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# CORPORATE INFORMATION

## DIRECTORS

### Executive directors

Mr. Suen Wing Yip (*Chief Executive Officer*) (Note 1)  
Mr. Tam Sui Kin, Chris  
Mr. Lam King Sang (Note 2)

### Non-executive directors

Mr. Cheng Chi Ming, Brian (*Chairman*)  
Mr. Tsang On Yip, Patrick  
Mr. Lau Sai Cheong  
Mr. To Chun Wai

### Independent non-executive directors

Mr. Nguyen Van Tu, Peter  
Mr. Chow Shiu Wing, Joseph  
Mr. Wong Man Chung, Francis  
Mr. Yeung Kwok Ki, Anthony

## BOARD COMMITTEES

### Executive Committee

Mr. Suen Wing Yip (*Chairman*) (Note 1)  
Mr. Tam Sui Kin, Chris  
Mr. Lam King Sang (Note 2)

### Audit Committee

Mr. Wong Man Chung, Francis (*Chairman*)  
Mr. Cheng Chi Ming, Brian  
Mr. Tsang On Yip, Patrick  
Mr. Nguyen Van Tu, Peter  
Mr. Chow Shiu Wing, Joseph  
Mr. Yeung Kwok Ki, Anthony

### Remuneration Committee

Mr. Nguyen Van Tu, Peter (*Chairman*)  
Mr. Tsang On Yip, Patrick  
Mr. Chow Shiu Wing, Joseph  
Mr. Wong Man Chung, Francis  
Mr. To Chun Wai  
Mr. Yeung Kwok Ki, Anthony

### Nomination Committee

Mr. Chow Shiu Wing, Joseph (*Chairman*)  
Mr. Tsang On Yip, Patrick  
Mr. Nguyen Van Tu, Peter  
Mr. Wong Man Chung, Francis  
Mr. Lau Sai Cheong  
Mr. Yeung Kwok Ki, Anthony

## COMPANY SECRETARY

Ms. Ng Sum Yu, Phyllis

## AUTHORISED REPRESENTATIVES

Mr. Suen Wing Yip (Note 3)  
Ms. Ng Sum Yu, Phyllis

## AUDITOR

KPMG

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

## CORPORATE HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Integrated Waste Solutions Building  
8 Chun Cheong Street  
Tseung Kwan O Industrial Estate  
New Territories  
Hong Kong

### Notes:

1. Mr. Suen Wing Yip will resign as an Executive Director, Chief Executive Officer and the chairman of Executive Committee of the Company with effect from 1 December 2016.
2. Mr. Lam King Sang will be re-designated as Chief Executive Officer of the Company and act as the chairman of Executive Committee with effect from 1 December 2016.
3. Mr. Tam Sui Kin, Chris, Executive Director & Chief Financial Officer, will act as an Authorised Representative of the Company in place of Mr. Suen Wing Yip with effect from 1 December 2016.





# CORPORATE INFORMATION

## **CORPORATE WEBSITE**

[www.iwsggh.com](http://www.iwsggh.com)

## **STOCK CODE**

923

## **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Estera 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**

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
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

## GROUP OVERVIEW

Although the global economic growth was still slow, the Hong Kong economy regained some momentum in the second quarter of 2016, growing modestly by 1.7% in real terms over a year earlier, up from 0.8% in the preceding quarter. During the six months ended 30 September 2016, the Group has inevitably been affected by the stagnant market demand growth on one hand and the pressure on selling prices on the other. In spite of the difficult operating conditions, we saw substantial improvement in the operating results of the Group during the period under review.

## FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the six months ended 30 September 2016 (the "Current Period") amounted to HK\$28.0 million, a decrease of HK\$25.8 million when compared to the net loss for the six months ended 30 September 2015 (the "Last Period"). The reduction in loss was due to the management's continuous effort in the retrenchment of operating costs to an optimum level.

## Performance of Business Segments

### Revenue

	<b>6 months ended</b>	6 months ended	<b>Change</b>	
	<b>30.09.2016</b>	30.09.2015	<b>HK\$'000</b>	<b>%</b>
	<b>HK\$'000</b>	HK\$'000		
Sale of Recovered Paper	<b>91,891</b>	123,108	<b>(31,217)</b>	(25.4%)
Sale of Tissue Paper Products	<b>2,270</b>	11,463	<b>(9,193)</b>	(80.2%)
CMDS service income	<b>9,435</b>	7,729	<b>1,706</b>	22.1%
Logistics service income	<b>155</b>	972	<b>(817)</b>	(84.1%)
Sale of other waste materials	<b>414</b>	11,928	<b>(11,514)</b>	(96.5%)
Other revenue	<b>–</b>	12	<b>(12)</b>	(100.0%)
	<b>104,165</b>	155,212	<b>(51,047)</b>	(32.9%)

Sales revenue of **Recovered Paper** continued to be negatively affected by the overall reduction in demand for recovered paper, especially in Mainland China, and coupled with a general decline in selling prices. Total sales revenue of recovered paper amounted to approximately HK\$91.9 million during the Current Period, a drop of approximately HK\$31.2 million or 25.4% when compared to the Last Period. The average selling price per ton and the sales volume have decreased by 3.5% and 22.6% respectively on a period-on-period basis. A slowdown in the global economy, especially in the PRC, had significantly reduced the sales of our recovered paper. Notwithstanding, the gross profit margin of recovered paper trading has increased from 5.0% to 16.8% which was attributable to stringent cost control.





## MANAGEMENT DISCUSSION AND ANALYSIS

The sales of **Tissue Paper Products** dropped by approximately HK\$9.2 million or 80.2% to approximately HK\$2.3 million during the Current Period. The market for tissue paper products is highly competitive in the PRC, Hong Kong and internationally. The recent economic downturn has adversely impacted our tissue paper business which led to decreasing prices and sales volume. Moreover, compared with local brands, international tissue paper manufacturers have greater resources in new product innovation and can afford excessive marketing. Accordingly, domestic brands, especially economy and private labels, are less likely to gain share from them. The operating environment of this segment is expected to be difficult in view of the continuous increase in labour costs and material prices.

**Confidential Material Destruction Services (“CMDS”) service income** increased by 22.1% or approximately HK\$1.7 million to approximately HK\$9.4 million during the Current Period. The increase in CMDS service income was due mainly to the re-engineering of our value chain activities when delivering our valuable CMDS product or service. CMDS service income comes primarily from government authorities, financial and professional institutions and private companies. Since we are the only local service provider which is AAA certified by the National Association for Information Destruction (“NAID”) for plant-based operation in Hong Kong and the increasing need of confidential destruction for both paper and non-paper products, we foresee further upsurge in contribution from this segment in the long term.

The **Logistics** Division of the Group consists order processing and transportation, primarily focuses on distribution logistics and provides supporting services to other business segments within the Group. During the Current Period, it has generated income of approximately HK\$0.2 million by providing services to other third parties. Currently there are two contracts awarded by the HKSAR government for glass bottle collection from shopping malls, residential housing estates, schools and government facilities.

### Gross Profit

The Gross Profit percentage of the Group for the Current Period has improved substantially from 5.9% to 17.4% when compared to the Last Period. The increase in gross profit margin was attributable to an on-going cost efficiency exercise to reduce the direct cost of sales.

### Selling, Distribution and Administrative and Other Operating Expenses

Selling, distribution and administrative and other operating expenses amounted to a total of approximately HK\$50.8 million, representing a reduction of approximately HK\$17.7 million or 25.8% when compared to the Last Period. The reduction in these expenditures was due to the stringent cost control measures adopted by the management throughout the Current Period.







# MANAGEMENT DISCUSSION AND ANALYSIS

## Loss before interest, tax, depreciation and amortization (“LBITDA”)

Although the revenue of the Group has reduced substantially, LBITDA for the Current Period has improved by approximately HK\$28.0 million to HK\$13.1 million when compared to HK\$41.1 million of the Last Period. The improvement has reflected the determination of the management to maintain operating costs at an optimum level.

## Liquidity and Financial Resources

As at 30 September 2016, the Group had unrestricted bank deposits and cash of approximately HK\$258.9 million (31 March 2016: HK\$288.2 million). The Group had no bank loans and overdrafts as at 30 September 2016 and 31 March 2016.

As at 30 September 2016, the Group had net current assets of approximately HK\$303.2 million, as compared to net current assets of approximately HK\$330.9 million as at 31 March 2016. The current ratio of the Group was 7.0 as at 30 September 2016 as compared to 6.0 as at 31 March 2016.

## Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of its sales denominated in Hong Kong dollars and United States 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 Hong Kong dollars, Renminbi and United States dollars.

For the six months ended 30 September 2016, the Group recorded a net foreign exchange loss of HK\$1.9 million (six months ended 30 September 2015: exchange loss of HK\$1.0 million) as a result of the chequered devaluation of Renminbi since the beginning of 2014. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

## Major Capital Expenditure and Commitments

During the Current Period, the Group incurred HK\$8.0 million for construction expenditure and purchase of plant and machineries in respect of the Headquarter of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 30 September 2016, the Group has capital commitments of HK\$4.0 million, which are mainly related to the industrial development of the Headquarter.





# MANAGEMENT DISCUSSION AND ANALYSIS

## Pledge of Assets

As at 30 September 2016, the Group had restricted bank deposits amounted to HK\$18.1 million (31 March 2016: HK\$18.5 million) which were pledged with banks for issuing guarantees to suppliers.

## Capital Structure

Details of the capital structure of the Company are set out in note 12 to the interim financial report.

## Contingencies

As at 30 September 2016, 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 as yet be reliably estimated.

## Employees and Remuneration Policies

The Group had employed approximately 205 employees in Hong Kong as at 30 September 2016. Employee costs, excluding directors' emoluments, amounted to HK\$22.1 million for the six months ended 30 September 2016 (six months ended 30 September 2015: HK\$28.2 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 believes that, with proper training and guidance, people with intellectual disabilities can be capable, loyal and conscientious worker to contribute to society. In this respect, the Group has recruited several employees through Hong Chi On-the-Job Training Program. By providing job opportunities to people with intellectual disabilities, we can enhance their social integration and assist them in seeking open employment.

The Group operates a defined contribution mandatory provident fund retirement benefits scheme for its employees in Hong Kong. The Group did not experience any significant labour disputes that led to any disruption of its normal business operations.

## PROSPECT

The downturn in the world's economies continues to pose business difficulties for the recycling industries around the world, and Hong Kong is no exception. Nonetheless, as can be seen in its improving financial results, the Group is all at work with optimism toward long-range success with a view to improving business wellness. The Group will, on one hand, continue tailoring its business strategies to ride over the current "less than rosy" economy through various austerity measures, including but not limited to efficiency savings and running-cost controls. On the other hand, it will look for new business opportunities by entering into, among other things, new solid waste management spheres which have potential to generate sustainable revenue.







## MANAGEMENT DISCUSSION AND ANALYSIS

Recycling programs in Hong Kong have become “mainstream” and this would mean more business opportunities over time. To this end, the Group is exploring on a new paradigm of “materials management” to see how waste materials can be managed upstream of traditional waste management techniques to replace the old “end of pipe” waste management technologies such as land-filling. This new paradigm should help address, with sustainability, all the stages of waste materials recycling from raw material extraction to use, reuse, waste conversion, and then final disposal.

As said before, the status quo is no longer an option and the Group will endeavor to explore new business opportunities, through asset-light initiatives or otherwise, to deliver results in the best interests of all shareholders.

### INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (2015 interim: Nil).





## OTHER INFORMATION

### SHARE OPTION SCHEME

The Company adopted a share option scheme on 11 March 2010 (the “Share Option Scheme”). On 7 September 2016, a total of 157,850,000 options (“Options”) under the Share Option Scheme to subscribe for the shares of the Company were granted, subject to the acceptance of the grantees on or before 7 October 2016. Each Option shall entitle the holder to subscribe for one share of the Company upon exercise of such Option at an initial exercise price of HK\$0.128 per share. As at 30 September 2016, 143,250,000 Options were accepted by the grantees, and as at 7 October 2016, being the date upon which the offer for the Options must be accepted, a total of 152,150,000 Options were accepted by the grantees.

The Options granted are exercisable during the period from 7 September 2017 to 6 September 2022 (both dates inclusive) subject to the Vesting Period set out as follows:

Vesting Period:

Tranche 1: 50% are exercisable from 7 September 2017 to 6 September 2022 (up to 50% of the Options granted are exercisable)

Tranche 2: 50% are exercisable from 7 September 2018 to 6 September 2022 (all Options granted are exercisable)

The following table discloses movements of the Company’s share Options held by Directors and employees during the six months ended 30 September 2016 (“Current Period”):

<b>Eligible participants</b>	<b>Outstanding as at 1 April 2016</b>	<b>Granted and accepted during the Current Period</b>	<b>Exercised during the Current Period</b>	<b>Cancelled/ lapsed during the Current Period</b>	<b>Outstanding as at 30 September 2016</b>
Directors	–	127,800,000	–	–	<b>127,800,000</b>
Employees	–	15,450,000	–	–	<b>15,450,000</b>
<b>Total</b>	–	143,250,000	–	–	<b>143,250,000</b>

The fair value of the share options granted during the period with initial exercise price per share of HK\$0.128 are estimated at approximately HK\$0.057, using the binomial option pricing model. Values are appraised based on the risk-free rate of 0.63% per annum with reference to the rate prevailing on Exchange Fund Notes, an expected volatility of 50%, assuming dividend yield of 0% per annum and an expected option life of about 6 years. The binomial option pricing model requires input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

Save as disclosed above, no share option was granted, exercised, cancelled nor lapsed during the Current Period under the Share Option Scheme.



## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2016, the interests or short positions of the Directors and chief executive in the shares of the Company and underlying shares of the Company or any of, its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required pursuant to: (a) Divisions 7 to 8 of Part XV of the SFO, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

#### Long Positions in the ordinary shares of HK\$0.10 each in the share capital of the Company ("Shares") and underlying Shares

Name of Directors	Capacity	Interest in Shares	Interest in underlying Shares pursuant to share options	Approximate percentage of shareholding
Suen Wing Yip	Personal	–	15,000,000	0.31%
Tam Sui Kin, Chris	Personal	–	15,000,000	0.31%
Lam King Sang	Personal	–	15,000,000	0.31%
Cheng Chi Ming, Brian	Personal	–	15,000,000	0.31%
Tsang On Yip, Patrick	Personal	–	15,000,000	0.31%
Lau Sai Cheong	Personal	–	8,800,000	0.18%
To Chun Wai	Personal	–	8,800,000	0.18%
Nguyen Van Tu, Peter	Personal	–	8,800,000	0.18%
Chow Shiu Wing, Joseph	Personal	–	8,800,000	0.18%
Wong Man Chung, Francis	Personal	–	8,800,000	0.18%
Yeung Kwok Ki, Anthony	Personal	–	8,800,000	0.18%

Details of Directors' interests in share options granted by the Company are set out under the heading "Directors' Rights to Acquire Shares or Debentures" below.





## OTHER INFORMATION

### Long positions in underlying shares of the associated corporation of the Company – share options

Name of Directors	Name of associated corporation	Capacity	Date of Grant	Exercisable period	Exercise Price per Share HK\$	Interest in underlying shares pursuant to share options	Approximate percentage of shareholding
Tsang On Yip, Patrick	Greenheart Group Limited	Personal	17.07.2015	17.07.2015 – 16.07.2020	1.23	2,000,000	0.13%
			13.09.2016	13.09.2016 – 12.09.2021	0.78	3,000,000	0.20%
						5,000,000	0.33%
Nguyen Van Tu, Peter	Greenheart Group Limited	Personal	17.07.2015	17.07.2015 – 16.07.2020	1.23	1,000,000	0.07%
			13.09.2016	13.09.2016 – 12.09.2021	0.78	1,000,000	0.07%
						2,000,000	0.14%
Wong Man Chung, Francis	Greenheart Group Limited	Personal	17.07.2015	17.07.2015 – 16.07.2020	1.23	1,000,000	0.07%
			13.09.2016	13.09.2016 – 12.09.2021	0.78	1,000,000	0.07%
						2,000,000	0.14%

Save as disclosed above, as at 30 September 2016, none of the Directors or chief executive of the Company had registered an interest or a short position in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or recorded in the register required to be maintained by the Company under Section 352 of the SFO, or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.



## OTHER INFORMATION

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme adopted by the shareholders of the Company on 11 March 2010 (the "Share Option Scheme"), the Company has granted to Directors options to subscribe Shares. Details of which as at 30 September 2016 were as follows:

Name of Directors	Date of grant	Exercisable period	Exercise price per Share HK\$	Number of share options				Outstanding as at 30 September 2016	Approximate percentage of shareholding
				Outstanding as at 1 April 2016	Granted and accepted	Exercised	Cancelled/ Lapsed		
Suen Wing Yip	07.09.2016	07.09.2017 – 06.09.2022	0.128	-	7,500,000	-	-	7,500,000	0.16%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	-	7,500,000	-	-	7,500,000	0.16%
Tam Sui Kin, Chris	07.09.2016	07.09.2017 – 06.09.2022	0.128	-	7,500,000	-	-	7,500,000	0.16%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	-	7,500,000	-	-	7,500,000	0.16%
Lam King Sang	07.09.2016	07.09.2017 – 06.09.2022	0.128	-	7,500,000	-	-	7,500,000	0.16%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	-	7,500,000	-	-	7,500,000	0.16%
Cheng Chi Ming, Brian	07.09.2016	07.09.2017 – 06.09.2022	0.128	-	7,500,000	-	-	7,500,000	0.16%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	-	7,500,000	-	-	7,500,000	0.16%
Tsang On Yip, Patrick	07.09.2016	07.09.2017 – 06.09.2022	0.128	-	7,500,000	-	-	7,500,000	0.16%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	-	7,500,000	-	-	7,500,000	0.16%
Lau Sai Cheong	07.09.2016	07.09.2017 – 06.09.2022	0.128	-	4,400,000	-	-	4,400,000	0.09%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	-	4,400,000	-	-	4,400,000	0.09%
To Chun Wai	07.09.2016	07.09.2017 – 06.09.2022	0.128	-	4,400,000	-	-	4,400,000	0.09%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	-	4,400,000	-	-	4,400,000	0.09%





## OTHER INFORMATION

Name of Directors	Date of grant	Exercisable period	Exercise price per Share HK\$	Number of share options				Approximate percentage of shareholding
				Outstanding as at 1 April 2016	Granted and accepted	Exercised	Outstanding as at 30 September 2016	
Nguyen Van Tu, Peter	07.09.2016	07.09.2017 – 06.09.2022	0.128	-	4,400,000	-	4,400,000	0.09%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	-	4,400,000	-	4,400,000	0.09%
Chow Shiu Wing, Joseph	07.09.2016	07.09.2017 – 06.09.2022	0.128	-	4,400,000	-	4,400,000	0.09%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	-	4,400,000	-	4,400,000	0.09%
Wong Man Chung, Francis	07.09.2016	07.09.2017 – 06.09.2022	0.128	-	4,400,000	-	4,400,000	0.09%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	-	4,400,000	-	4,400,000	0.09%
Yeung Kwok Ki, Anthony	07.09.2016	07.09.2017 – 06.09.2022	0.128	-	4,400,000	-	4,400,000	0.09%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	-	4,400,000	-	4,400,000	0.09%

The above share options represent personal interest held by the relevant Directors as the beneficial owners.

Save as disclosed above and in note 12(b) to the unaudited interim financial report about the Share Option Scheme, at no time during the six months ended 30 September 2016 was any right to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children or exercised by any of them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries entered into any arrangement to enable the Directors to acquire such rights in any other body corporate.





## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2016, the following persons (other than the Directors and chief executive of the Company) had interests or short positions of 5% or more in the Shares as recorded in the register required to be kept under Section 336 of the SFO:

#### Long Positions in the ordinary shares of HK\$0.10 each in the share capital of the Company (“Shares”) and underlying Shares

Name of Shareholders	Note	Capacity	Number of Shares held*	% of the issued share capital of the Company
Cheng Yu Tung Family (Holdings) Limited	1	Interest in controlled corporations	2,742,514,028(L)	56.87%
Cheng Yu Tung Family (Holdings II) Limited	1	Interest in controlled corporations	2,742,514,028(L)	56.87%
Chow Tai Fook Capital Limited	1	Interest in controlled corporations	2,742,514,028(L)	56.87%
Chow Tai Fook (Holding) Limited	2	Interest in controlled corporations	2,742,514,028(L)	56.87%
Chow Tai Fook Nominee Limited	3	Beneficial owner Interest in controlled corporations	1,530,601,835(L) 732,550,000(L)	31.74% 15.19%
Victory Day Investments Limited	3	Interest in controlled corporation	732,550,000(L)	15.19%
Smart On Resources Ltd.	3	Beneficial owner	732,550,000(L)	15.19%
Prestige Safe Limited	2	Beneficial owner	479,362,193(L)	9.94%
City Legend International Limited	4	Beneficial owner	785,100,000(L)	16.28%
Mr. Leung Kai Kuen	4	Interest in a controlled corporation	785,100,000(L)	16.28%

\* The letter “L” denotes the person’s long position in the Shares.





## OTHER INFORMATION

### Notes:

1. As at 30 September 2016, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited held approximately 48.98% and 46.65% interest in Chow Tai Fook Capital Limited respectively, which in turn held an approximately 78.58% interest in Chow Tai Fook (Holding) Limited. As such, each of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited and Chow Tai Fook Capital Limited is deemed to be interested in the 2,742,514,028 Shares.
2. Chow Tai Fook (Holding) Limited is the controlling shareholder of Chow Tai Fook Nominee Limited and the 100% holding company of Prestige Safe Limited, and accordingly Chow Tai Fook (Holding) Limited is deemed to be interested in an aggregate of 2,742,514,028 Shares.
3. Chow Tai Fook Nominee Limited is the beneficial owner of 1,530,601,835 Shares and is interested in 732,550,000 Shares through its interest in a wholly-owned subsidiary, Victory Day Investments Limited, which in turn wholly owns Smart On Resources Ltd.
4. Mr. Leung Kai Kuen was deemed to be interested in these 785,100,000 Shares which were held by City Legend International Limited, a corporation wholly owned by Mr. Leung. The information is based on the historical record kept by the Company and taken into account the new Shares issued pursuant to the open offer of the Company in October 2014.

Save as disclosed above, as at 30 September 2016, no person, other than the Directors whose interests and short positions are set out in the section headed “Directors’ and Chief Executive’s Interests or Short Positions in Shares and Underlying Shares” above, had any interest or short position in the Shares or underlying Shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO.

## CORPORATE SOCIAL RESPONSIBILITY

The Company recognizes the importance of corporate social responsibility (“CSR”) and is particularly interested in the demands of different contractual and community stakeholders. Within the bounds of its CSR resources, the Company will integrate a CSR perspective into its business model by monitoring and ensuring active compliance with the spirit of the law, ethical standards, and market good practices. This notwithstanding, the Company will continue seeking out opportunities to go beyond compliance and to engage in activities conducive to further social good and positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.

During the six months ended 30 September 2016, the Company remained focused on moving in the right direction to conserve energy and natural resources, reduce waste, promote green issues in its neighbourhood, attend to employee welfare, improve working conditions, uphold intellectual property, ensure equal opportunity, and sponsor and support local community activities championed by different charitable and/or non-government organisations. More information related to the Group’s corporate social responsibility is set out in the “CSR” section of the Company’s website.





## OTHER INFORMATION

### COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is 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 Listing Rules. The Company has complied with the code provisions set out in the CG Code throughout the six months ended 30 September 2016.

The Company will continue improving its corporate governance that is conducive to conduct and growth of its businesses, and reviewing regularly its governance practices to ensure compliance with the regulatory requirements, thereby meeting the expectations of shareholders and investors.

### COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code for dealing in securities of the Company by the Directors.

Having made specific enquiries by the Company with the Directors, all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2016.

### COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY RELEVANT EMPLOYEES OF THE COMPANY

The Company has also adopted Code for Securities Transactions by Relevant Employees (the “Own Code”) on no less exacting terms than the Model Code for governing securities transactions by relevant employees who are likely to be in possession of inside information of the Company or its securities. No incident of non-compliance of the Own Code by any relevant employee was noted by the Company during the six months ended 30 September 2016.

### UPDATE ON DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Directors since the date of the 2016 Annual Report are set out below:

#### **Mr. Tam Sui Kin, Chris (Executive Director)**

On 30 September 2016, Mr. Tam and the Company entered into a service agreement for a term of three years from 30 September 2016. Pursuant to the service agreement, Mr. Tam is entitled to annual director’s fee of HK\$360,000 and an annual salary of HK\$1,920,000 which were determined with reference to his time commitment and responsibilities as well as the prevailing market conditions, and is subject to review by the Remuneration Committee of the Company from time to time.

#### **Mr. Chow Shiu Wing, Joseph (Independent Non-executive Director)**

On 10 October 2016, the Company renewed the letter of appointment as an Independent Non-executive Director with Mr. Chow for a term of three years from 10 October 2016. Pursuant to the letter of appointment, Mr. Chow is entitled to annual director’s fee of HK\$360,000 which was determined with reference to his time commitment and responsibilities as well as the prevailing market conditions, and is subject to review by the Remuneration Committee of the Company from time to time.





## OTHER INFORMATION

### **Mr. Wong Man Chung, Francis (Independent Non-executive Director)**

On 10 October 2016, the Company renewed the letter of appointment as an Independent Non-executive Director with Mr. Wong for a term of three years from 10 October 2016. Pursuant to the letter of appointment, Mr. Wong is entitled to annual director's fee of HK\$360,000 which was determined with reference to his time commitment and responsibilities as well as the prevailing market conditions, and is subject to review by the Remuneration Committee of the Company from time to time.

### **Mr. Suen Wing Yip (Executive Director)**

On 25 November 2016, Mr. Suen tendered his resignation as an Executive Director, Chief Executive Officer and the chairman of Executive Committee of the Company and other positions of the Group with effect from 1 December 2016.

### **Mr. Lam King Sang (Executive Director)**

Mr. Lam will be re-designated from Chief Operating Officer to Chief Executive Officer of the Company with effect from 1 December 2016.

## AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee of the Company comprises four independent non-executive Directors, namely, Mr. Wong Man Chung, Francis (chairman of the Audit Committee), Mr. Nguyen Van Tu, Peter, Mr. Chow Shiu Wing, Joseph, Mr. Yeung Kwok Ki, Anthony and two non-executive Directors, namely Mr. Cheng Chi Ming, Brian and Mr. Tsang On Yip, Patrick.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim financial report of the Group for the six months ended 30 September 2016 with the management and the external auditor, KPMG. The unaudited interim financial report of the Group for the six months ended 30 September 2016 has 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", issued by International Auditing and Assurance Standards Board and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2016.

By Order of the Board

**Integrated Waste Solutions Group Holdings Limited**

**Cheng Chi Ming, Brian**

*Chairman*

Hong Kong, 25 November 2016





## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016 – UNAUDITED  
(Expressed in Hong Kong dollars)

	Note	Six months ended	
		30 September	
		2016	2015
		\$'000	\$'000
<b>Revenue</b>	5	<b>104,165</b>	155,212
Cost of sales		<b>(86,018)</b>	(146,092)
<b>Gross profit</b>		<b>18,147</b>	9,120
Other revenue		<b>5,304</b>	1,482
Other net loss		<b>(1,296)</b>	(1,351)
Selling and distribution expenses		<b>(15,874)</b>	(25,250)
Administrative and other operating expenses		<b>(34,930)</b>	(43,228)
<b>Operating loss</b>		<b>(28,649)</b>	(59,227)
Finance income	6	<b>2,650</b>	2,538
Share of loss of joint venture		<b>(2,011)</b>	(456)
<b>Loss before taxation</b>	6	<b>(28,010)</b>	(57,145)
Income tax	7	–	–
<b>Loss and total comprehensive income for the period</b>		<b>(28,010)</b>	(57,145)
<b>Loss attributable to:</b>	8		
– Equity shareholders of the Company		<b>(28,005)</b>	(53,802)
– Non-controlling interests		<b>(5)</b>	(3,343)
		<b>(28,010)</b>	(57,145)
<b>Basic and diluted loss per share</b>	8	<b>(0.6) cents</b>	(1.1) cents

The notes on pages 23 to 38 form part of this interim financial report.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2016  
(Expressed in Hong Kong dollars)

		<b>30 September</b>	31 March
		<b>2016</b>	2016
	<i>Note</i>	<b>\$'000</b>	\$'000
		<b>(Unaudited)</b>	(Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>725,441</b>	734,786
Land use rights		<b>33,556</b>	32,431
Interests in joint venture		<b>28,370</b>	30,381
Deposits and prepayments		<b>29,339</b>	17,656
Finance lease receivables		<b>4,870</b>	5,153
		<b>821,576</b>	820,407
<b>Current assets</b>			
Inventories		<b>4,432</b>	4,808
Trade and bills receivables	10	<b>41,456</b>	45,355
Other receivables, deposits and prepayments		<b>24,836</b>	35,052
Finance lease receivables		<b>1,052</b>	1,004
Amounts due from related companies		<b>12</b>	12
Amounts due from joint venture		<b>2,148</b>	867
Taxation recoverable		<b>2,976</b>	3,076
Restricted and pledged bank deposits		<b>18,074</b>	18,475
Bank deposits and cash		<b>258,855</b>	288,212
		<b>353,841</b>	396,861
<b>Current liabilities</b>			
Trade and bills payables	11	<b>9,195</b>	13,901
Other payables and accruals		<b>41,413</b>	52,061
Amounts due to related companies		<b>10</b>	10
		<b>50,618</b>	65,972
<b>Net current assets</b>		<b>303,223</b>	330,889
<b>NET ASSETS</b>		<b>1,124,799</b>	1,151,296







# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2016  
(Expressed in Hong Kong dollars)

		<b>30 September</b>	31 March
		<b>2016</b>	2016
	<i>Note</i>	<b>\$'000</b>	\$'000
		<b>(Unaudited)</b>	(Audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	12	<b>482,234</b>	482,234
Reserves		<b>642,565</b>	672,480
<hr/>			
Total equity attributable to equity shareholders of the Company		<b>1,124,799</b>	1,154,714
Non-controlling interests		–	(3,418)
<hr/>			
<b>TOTAL EQUITY</b>		<b>1,124,799</b>	1,151,296
<hr/>			

The notes on pages 23 to 38 form part of this interim financial report.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016 – UNAUDITED  
(Expressed in Hong Kong dollars)

	Note	Share capital \$'000	Share Premium \$'000	Capital reserve \$'000	Share-based capital reserve \$'000	Accumulated losses \$'000	Attributable to equity shareholders of the Company \$'000	Non-controlling interests \$'000	Total \$'000
<b>At 1 April 2015</b>		482,234	3,092,881	(964,044)	5,534	(1,360,256)	1,256,349	1,955	1,258,304
<b>Changes in equity for the six months ended 30 September 2015:</b>									
Loss and total comprehensive income for the period		-	-	-	-	(53,802)	(53,802)	(3,343)	(57,145)
Equity settled share-based transactions		-	-	-	1,195	-	1,195	-	1,195
<b>At 30 September 2015</b>		482,234	3,092,881	(964,044)	6,729	(1,414,058)	1,203,742	(1,388)	1,202,354
<b>At 1 October 2015</b>		482,234	3,092,881	(964,044)	6,729	(1,414,058)	1,203,742	(1,388)	1,202,354
<b>Changes in equity for the six months ended 31 March 2016:</b>									
Loss and total comprehensive income for the period		-	-	-	-	(50,276)	(50,276)	(2,030)	(52,306)
Equity settled share-based transactions		-	-	-	1,248	-	1,248	-	1,248
Share options lapsed		-	-	-	(7,977)	7,977	-	-	-
<b>At 31 March 2016</b>		482,234	3,092,881	(964,044)	-	(1,456,357)	1,154,714	(3,418)	1,151,296
<b>At 1 April 2016</b>		482,234	3,092,881	(964,044)	-	(1,456,357)	1,154,714	(3,418)	1,151,296
<b>Changes in equity for the six months ended 30 September 2016:</b>									
Loss and total comprehensive income for the period		-	-	-	-	(28,005)	(28,005)	(5)	(28,010)
Equity settled share-based transactions	12(b)	-	-	-	413	-	413	-	413
Waiver of amount due to non-controlling interests		-	-	-	-	-	-	1,100	1,100
Acquisition of additional interest in a subsidiary from non-controlling interests	15	-	-	-	-	(2,323)	(2,323)	2,323	-
<b>At 30 September 2016</b>		482,234	3,092,881	(964,044)	413	(1,486,685)	1,124,799	-	1,124,799

The notes on pages 23 to 38 form part of this interim financial report.





# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016 – UNAUDITED  
(Expressed in Hong Kong dollars)

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
<b>Cash flows from operating activities</b>		
Cash used in operations	<b>(9,506)</b>	(26,764)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(10,066)</b>	(36,557)
Prepayments for purchase of property, plant and equipment	<b>(11,914)</b>	(630)
Proceeds from disposal of property, plant and equipment	<b>3,168</b>	473
Purchase of land use right	<b>(1,644)</b>	(5,497)
Loans to joint venture	–	(24,103)
Increase in amount due from joint venture	<b>(1,281)</b>	(759)
Interest received	<b>1,485</b>	1,908
<b>Net cash used in investing activities</b>	<b>(20,252)</b>	(65,165)
<b>Cash flows from financing activities</b>		
Decrease/(increase) in restricted and pledged bank deposits and net cash generated from/(used in) financing activities	<b>401</b>	(18,502)
<b>Net decrease in cash and cash equivalents</b>	<b>(29,357)</b>	(110,431)
Cash and cash equivalents at the beginning of the period	<b>288,212</b>	455,869
Exchange difference on cash and cash equivalents	–	(978)
<b>Cash and cash equivalents at the end of the period</b>	<b>258,855</b>	344,460

The notes on pages 23 to 38 form part of this interim financial report.





# NOTES TO THE UNAUDITED 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 was 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 of recovered paper and materials, trading of tissue paper products, provision of confidential materials destruction services and provision of logistics services.

These consolidated financial statements are presented in Hong Kong dollars (HK\$).

## 2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, promulgated by the International Accounting Standards Board (“IASB”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34, 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 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”). The annual financial statements for the year ended 31 March 2016 are available from the Company’s registered office. The auditors have expressed a qualified opinion on the comparative figures for the year ended 31 March 2015 included in the 2016 annual financial statements in their report dated on 29 June 2016.





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 Basis of preparation (continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standards on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the International Auditing and Assurance Standards Board. KPMG’s independent review report to the Board of Directors is included on page 39-40.

## 3 Accounting policies

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

- *Annual Improvements to IFRSs 2012-2014 Cycle*
- Amendments to IAS 1, *Presentation of financial statements: Disclosure initiative*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

### **Annual Improvements to IFRSs 2012-2014 Cycle**

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group’s interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

### **Amendments to IAS 1, Presentation of financial statements: Disclosure initiative**

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group’s interim financial report.





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 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 2016. There have been no changes in the risk management policies since 31 March 2016.

### Fair value measurement

At 30 September 2016, the fair values of financial assets and liabilities approximate their carrying amounts.

## 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 and materials: sale of recovered paper and materials
- Tissue paper products: sale of tissue paper products
- Confidential materials destruction service ("CMDS"): provision of confidential materials destruction services
- Logistics services: provision of logistics services







# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 5 Segment information (continued)

Although the Group's products and services are sold/rendered to Hong Kong, 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. The Group's revenue consists of the following:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Sale of recovered paper and materials	<b>92,305</b>	135,048
Sale of tissue paper products	<b>2,270</b>	11,463
Provision of CMDS	<b>9,435</b>	7,729
Provision of logistics services	<b>155</b>	972
	<b>104,165</b>	155,212

Substantially all of the Group's revenue from external customers are derived from sales originated from Hong Kong during the current and prior periods.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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 2016 are as follows:

	<b>Unaudited</b>				<b>Group</b>
	<b>Six months ended 30 September 2016</b>				
	<b>Recovered paper and materials</b>	<b>Tissue paper products</b>	<b>CMDS</b>	<b>Logistics services</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Segment revenue:</i>					
Sale to external customers	<b>92,305</b>	<b>2,270</b>	<b>9,435</b>	<b>155</b>	<b>104,165</b>
Inter-segment sale	–	–	–	<b>10,991</b>	<b>10,991</b>
Reportable segment revenue	<b>92,305</b>	<b>2,270</b>	<b>9,435</b>	<b>11,146</b>	<b>115,156</b>
Elimination of inter-segment revenue	–	–	–	<b>(10,991)</b>	<b>(10,991)</b>
	<b>92,305</b>	<b>2,270</b>	<b>9,435</b>	<b>155</b>	<b>104,165</b>
<i>Segment results:</i>					
Reportable segment profit	<b>15,467</b>	<b>198</b>	<b>5,291</b>	<b>1,697</b>	<b>22,653</b>
Elimination of inter-segment profits					<b>(4,505)</b>
Reportable segment profit derived from the Group's external customers					<b>18,148</b>
Unallocated operating costs					<b>(46,797)</b>
Finance income					<b>2,650</b>
Share of loss of joint venture					<b>(2,011)</b>
Loss for the period					<b>(28,010)</b>



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 5 Segment information (continued)

	Unaudited				
	Six months ended 30 September 2015				
	Recovered paper and materials \$'000	Tissue paper products \$'000	CMDS \$'000	Logistics services \$'000	Group \$'000
<i>Segment revenue:</i>					
Sale to external customers	135,048	11,463	7,729	972	155,212
Inter-segment sale	–	–	–	11,371	11,371
Reportable segment revenue	135,048	11,463	7,729	12,343	166,583
Elimination of inter-segment revenue	–	–	–	(11,371)	(11,371)
	135,048	11,463	7,729	972	155,212
<i>Segment results:</i>					
Reportable segment profit	6,817	740	4,113	1,906	13,576
Elimination of inter-segment profits					(4,456)
Reportable segment profit derived from the Group's external customers					9,120
Unallocated operating costs					(68,347)
Finance income					2,538
Share of loss of joint venture					(456)
Loss for the period					(57,145)



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 6 Loss before taxation

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
<b>(a) Finance income</b>		
Interest income from bank deposits	<b>(1,301)</b>	(1,711)
Interest income from loans to joint venture	<b>(1,165)</b>	(827)
Finance lease income	<b>(123)</b>	–
Others	<b>(61)</b>	–
	<b>(2,650)</b>	(2,538)
<b>(b) Other items</b>		
Cost of inventories sold	<b>63,217</b>	109,344
Amortisation of land use rights	<b>519</b>	455
Depreciation of property, plant and equipment	<b>17,049</b>	18,095
(Gain)/loss on disposal of property, plant and equipment	<b>(880)</b>	373
Write off of property, plant and equipment	<b>307</b>	157
Operating lease charges in respect of land and buildings	<b>4,868</b>	11,060
(Reversal of)/provision for impairment losses		
– Trade and bills receivables ( <i>note 10</i> )	<b>(36)</b>	1,508
Equity settled share-based payment expenses ( <i>note 12(b)</i> )	<b>413</b>	1,195
Foreign exchange loss, net	<b>1,869</b>	978

## 7 Income tax

No provision for Hong Kong Profits Tax for the six months ended 30 September 2016 and 2015 has been made in respect of the subsidiaries in Hong Kong as either the tax losses brought forward from previous years exceed the estimated assessable profits for the period or the subsidiaries have no estimated assessable profits in Hong Kong.





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 8 Loss per share

### (a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to equity shareholders of the Company of \$28,005,000 (2015: \$53,802,000) and on the weighted average number of 4,822,334,000 (2015: 4,822,334,000) ordinary shares in issue during the interim period, calculated as follows:

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	\$'000	\$'000
Loss attributable to equity shareholders of the Company	<b>(28,005)</b>	(53,802)
	<b>'000</b>	'000
Weighted average number of ordinary shares in issue	<b>4,822,334</b>	4,822,334
Basic loss per share	<b>(0.6) cents</b>	(1.1) cents

### (b) Diluted loss per share

Diluted loss per share for the six months ended 30 September 2016 and 30 September 2015 does not assume the exercise of the share options because the effect on loss per share was anti-dilutive. Therefore the diluted loss per share equals the basic loss per share.

## 9 Property, plant and equipment

During the six months ended 30 September 2016, the Group acquired items of property, plant and equipment with aggregate costs of \$10,297,000 (2015: \$80,814,000).



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 10 Trade and bills receivables

	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>\$'000</b>	\$'000
	<b>(Unaudited)</b>	(Audited)
Trade and bills receivables	<b>49,623</b>	53,558
Less: Provision for impairment	<b>(8,167)</b>	(8,203)
	<hr/>	<hr/>
Trade and bills receivables, net	<b>41,456</b>	45,355
	<hr/>	<hr/>

As at the end of the reporting period, the ageing analysis of trade and bills receivables based on transaction date is as follows:

	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>\$'000</b>	\$'000
	<b>(Unaudited)</b>	(Audited)
0 – 30 days	<b>36,438</b>	35,840
31 – 60 days	<b>929</b>	2,104
61 – 90 days	<b>374</b>	14
91 – 120 days	<b>830</b>	1,585
Over 120 days	<b>11,052</b>	14,015
	<hr/>	<hr/>
	<b>49,623</b>	53,558
Less: Provision for impairment	<b>(8,167)</b>	(8,203)
	<hr/>	<hr/>
	<b>41,456</b>	45,355
	<hr/>	<hr/>

Payment terms granted to customers are mainly cash on delivery and on credit. The average credit period ranges from 10 days to 90 days.







# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 11 Trade and bills payables

	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>\$'000</b>	\$'000
	<b>(Unaudited)</b>	(Audited)
Trade and bills payables	<b>9,195</b>	13,901

The ageing analysis of the Group's trade and bills payables based on due date at the end of the reporting period are as follows:

	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>\$'000</b>	\$'000
	<b>(Unaudited)</b>	(Audited)
Current	<b>3,443</b>	5,005
1 – 30 days	<b>1,852</b>	3,480
31 – 60 days	<b>527</b>	1,085
61 – 90 days	<b>166</b>	5
91 – 120 days	<b>143</b>	27
Over 120 days	<b>3,064</b>	4,299
	<b>9,195</b>	13,901





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 Share capital and reserves

### (a) Share capital of the Company

	<b>Number of ordinary shares</b>	<b>Amount</b>
	'000	\$'000
<b>Authorised:</b>		
<i>Ordinary shares of \$0.10 each</i>		
At 1 April 2015, 31 March 2016, 1 April 2016 and 30 September 2016	5,000,000	500,000
<b>Issued and fully paid:</b>		
<i>Ordinary shares of \$0.10 each</i>		
At 1 April 2015, 31 March 2016, 1 April 2016 and 30 September 2016	4,822,334	482,234





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 Share capital and reserves (continued)

### (b) Equity settled share-based transactions

Pursuant to the resolutions in writing passed by all shareholders of the Company on 11 March 2010, the Company adopted a share option scheme on 11 March 2010 (“the Share Option Scheme”). The purpose of the Share Option Scheme is to provide incentives to the Group’s employees including the executive directors and non-executive directors and any advisers, consultants, suppliers, customers and agents (each “eligible participant”). The Board of Directors of the Company may, at any time within 10 years after the date of adoption of the Share Option Scheme, make an offer to any eligible participant. The subscription price for shares granted pursuant to the Share Option Scheme shall be determined by the Board of Directors of the Company in its absolute discretion but shall not be less than the highest of:

- the closing price of the shares of the Company stated in the Stock Exchange’s daily quotation sheet of the business day on which an offer is made to an eligible participant;
- the average of the closing prices of the shares stated in the Stock Exchange’s daily quotation sheet for the five business days immediately preceding the date on which such offer is made; and
- the nominal value of a share of the Company.

On 7 September 2016, the Group announced that a total of 157,850,000 options under the Share Option Scheme to subscribe for the Company’s shares were granted, subject to acceptance of the grantees. Each option shall entitle the holder to subscribe for one share upon exercise of such option at an initial exercise price of \$0.128 per share. These options may be exercised from 7 September 2017 to 6 September 2022 (both dates inclusive) subject to respective vesting periods. At the end of the acceptance period, 152,150,000 options were accepted by the grantees.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 Share capital and reserves (continued)

### (b) Equity settled share-based transactions (continued)

The movements in the number of share options under the Share Option Scheme during the period were as follows:

Date of grant	Number of share options granted during the period	Initial exercise price	Exercisable period	Number of share options			
				Outstanding at 1 April 2016	Accepted during the period	Outstanding at 30 September 2016	Remaining contractual life
				'000	'000	'000	
<b>Directors</b>							
- 7 September 2016	63,900	0.128	7 September 2017 to 6 September 2022	-	63,900	63,900	6 years
- 7 September 2016	63,900	0.128	7 September 2018 to 6 September 2022	-	63,900	63,900	6 years
<b>Employees</b>							
- 7 September 2016	15,025	0.128	7 September 2017 to 6 September 2022	-	7,725	7,725	6 years
- 7 September 2016	15,025	0.128	7 September 2018 to 6 September 2022	-	7,725	7,725	6 years
	157,850			-	143,250	143,250	

At the end of the acceptance period, 152,150,000 options were accepted by the grantees.

Vesting period: Tranche 1: 50% vesting after 1 year from the date of grant  
Tranche 2: 50% vesting after 2 years from the date of grant





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 12 Share capital and reserves (continued)

### (b) Equity settled share-based transactions (continued)

Share option expenses of \$413,000 charged to the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2016 are determined using the binomial option pricing model based on the following assumptions:

	Date of grant 7 September 2016
Fair value at measurement date	\$0.057
Share price at measurement date	\$0.128
Exercise price	\$0.128
Expected volatility	50.00%
Risk-free interest rate (based on Exchange Fund Notes)	0.63%
Expected average life of options	6 years
Expected dividend yield	0%

The expected volatility is based on the historic volatility on the Company's shares (calculated based on the weighted average remaining life of the share options). Expected dividends are based on historic dividends. Changes in the subjective input assumptions could materially affect the fair value estimates.

### (c) Dividends

No dividends had been paid or declared by the Company for the six months ended 30 September 2016 (2015: Nil).





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 13 Capital commitments

	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>\$'000</b>	\$'000
	<b>(Unaudited)</b>	(Audited)
<b>Contracted but not provided for</b>		
– Property, plant and equipment	<b>3,968</b>	16,025

## 14 Contingency

### Litigation with former directors and employees

At 30 September 2016, 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.

## 15 Acquisition of additional interest in a subsidiary

On 30 April 2016, Kind Surplus Limited, a wholly-owned subsidiary of the Company, acquired an additional 40% equity interests of Hong Kong Ying Cheung (International) Holdings Limited (“Ying Cheung”) for a consideration of \$2. Upon the completion of acquisition, Ying Cheung became a wholly-owned subsidiary of the Group.







# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

## 16 Material related party transactions

### Transactions with related parties

In addition to the transactions disclosed elsewhere in the interim financial report, the Group entered into the following material related party transactions during the period:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Interest income received from joint venture	<b>1,165</b>	–
Logistics service income received from joint venture	<b>144</b>	–

## 17 Approval of interim financial report

The interim financial report was approved by the Board on 25 November 2016.





# INDEPENDENT AUDITOR'S REVIEW REPORT



**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 18 to 38 which comprises the consolidated statement of financial position of Integrated Waste Solutions Group Holdings Limited (“the Company”) and its subsidiaries (together, “the Group”) as of 30 September 2016 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months 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

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*, issued by the International Auditing and Assurance Standards Board. 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.





# INDEPENDENT AUDITOR'S REVIEW REPORT

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

## KPMG

*Certified Public Accountants*

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

25 November 2016





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