong, the People's Republic of China (the "PRC") and overseas markets, the chief operating decision maker of the Group regularly reviews the financial information by business segments to assess performance and make resources allocation decisions. It assesses the performance of the operating segments based on a measure of segment gross profits.

Revenue consists of sales of recovered papers and materials, tissue paper products and recycled greyboard and provision of confidential materials destruction services. The Group's revenue consists of the following:

	Unaudited Six months ended 30 September	
	2013	2012
	$'000	$'000
Sales of recovered paper and materials	**148,140**	180,908
Sales of tissue paper products	**107,878**	118,427
Sales of recycled greyboard	**–**	143
Provision of CMDS	**2,105**	2,968
	258,123	302,446

5 SEGMENT INFORMATION (Continued)

The analysis of the Group's revenue from external customers attributed to the locations in which the sales originated during the period consists of the following:

	Unaudited Six months ended 30 September	
	2013	2012
	$'000	$'000
Hong Kong	**258,123**	302,446

The segment results and other segment items included in the loss for the six months ended 30 September 2013 are as follows:

	Recovered paper and materials $'000	**Tissue paper products $'000**	**Recycled greyboard $'000**	**CMDS $'000**	**Group $'000**
Revenue	**148,140**	**107,878**	**–**	**2,105**	**258,123**
Cost of sales	**(139,672)**	**(87,568)**	**–**	**(2,539)**	**(229,779)**
Segment gross profit/(loss)	**8,468**	**20,310**	**–**	**(434)**	**28,344**
Unallocated operating costs					**(44,867)**
Share of loss of an associate					**(844)**
Finance income, net					**5,576**
Loss before taxation					**(11,791)**
Income tax					**1,321**
Loss for the period					**(10,470)**

(Expressed in Hong Kong dollars unless otherwise indicated)

5 SEGMENT INFORMATION (Continued)

The segment results and other segment items included in the loss for the six months ended 30 September 2012 are as follows:

	Recovered paper and materials $'000	Tissue paper products $'000	Recycled greyboard $'000	CMDS $'000	Group $'000
Revenue	180,908	118,427	143	2,968	302,446
Cost of sales	(139,694)	(105,890)	(138)	(2,208)	(247,930)
Segment gross profit	41,214	12,537	5	760	54,516
Write-off of amounts due from De-consolidated Subsidiaries					(2,500)
Unallocated operating costs					(56,522)
Finance income					6,639
Finance cost					(203)
Profit before taxation					1,930
Income tax					(3,485)
Loss for the period					(1,555)

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging/(crediting) of the following:

	Unaudited Six months ended 30 September 2013 $'000	2012 $'000
(a) Finance costs		
Interest expenses on bank loans wholly repayable within 5 years	**–**	203
(b) Other items		
Cost of inventories sold	**182,396**	211,370
Amortisation of land use rights	**412**	413
Depreciation of property, plant and equipment	**6,413**	4,274
(Gain)/loss on disposal of property, plant and equipment	**(365)**	889
Operating lease charges in respect of land and buildings	**18,560**	6,795
Exchange (gain)/loss, net	**(4,840)**	2,915
Interest income from bank deposits	**(5,576)**	(6,639)

7 INCOME TAX

	Unaudited Six months ended 30 September	
	2013	2012
	$'000	$'000
Current income tax		
– Hong Kong Profits Tax	**851**	825
Over provision in prior periods	**(1,001)**	–
Penalty surcharge and interest	**259**	(866)
	109	(41)
Deferred tax		
– Origination and reversal of temporary differences	**(1,430)**	3,526
Income tax (credit)/expense	**(1,321)**	3,485

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2012: 16.5%) to the six months ended 30 September 2013.

8 DIVIDENDS

No dividends had been paid or declared by the Company for the six months ended 30 September 2013 (2012: Nil).

9 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the period attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 September	
	2013	2012
	$'000	$'000
Loss attributable to equity holders of the Company	**(10,470)**	(1,555)
Weighted average number of ordinary shares in issue (thousand shares)	**2,411,167**	2,411,167
Basic loss per share	**(0.4) cents**	(0.1) cents

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding for both periods ended 30 September 2012 and 2013.

NOTES TO THE INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2013, the Group acquired items of property, plant and equipment with a cost of $53,863,000 (2012: $12,019,000).

Items of property, plant and equipment were disposed of during the six months ended 30 September 2013 with a net book value amounting to $453,000 (2012: $8,785,000).

11 TRADE AND BILLS RECEIVABLES

	30 September 2013 $'000 (Unaudited)	31 March 2013 $'000 (Audited)
Trade and bills receivables	**72,021**	62,537
Less: Provision for impairment	**(4,992)**	(4,992)
Trade and bills receivables, net	**67,029**	57,545

Payment terms granted to customers are mainly cash on delivery and on credit. The average credit period ranges from 10 days to 90 days. The ageing analysis of trade and bill receivables based on transaction date were as follows:

	30 September 2013 $'000 (Unaudited)	31 March 2013 $'000 (Audited)
0 – 30 days	**27,929**	36,495
31 – 60 days	**11,805**	7,918
61 – 90 days	**14,177**	5,571
91 – 120 days	**2,557**	3,396
Over 120 days	**15,553**	9,157
	72,021	62,537
Less: Provision for impairment	**(4,992)**	(4,992)
	67,029	57,545

12 TRADE PAYABLES

	30 September 2013 $'000 (Unaudited)	31 March 2013 $'000 (Audited)
Trade payables	**12,982**	14,397

The ageing analysis of the Group's trade payables based on due date at the balance sheet date is as follows:

	30 September 2013 $'000 (Unaudited)	31 March 2013 $'000 (Audited)
Current	**6,354**	8,964
1 – 30 days	**1,101**	1,554
31 – 60 days	**1,026**	997
61 – 90 days	**670**	123
91 – 120 days	**301**	21
Over 120 days	**3,530**	2,738
	12,982	14,397

13 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (thousands)	Ordinary share $'000	Share premium $'000	Total $'000
As at 1 April 2013 and 30 September 2013 (unaudited)	2,411,167	241,117	2,862,358	3,103,475

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CAPITAL COMMITMENTS

	30 September 2013 $'000 (Unaudited)	31 March 2013 $'000 (Audited)
Authorised but not contracted for property, plant and equipment	**295,800**	–
Contracted but not provided for property, plant and equipment	**15,140**	32,308

In September 2013, the Group awarded the main construction contract of the development of Tseung Kwan O site to a main contractor at a contract sum of $295,800,000. The construction work is expected to complete by end of 2014.

15 CONTINGENT LIABILITIES

At 30 September 2013, the Group has lodged certain claims against its former directors and employees. In the opinion of the legal counsel, it is too early to evaluate the outcome of these claims and the recovery of loss and damages from these claims cannot be reliably estimated.

16 RELATED PARTY TRANSACTION

(a) The following transactions were carried out with related parties during the period:

		Unaudited Six months ended 30 September	
	Note	**2013 $'000**	2012 $'000
Construction expenditure paid and payable to Vibro (H.K) Limited ("Vibro")	(i)	**–**	5,952
Rental expenses in respect of land and buildings paid to E&I Development Limited ("E&I")	(ii)	**1,650**	1,650
Management fee paid and payable to Lai Wah Shipping Company ("Lai Wah")	(iii)	**624**	936
Management fee paid and payable to Fook Woo Waste Paper Company	(iv)	**447**	894
Rental expenses in respect of land and building paid to Junway Investment Limited ("Junway")	(v)	**–**	213
Sales to De-consolidated Subsidiaries		**43,777**	90,655
Purchase from De-consolidated Subsidiaries		**86,343**	105,952

16 RELATED PARTY TRANSACTION (Continued)

(a) The following transactions were carried out with related parties during the period: (continued)

Notes:

(i) The amount represented charges for construction services at the Tseung Kwan O industrial site provided by Vibro, in which controlling interests are deemed to be held by one of the substantial shareholders of the Company. The transaction was entered into in the normal course of business based on terms mutually agreed by both parties.

(ii) These represented the rental expenses for leasing of office space paid to E&I. The controlling shareholders of E&I are the son and daughter of Mr. Leung Kai Kuen, one of the substantial shareholders of the Company. The rental expenses were charged at pre-determined rates mutually agreed between both parties.

(iii) The amount represented waste loading services provided by Lai Wah. The sole proprietor of Lai Wah is Mr. Leung Kai Kuen, one of the substantial shareholders of the Company. These transactions were entered into in the normal course of business based on terms mutually agreed by both parties.

(iv) The amount represented waste paper management services provided by Fook Woo Waste Paper Company, a company owned by Mr. Leung Tat Piu, an ex-director of the Company, at the Tai Po packing station. These transactions were entered into in the normal course of business based on terms mutually agreed by both parties.

(v) The amount represented the rental expenses for leasing of an ex-director's quarter paid to Junway, a company owned by a close family member of Mr. Leung Kai Kuen, one of the substantial shareholders of the Company. The transaction was entered into in the normal course of business based on terms mutually agreed by both parties.

(b) Amounts due from De-consolidated Subsidiaries

	30 September 2013 $'000 (Unaudited)	31 March 2013 $'000 (Audited)
Amounts due from De-consolidated Subsidiaries	**2,421,122**	2,371,594
Less: provision for impairment	**(1,730,505)**	(1,730,505)
	690,617	641,089

The carrying value of the balances due from De-consolidated Subsidiaries at 31 March 2013/30 September 2013 is the sum of the opening balance as at 1 April 2012 of $532,172,000/1 April 2013 of $641,089,000 plus the net movement of the current account with the De-consolidated Subsidiaries resulting from the transactions during the year ended 31 March 2013/six months ended 30 September 2013.

(c) Key management compensation

During the six months ended 30 September 2013, no transactions have been entered into with the directors of the Company other than the emoluments paid to them (2012: Nil).

(Expressed in Hong Kong dollars unless otherwise indicated)

17 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING 31 MARCH 2014

Up to the date of the interim financial report, IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ending 31 March 2014 and which have not been adopted in the interim financial report.

Of these developments, the following relates to matters that may be relevant to the Group's operations and financial statements:

	Effective for accounting periods beginning on or after
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to IAS 36, *Recoverable amounts disclosure for non-financial assets*	1 January 2014
Amendments to IFRS 10, *Consolidated financial statements,* IFRS 12, *Disclosure of interests in other entities and* IAS 27, *Separate financial statements "Investment entities"*	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of the expected impact of these amendments, new standards and new interpretations in the period of initial application. So far, it has concluded that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

18 APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 28 November 2013.

AUDITOR'S REVIEW REPORT

KPMG

Review report to the board of directors of Integrated Waste Solutions Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 11 to 29 which comprises the consolidated balance sheet of Integrated Waste Solutions Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 September 2013 and the related consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE 2410"). A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Basis for adverse conclusion

As disclosed in Note 2 to the interim financial statements, in November 2011, the directors of the Company were made aware of evidence indicating the existence of potential irregularities with respect to certain accounting records and transactions recorded in the books of 惠州福和紙業有限公司 ("Huizhou Fook Woo"), a wholly owned subsidiary of the Group. As a result, in December 2011, the Board of Directors established an independent special committee (the "Special Committee") to investigate these potential irregularities. Based on the Special Committee's investigation, the directors concluded that, among other things, a substantial portion of the accounting books and records of Huizhou Fook Woo for the year ended 31 March 2012 and prior periods were missing.

These events led, amongst other things, to the decision by the directors of the Company that Wealthy Peaceful Company Limited ("Wealthy Peaceful"), the intermediate holding company of Huizhou Fook Woo and itself a wholly owned subsidiary of the Group incorporated in the British Virgin Islands, would commence voluntary liquidation by a resolution of members on 31 January 2013, and the voluntary liquidators were appointed on the same date.

Given these circumstances, in preparing the consolidated financial statements for the years ended 31 March 2012 and 31 March 2013 and the interim financial statements for the six months ended 30 September 2013, the directors of the Company have excluded Wealthy Peaceful, together with its wholly owned subsidiaries Golddoor and Huizhou Fook Woo (collectively referred to as "the De-consolidated Subsidiaries") from the Group's consolidated financial position, consolidated financial results and consolidated cash flows as from the earliest periods presented.

These events and actions taken by the directors of the Company, further details of which are set out in Note 2, have given rise to the following matters which form the basis for our adverse conclusion:

(a) Departure from International Financial Reporting Standard 10, *Consolidated financial statements*

The exclusion of the financial position, results and cash flows of the De-consolidated Subsidiaries from the consolidated financial statements is a departure from the requirements of International Financial Reporting Standard 10, Consolidated Financial Statements. Given the loss of certain accounting books and records of Huizhou Fook Woo mentioned above, we are unable to ascertain the financial impact of the potential irregularities with respect to the accounting records and transactions with the De-consolidated Subsidiaries, if any, and the non-consolidation of the De-consolidated Subsidiaries on the consolidated interim financial statements. However, had the De-consolidated Subsidiaries been consolidated, many elements in the consolidated interim financial statements would have been materially affected. In our auditor's report dated 23 August 2013 on the consolidated financial statements of the Group for the year ended 31 March 2013 we expressed an adverse opinion in respect of this same matter, with reference to the then applicable International Accounting Standard 27.

(b) Limitation in the scope of the review in respect of balances and transactions with De-consolidated Subsidiaries, impairment losses of balances due from the De-consolidated Subsidiaries and loss on de-consolidation of the De-consolidated Subsidiaries.

As set out in note 16(b) to the interim financial report, the consolidated interim balance sheet includes amounts due from the De-consolidated Subsidiaries of approximately HK$641,089,000 and HK$690,617,000 as at 31 March 2013 and 30 September 2013 respectively. These balances are computed as the opening balance brought forward as at 1 April 2012 plus the net movement on the current account with the De-consolidated Subsidiaries arising from transactions since that date. Such receivables were recorded net of impairment provisions of approximately HK$1,730,505,000, which were determined based on the valuation of the plant and machinery, properties and land use rights of Huizhou Fook Woo performed by independent valuers as at 30 September 2012.

Because of the loss of certain accounting books and records of Huizhou Fook Woo and the de-consolidation of the De-consolidated Subsidiaries, in our auditor's report dated 23 August 2013 on the consolidated financial statements of the Group for the year ended 31 March 2013 we reported that we were unable to obtain sufficient appropriate audit evidence to determine whether the balances with the De-consolidated Subsidiaries as at 31 March 2012 and 31 March 2013 and the transactions with the De-consolidated Subsidiaries for the years then ended were free from material misstatements. In addition, we were not able to obtain sufficient appropriate audit evidence to determine whether the impairment losses of the amounts due from the De-consolidated Subsidiaries were free from material misstatements. This limitation on our work still exists and therefore we have been unable to complete our review of the balances with the De-consolidated Subsidiaries as at 30 September 2013. Had we been able to complete our review in this respect, matters might have come to our attention indicating that adjustments might be necessary to the interim financial statements.

Adverse conclusion

Notwithstanding the above noted limitations in the scope of our review, because of the significance of the matters discussed in the Basis for adverse conclusion paragraph, our review indicates that this interim financial report as at 30 September 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Without further modifying our review conclusion, we draw to your attention that the comparative consolidated statement of comprehensive income for the six months ended 30 September 2012 and the comparative consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 September 2012 and the related notes disclosed in the interim financial report have not been reviewed in accordance with ISRE 2410.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 November 2013

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Integrated Waste Solutions
Group Holdings Limited
綜合環保集團有限公司*