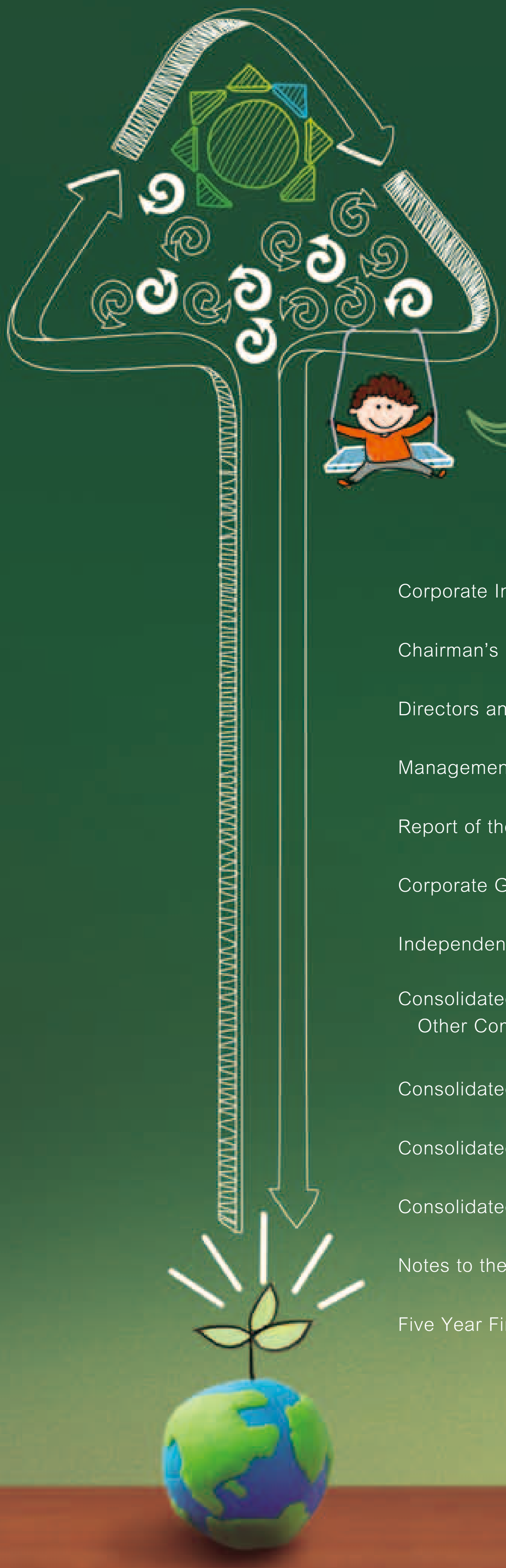
Integrated Waste Solutions Group Holdings Limited
綜合環保集團有限公司

(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



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CORPORATE INFORMATION

DIRECTORS

Executive directors
Mr. Lam King Sang *(Chief Executive Officer)*
Mr. Tam Sui Kin, Chris

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. Lam King Sang *(Chairman)*
Mr. Tam Sui Kin, Chris

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. Tam Sui Kin, Chris
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 HEADQUARTERS 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

CORPORATE WEBSITE

www.iwsgh.com

STOCK CODE

923

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO 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

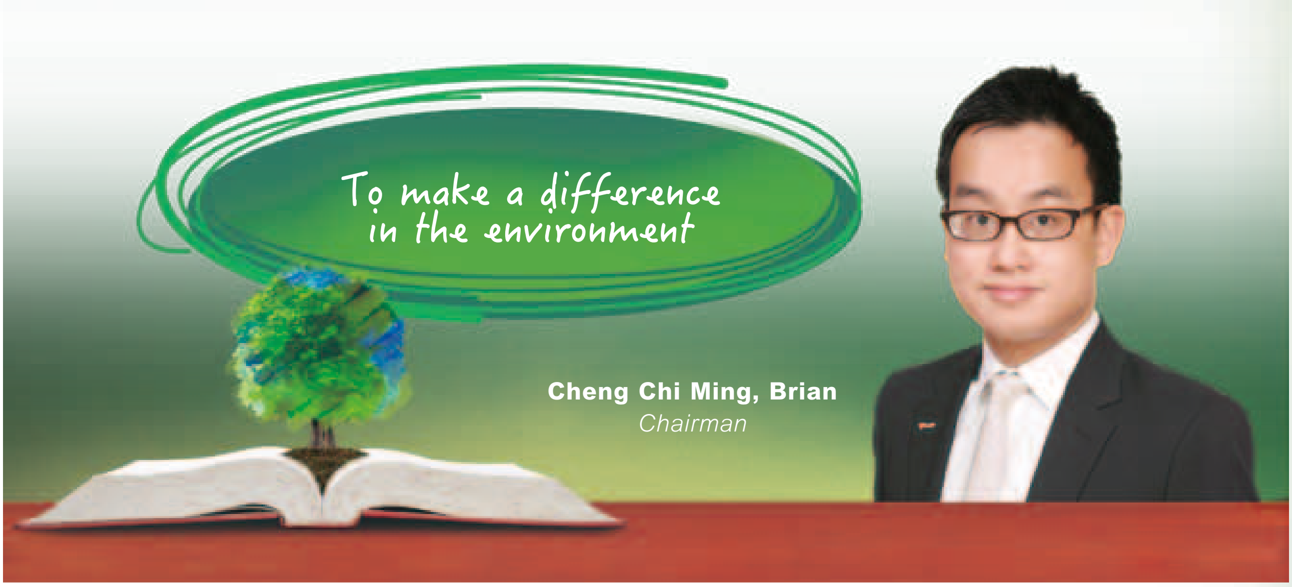
PRINCIPAL BANKERS

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

LEGAL ADVISER

As to Hong Kong law:
Troutman Sanders

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors (the "Board") of Integrated Waste Solutions Group Holdings Limited (the "Company" together with its subsidiaries, hereinafter referred to as the "Group"), I would like to present the annual results of the Group for the financial year ended 31 March 2017.

This year has been a year of continued consolidation and injection of new impetus for sustainable growth. The Group is taking a more upbeat approach towards a turnaround. We strived to stabilise our business while began a new chapter of opening up for new opportunities. The Group has entered into new solid waste management spheres and launched new projects including electrical waste and plastic recycling. We are excited for this new journey and are determined to fulfill our mission, as a competent recycling service provider in Hong Kong, of promoting environmental sustainability, delivering shareholder value and meeting our stakeholders' expectations.

Recent volatility in the global economy and market fluctuations remained threats to the recycling industry. The environmental policies of the People's Republic of China (the "PRC" or "China") have been a determining factor affecting our core businesses in recent years. Stricter regulations by the Mainland on waste imports have resulted in closure of paper manufacturing enterprises which failed to meet environmental standards. Increase in production costs and intense competition have exerted pressure on our business performances. Notwithstanding the above, our overall performance has been improved with further reduction in loss. Income from Confidential Material Destruction Services ("CMDS") has shown an increase in consecutive years. Previous difficulties and challenges have strengthened our will to better our management and build capacities. We are able to grasp new business opportunities by participating in the HKSAR Government's new initiatives on municipal solid waste, paving ways for a diversified source of revenue while continuing to operate on our core businesses of collecting and trading recyclables.

CHAIRMAN'S STATEMENT

During the year, the Group has devoted effort on the construction of a waste electrical and electronic equipment ("WEEE") treatment facility. It is under a joint venture with ALBA Group Plc & Co KG, which has concluded a contract with the Environmental Protection Department ("EPD") of the HKSAR Government in 2015. I am glad to report that the facility is expected to be operational in the second half of 2017. In the same year, the Group has invested in plastic recycling business, which recycles and pelletises plastic waste before being re-exported to the PRC as raw materials for production, taking the advantage of CEPA (The Closer Economic Partnership Arrangement). To position ourselves as an integrated waste solutions provider, the Group has also submitted a tender for the EPD's Glass Management Contractors (GMCs) contract in providing glass beverage bottle collection and treatment services.

Looking forward, the Group will continue to monitor existing trends while managing and expanding our business prudently, following our strategy of a balanced development. We believe in the potential value of our core businesses, particularly CMDS. Besides, new mandatory producer responsibility scheme ("PRS") introduced by the HKSAR Government has enhanced the prospect in developing new waste management projects. We will actively respond to these policies and we are optimistic on improving investment returns while contributing to environmental protection. As we take these steps, which are never easy, we are steadily gaining experience and capabilities, laying a strong foundation for our growth.

The Group always endeavour to become one of the distinguished and reliable enterprises, recognised by clients and the public for the provision of high quality integrated waste management services. As we build up our valuable professional expertise, well-connected backbone network and experiences, we are constantly prepared for new challenges and new business opportunities, reaching out to multiple aspects of the industry. We are confident in keeping up with challenges ahead and leading the Group towards a sustainable future. The Group is dedicated to fulfilling our social responsibility towards environmental conservation. With a vision of transforming for better recycling habits in each household, we work together with our stakeholders in building a greener community for our next generation.

On behalf of the Board, I would like to express my gratitude to the management team for their hard-work and commitment. I would also like to thank all investors, shareholders, business partners and staff for their continuous support to the Group throughout the year.

Cheng Chi Ming, Brian
Chairman

Hong Kong, 29 June, 2017

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Chief Executive Officer

Mr. Lam King Sang, aged 56, is an Executive Director, Chief Executive Officer and the chairman of the Executive Committee of the Company. He joined the Company on 1 March 2016. Mr. Lam has over 20 years of experience in business development, investment and management in the infrastructure and water business in Mainland China. Joined the New World Group in 1993, Mr. Lam was the General Manager (Water) of NWS Infrastructure Management Limited, a wholly owned subsidiary of the NWS Holdings Limited (stock code: 659), mainly responsible for managing the New World Group's water business. Mr. Lam was an executive director of Sino French Water Development Company Limited, a director of Sino-French Holdings (Hong Kong) Limited, The Macao Water Supply Company Limited, Far East Landfill Technologies Limited as well as a number of companies in Mainland China. Mr. Lam is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the United Kingdom.

Chief Financial Officer

Mr. Tam Sui Kin, Chris, aged 52, is an Executive Director, Chief Financial Officer and a member of the Executive Committee of the Company. Joined the Company in July 2013, Mr. Tam also holds directorships in certain subsidiaries of the Company. He is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Tam is responsible for the financial management, accounting and treasury functions of the Group. He began his career and completed his professional training in the United Kingdom. He had worked as an audit manager in Ernst & Young, Hong Kong before he joined one of the listed subsidiaries of New World Development Company Limited (stock code: 17) in 1996. Prior to joining the Group, he was the financial controller (infrastructure/contracting) of NWS Holdings Limited (stock code: 659). Mr. Tam holds a bachelor of arts honours degree in Accounting and has over 25 years of experience in auditing, accounting, project financing and financial management.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Chairman

Mr. Cheng Chi Ming, Brian, aged 34, is the Chairman, Non-executive Director and member of the Audit Committee of the Company. He joined the Group in January 2011. Mr. Cheng obtained a bachelor of science degree from Babson College in Massachusetts, U.S.A. in 2005. Mr. Cheng is an executive director of NWS Holdings Limited ("NWS"), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 659) and a director of certain subsidiaries of NWS. He is also a non-executive director of Haitong International Securities Group Limited (stock code: 665), Wai Kee Holdings Limited (stock code: 610) and Beijing Capital International Airport Co., Ltd (stock code: 694) all of which are listed on the main board of the Stock Exchange. Mr. Cheng is a director of Sino-French Holdings (Hong Kong) Limited, The Macao Water Supply Company Limited, Prestige Safe Limited and a director of a number of companies in China. He was a non-executive director of Newton Resources Ltd. (stock code: 1231). From 2005 to 2007, Mr. Cheng worked as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. He is the son of Dr. Cheng Kar Shun and the nephew of Mr. Cheng Kar Shing, Mrs. Sun Cheng Lai Ha, Cecilia and Mrs. Doo Cheng Sau Ha, Amy. Dr. Cheng Kar Shun, Mr. Cheng Kar Shing, Mrs. Sun Cheng Lai Ha, Cecilia and Mrs. Doo Cheng Sau Ha, Amy collectively hold controlling interests in each of Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, both of which are substantial shareholders of the Company.

Mr. Tsang On Yip, Patrick, aged 45, is a Non-executive Director and a member of the Audit Committee, Remuneration Committee and the Nomination Committee of the Company. He joined the Company in November 2012. Mr. Tsang obtained a bachelor's degree in Economics from Columbia College of Columbia University in New York, USA in 1994. Mr. Tsang is an executive director of Melbourne Enterprise Limited (a company listed on the main board of the Stock Exchange, stock code: 158), and UMP Healthcare Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 722), a non-executive director of Greenheart Group Limited (a company listed on the main board of the Stock Exchange, stock code: 94), a director of Cheng Yu Tung Foundation Limited, Chow Tai Fook Enterprises Limited, Chow Tai Fook (Holding) Limited and Prestige Safe Limited. Mr. Tsang's spouse, the daughter of Mrs. Sun Cheng Lai Ha, Cecilia, is a cousin of Mr. Cheng Chi Ming, Brian, who is a Non-executive Director and Chairman of the Company, and niece of Dr. Cheng Kar Shun, Mr. Cheng Kar Shing and Mrs. Doo Cheng Sau Ha, Amy. Dr. Cheng Kar Shun, Mr. Cheng Kar Shing, Mrs. Sun Cheng Lai Ha, Cecilia and Mrs. Doo Cheng Sau Ha, Amy collectively hold controlling interests in each of Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, both of which are substantial shareholders of the Company.

Mr. Lau Sai Cheong, aged 60, is a Non-executive Director of the Company and a member of the Nomination Committee of the Company. Joined the Company in July 2012, Mr. Lau acted as an Executive Director of the Company from 16 October 2012 to 8 March 2015 and has been re-designated to a Non-executive Director of the Company effective from 9 March 2015. He has over 30 years of experience in a wide variety of private and government projects in Hong Kong, China and around Asia. He is now working as a director (Technical Services) of NWS Infrastructure Management Limited, a subsidiary of NWS Holdings Limited (stock code: 659).

DIRECTORS AND SENIOR MANAGEMENT

From September 1981 to May 1992, Mr. Lau worked in three engineering consulting firms and two contractors responsible for the design and project management of various types of local and overseas projects. From June 1992 to August 1993, Mr. Lau worked in A. S. Watson & Company Limited handling their joint venture projects in China and factory production management in Hong Kong. Prior to joining the Company, Mr. Lau served in HKSAR Government from September 1993 to June 2012. Mr. Lau holds a bachelor of science honors degree in Electrical and Electronic Engineering from Aston University, United Kingdom. Mr. Lau is a Registered Professional Engineer and a member of Hong Kong Institution of Engineers.

Mr. To Chun Wai, aged 61, is a Non-executive Director and a member of the Remuneration Committee of the Company. Besides, he is also an honorary consultant of the World Green Organization. He first joined the Company on 8 April 2013 and started off as an Executive Director of the Company until 9 September 2015, when he was re-designated as a Non-executive Director of the Company. Mr. To is the CEO of EnWin FinTech Limited as well as the chairman of Gung-ho Consultancy Company Limited. He spent most of his career, beginning in 1974, with the Hong Kong Police, rising up the ranks to Assistant Commissioner of Police (Crime) overseeing crime operations and policies of the Hong Kong Police, until his retirement in 2011. He was awarded the Police Meritorious Service Medal in recognition of his long years of service and contribution to the Hong Kong society. Before joining the Company, Mr. To also tutored public administration on a part-time basis from 2011 to 2012 at The University of Hong Kong. Mr. To has wide administrative and management experience and holds a master degree of public administration from The University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Nguyen Van Tu, Peter, aged 73, is an Independent Non-executive Director of the Company, chairman of the Remuneration Committee of the Company, a member of the Audit Committee and the Nomination Committee of the Company. He joined the Group in June 2013. Mr. Nguyen is a senior counsel and was called to the Bar in England by the Honourable Society of the Middle Temple in 1970. He was an assistant crown counsel and crown counsel in the Legal Department of Hong Kong during the period from August 1970 to November 1974 and was in private practice as a barrister in Hong Kong subsequently for approximately twenty years. Mr. Nguyen was appointed as director of Public Prosecutions in the Legal Department of Hong Kong during the period from July 1994 to October 1997 and was the first Chinese to hold such position. Mr. Nguyen became a Queen's Counsel in 1995 and was appointed as a Judge of the Court of First Instance of the High Court, Hong Kong from February 1998 to April 2009. Currently, Mr. Nguyen is an independent non-executive director of Goldlion Holdings Limited (stock code: 533), Combest Holdings Limited (stock code: 8190), Greenheart Group Limited (stock code: 94) and Pacific Andes International Holdings Limited (stock code: 1174), all of which are listed companies in Hong Kong. Mr. Nguyen was an independent non-executive director of IPE Group Limited (stock code: 929).

Mr. Chow Shiu Wing, Joseph, aged 45, is an Independent Non-executive Director of the Company, chairman of the Nomination Committee of the Company, a member of the Audit Committee and the Remuneration Committee of the Company. He joined the Company in October 2013. He obtained a bachelor's degree in law from the City University of Hong Kong in 1996 and a Postgraduate Certificate in Laws from the University of Hong Kong in 1997. He was admitted as a solicitor of the High Court of Hong Kong in October 1999, and is now a partner of Wellington Legal and a consultant in C.T. Chan & Co., Solicitors & Notaries. Mr. Chow holds a number of professional and honorary appointments including being the honorary legal adviser of the Hong Kong Brand Development Council.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Man Chung, Francis, aged 52, is an Independent Non-executive Director of the Company, chairman of the Audit Committee of the Company, a member of the Remuneration Committee and the Nomination Committee of the Company. He joined the Company in October 2013. He holds a Master Degree in Management conferred by Guangzhou Jinan University, the People's Republic of China. Mr. Wong is a fellow member of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, a Certified Tax Adviser of the Taxation Institute of Hong Kong and a fellow member of the Society of Chinese Accountants and Auditors. He is a Certified Public Accountant (Practising) and has over 28 years of experience in auditing, taxation, corporate internal control and governance, acquisition and financial advisory, corporate restructuring and liquidation, family trust and wealth management. Previously, Mr. Wong worked for KPMG, an international accounting firm, for 6 years and the Hong Kong Securities Clearing Company Limited for 2 years.

Mr. Wong is currently an independent non-executive director, the chairman of the audit committee and the remuneration committee as well as a member of the nomination committee of China Oriental Group Company Limited (stock code: 581); an independent non-executive director, the chairman of the audit committee and a member of the nomination committee and the remuneration committee of Wai Kee Holdings Limited (stock code: 610) and Greenheart Group Limited (stock code: 94); an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of Digital China Holdings Limited (stock code: 861) and Hilong Holding Limited (stock code: 1623); an independent non-executive director and a member of the strategy and investment committee of GCL-Poly Energy Holdings Limited (stock code: 3800); an independent non-executive director and the chairman of the audit committee of Kunming Dianchi Water Treatment Co., Ltd. (stock code: 3768); and an independent non-executive director, the chairman of the audit committee and a member of the nomination committee of China New Higher Education Group Limited (stock code: 2001). Mr. Wong is the managing director of Union Alpha C.P.A. Limited and a director of Union Alpha CAAP Certified Public Accountants Limited, both being professional accounting firms, and a founding director and member of Francis M C Wong Charitable Foundation Limited, a charitable institution.

Mr. Yeung Kwok Ki, Anthony, aged 72, is an Independent Non-executive Director and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Joined the Company on 1 March 2016, Mr. Yeung has over 30 years of experience in financial management. He is a practising certified public accountant recognised by the Hong Kong Institute of Certified Public Accountants and a senior member of the major global accountancy institutions. Mr. Yeung has been the founder and chairman of K K Yeung Management Consultants Limited since May 1983, and the founder and senior partner of K K Yeung Partnership, CPA (Practising) since November 1985. Since February 1977, Mr. Yeung has also served as the founder and chairman of Wall Street Resources Limited. From 23 April 2013 to 6 March 2015, Mr. Yeung acted as a director of Oman Cables Industry (SAOG), a company listed on the Muscat Securities Market (stock code: OCAI), and from 19 December 2013 to 24 January 2017, he acted as a non-executive director of Yangtze Optical Fibre and Cable Joint Stock Limited Company (a joint stock limited company incorporated in the People's Republic of China and listed on the main board of the Stock Exchange, stock code: 6869).

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

The Group is one of the major solid-waste solutions providers in Hong Kong, engaging in waste collection, recycling and treatment activities. With an extensive waste collection network and depots, the Group provides waste management services on waste paper, Confidential Material Destruction Services ("CMDS") and other recyclable waste for a broad range of customers in both the public and private sectors. Wastes are treated in an environmentally friendly method through our technologically advanced treatment plants. Products include recovered paper and tissue paper, which are sorted, packed and shipped to the PRC or overseas for further treatment and sales.

We are committed to maintaining stable and efficient services, managing and developing our business with professionalism. Recognizing the importance of our business in becoming part of the solution to municipal waste management, we will continue to make a difference by dedicating resources to create shared value strategy, moving towards the goal of becoming one of the most reputable integrated waste solutions providers in Hong Kong and the Greater China.

MARKET REVIEW

Landfills are running out of space quickly. Hong Kong has few options on waste management but to start taking action in reducing and recycling waste. Coupled with the new legislation on municipal waste management, the market landscape has started to undergo radical changes. Further to some encouraging move taken by the HKSAR Government in 2016, for instance, producer responsibility schemes ("PRS") implemented for waste electrical and electronic equipment ("WEEE") and plastic bags.

In addition to the PRS for glass beverage containers from 2018 onwards, we envisage enforcement and legislative changes will be tightened in the coming years, the HKSAR Government and the industry have been studying the feasibility of a PRS for plastic bottles requiring manufacturers, distributors, consumers and retailers to share a duty of collecting, recycling, treating and disposing the products. In Hong Kong, the use of disposable plastic products remains rampant, approximately 20% of the municipal solid waste is plastic. Embracing the escalating demand to reduce the amount of plastic waste, the Group's plastic recycling operation will come into operation in the coming fiscal year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the year ended 31 March 2017 ("FY2017" or "Current Year") amounted to HK$81.2 million, an improvement of HK$22.9 million when compared to the net loss of HK$104.1 million for the year ended 31 March 2016 ("FY2016" or "Last Year").

	FY2017 HK$'000	FY2016 HK$'000	Fav./(Unfav.) Change HK$'000	%
Results of operating segments	**(20,657)**	(59,140)	**38,483**	65%
Net corporate expenses	**(42,014)**	(44,938)	**2,924**	7%
Non-operating items:				
Impairment loss on finance lease receivables	**(5,657)**	–	**(5,657)**	N/A
Impairment loss of property, plant and equipment	**(12,873)**	–	**(12,873)**	N/A
Loss attributable to equity shareholders of the Company	**(81,201)**	(104,078)	**22,877**	22%

In FY2017, we saw a significant improvement in the results of the operating segments with a reduction in loss of 65% or HK$38.5 million when compared to FY2016 while net corporate expenses has reduced by 7% or HK$2.9 million. In FY2017, the Group recognised a total impairment loss of approximately HK$18.5 million following the recoverability assessment of the carrying value of certain plant and equipment and finance lease receivables. All these impairment losses are non-cash items and bear no impact on the cash flow and operations of the Group.

Revenue Analysis	FY2017 HK$'000	FY2016 HK$'000	Change HK$'000	%
Sales of recovered paper	**181,979**	209,998	**(28,019)**	(13%)
Sales of tissue paper products	**3,606**	18,117	**(14,511)**	(80%)
CMDS service income	**18,491**	16,692	**1,799**	11%
Sales of other materials	**2,592**	25,676	**(23,084)**	(90%)
Other revenue	**272**	2,648	**(2,376)**	(90%)
	206,940	273,131	**(66,191)**	(24%)

MANAGEMENT DISCUSSION AND ANALYSIS

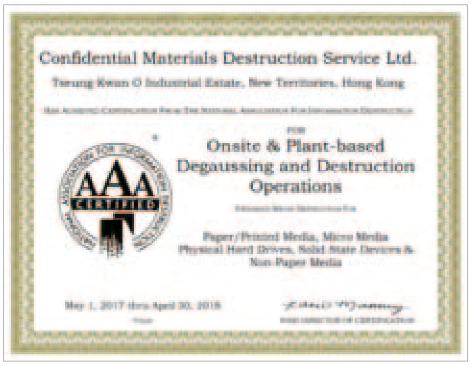
Sales of **Recovered Paper** continued to be affected by the overall operating environment for recovered paper, especially in the PRC. The implementation of environmentally friendly manufacturing regulations has eliminated small and medium enterprises that fail to meet the standard which in turn affected the demand for recovered paper. The global economic slowdown, including but not limited to the PRC, and the stringent regulation of the PRC on waste imports has significantly affected the trading volume of our recovered paper. Moreover, due to the nature of the recovered paper business and its low entry barrier, the Group has faced intense competition from other traders in terms of purchasing price and collection volume. The revenue of recovered paper has reduced to approximately HK$182.0 million, a drop of approximately HK$28.0 million or 13% when compared to FY2016. Although the sales volume for FY2017 has decreased by 18% when compared to FY2016, we saw an increase in the average selling price per ton by 7% due to close monitoring of our pricing strategies.

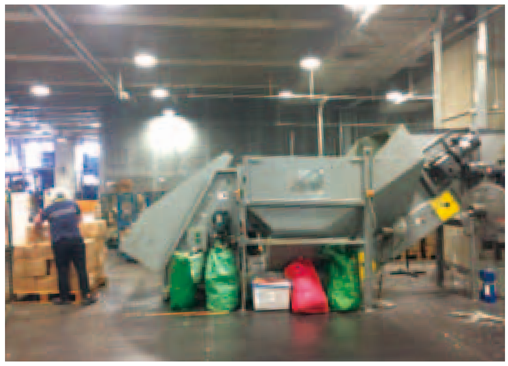
Sales of **Tissue Paper Products** dropped by HK$14.5 million or 80% to HK$3.6 million. Despite quality of life and consumer health awareness have continued to improve, Mainland China's tissue paper consumption per capita still lags behind that of developed countries. On one hand, it implies potential for growth but on the other hand it intensifies competition among market players. During the Current Year, the Group has launched its own tissue paper products in order to diversify its product portfolio. However, with limited production capacity and ever-increasing cost of production has rendered us not able to maintain operating efficiency and economies of scale, which in turn led to a decline in the profit margin.

Confidential Material Destruction Services ("CMDS") service income increased by 11% or HK$1.8 million to HK$18.5 million. The increase in CMDS service income was mainly due to the re-engineering of our value chain activities when delivering our exemplary CMDS product or service. Total CMDS service income included materials destruction services for both paper and non-paper products, which recorded an increase of 9.8% and 13.8% over the Last Year respectively. We collect and destroy confidential materials from government departments, housing authority, banks, financial and other professional institutions in Hong Kong. Confidential materials that we destroy include

MANAGEMENT DISCUSSION AND ANALYSIS

confidential documents, branded products, counterfeit and storage media such as computer hard disks, credit cards, mobile SIM cards, etc.


Confidential Materials Destruction Service Ltd.
Tseung Kwan O Industrial Estate, New Territories, Hong Kong
Onsite & Plant-based Degaussing and Destruction Operations
Paper/Printed Media, Micro Media
Physical Hard Drives, Solid State Devices &
Non-Paper Media
May 1, 2017 thru April 30, 2018



During the Current Year, the Group had entered into new solid waste recycling business which recycles plastic waste into Low-density Polyethylene ("LDPE") plastic pellets. These LDPE pellets can be used for both rigid containers and plastic film applications such as plastic bags and film wrap. This project is still under commissioning stage and will be one of the profit contributors to the Group in the coming years. In addition, the joint venture with ALBA Group operating in recycling of WEEE will come into operation this year.

Gross Profit

Gross profit margin of the Group for FY2017 has improved from 8.2% to 18.3% when compared to FY2016. 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 Expenses

Selling, distribution and administrative expenses amounted to HK$113.1 million for FY2017, representing a reduction of HK$25.6 million when compared to FY2016. The reduction in these expenditures was due to the cost control measures adopted by the management throughout the year.

Loss before Interest, Tax, Depreciation and Amortisation ("LBITDA")

Although the revenue of the Group has reduced substantially, LBITDA for the year has improved by approximately HK$26.8 million to HK$50.7 million when compared to HK$77.5 million of FY2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The Group recognises the need to achieve an adequate profit margin and considers that it is prudent to finance the Group's long-term growth by long-term financing, especially in the form of equity which will not increase the Group's finance costs. During the current financial year, the Group had no financing exercise undertaken and all capital expenditure incurred was financed by internal resources.

As at 31 March 2017, the Group had unrestricted bank deposits and cash of approximately HK$219.1 million (2016: HK$288.2 million). The Group had no bank loans and overdrafts as at 31 March 2017 (2016: HK$Nil).

As at 31 March 2017, the Group had net current assets of approximately HK$297.5 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 12.0 as at 31 March 2017 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 Renminbi, United States dollars and Hong Kong dollars.

For the year ended 31 March 2017, the Group recorded a net foreign exchange loss of HK$3.1 million (2016: HK$1.0 million) as a result of the gradual devaluation of Renminbi during the year. 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 financial year, the Group incurred HK$10.4 million for the construction expenditure in respect of the new headquarter of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2017, the Group has capital commitments of HK$2.4 million, which are mainly related to the acquisition of plant and machineries.

Pledge of Assets

As at 31 March 2017, the Group had restricted bank deposits amounted to HK$17.9 million (2016: HK$18.5 million) which were pledged with banks for issuing guarantees to suppliers to secure supply.

Contingent Liabilities

At 31 March 2017, the Group has, upon legal advice, lodged certain claims against its former directors and employees and the outcomes of which remain to be seen.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Sustainability has become one of the major concern within the recycling industry. While recycling forms an important part in contributing to sustainable development as it reduces waste disposal, we acknowledge that our operation does have impact on the environment, our people and the community. The Group has gradually incorporated sustainability into its daily business operations, setting out strategies to ensure environmental, social and governance ("ESG") issues including emissions, relations with employees, key clients, suppliers, etc., are monitored and well-managed. We believe that good practices on sustainability can become a cornerstone for our business growth. The Group's ESG matters are handled by relevant department heads who report to the Board of Directors for consideration and decision-making.

Detailed ESG performances will be disseminated in our ESG Report which will be published on the websites of the Stock Exchange and the Company in early August 2017. This report will be prepared according to the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the main board of the Stock Exchange (the "Listing Rules"), and in accordance with the operational circumstances of the Company.

Environmental Management

As a responsible waste management service provider, the Group is committed to environmental sustainability in all aspects of our operations including energy, resources consumption and waste reduction. The Group is a registered waste recycler and registered waste collector at the HKQAA. We have strictly complied with all relevant local environmental laws and regulations during the year. Our environmental management system has obtained ISO 14001:2004 certification. Together with the ISO 9001:2008 standard, we integrated the environmental and quality management targets which facilitate more effective identification and control on potential environmental risks.

We strive to be the vanguard of sustainability by taking initiatives to lessen our environmental impact. Efforts include a green design of our office building, which uses renewable energy recycled products in our facilities and decoration. We self-discipline ourselves in managing the wastes produced from our operation plants. Practices and measures are implemented to mitigate emissions and use of energy resources throughout the recycling process. As our business expands this year, such policies are reviewed regularly at management review meetings to maintain their validity and effectiveness.

Engagement with Stakeholders

The Group seeks to closely engage with our stakeholders including customers, employees, investors, government, suppliers and communities on an ongoing basis and through a variety of mechanisms. Besides existing communication channels such as meetings and publications, we commissioned an independent third-

MANAGEMENT DISCUSSION AND ANALYSIS

party consultant to conduct an online survey with internal stakeholders, collecting their views on the Group's businesses towards sustainability. We will continue to broaden our dialogue with all stakeholders in identifying ESG related issues that helps us in responding to their expectations.

Employees

As of 31 March 2017, the Group had a workforce of 203 employees. Employee costs, excluding directors' emoluments, amounted to HK$54.9 million for FY2017 (2016: HK$65.3 million). Adhering to the people-oriented management principle, we treat our employees with courtesy and respect. We provide satisfactory working environment, remuneration and welfare package, as well as equal opportunities on recruiting and appraisal procedures based on meritocracy. The Group also promotes inclusiveness and diversity in workplace, prohibiting any forms of discrimination. We maintain effective communication channels between employees and the management on employment matters and the reporting of any violation of code of conduct.

Health and safety of our employees are always on top priority of concern. In addition to complying with all relevant laws and regulations on occupational safety, the Group has established a Safety Committee which scrutinises the implementation of our occupational safety and health policy and facilitate communication within the Group on safety issues. Our safety management system has laid out potential risks, safety rules and emergency plans in preventing and preparing in case of accidents.

The Group recognises the importance of knowledge and skills of our employees to our business success. We invested resources on internal and external training programmes, including on-the-job training and safety training for new employees. We believe that improvement of employee's capabilities will definitely strengthen the competitiveness of the Group as a whole.

Customers

It is our responsibility to provide the highest quality waste management services to our customers. With an effective complaint mechanism and privacy protection policy, we aim to become one of the most trusted enterprises by our customers and the public. The Group will maintain smooth communications with customers and take necessary improvement measures after collecting their opinion and feedbacks.

MANAGEMENT DISCUSSION AND ANALYSIS

Suppliers

The Group strives to maintain stable relationships with key suppliers, working together towards sustainability in our operations. We choose local suppliers to minimise our carbon footprint from the purchasing process. The Group follows a set of criteria and procedure to evaluate, select and monitor suppliers, ensuring their compliance with related laws and regulations as well as our requirements.

Community

The Group is devoted in fulfilling corporate social responsibility through investing back to our community and we believe that education is the key to promote environmental protection. Our IWS Environmental Education Centre is opened for community groups visits. We wish to contribute our part in advocating the idea of Reduce, Reuse and Recycle, building a green culture and transforming our local communities towards a sustainable future.

PROSPECTS

The Group will continue to operate diligently its core businesses and look for opportunities to expand the source of revenue. With the improvement in market conditions, there is a possibility of a turnaround. Under the new mandatory producer responsibility scheme implemented by the HKSAR Government, we have developed new solid waste management system for waste electrical and electronic equipment. We are looking to expand our businesses into glass beverage containers recycling in the future. In addition, as the municipal solid waste charging will become effective in 2019, we expect more business opportunities to be available in the market. The Group well-prepared itself to embrace the new policy initiatives. Our professional expertise and experiences are equipping ourselves in providing quality solid waste management service, thus creating value for our customers and the community. Looking ahead, the Group will continue to consolidate its core businesses while entering into other areas of solid waste management, devoting our efforts in promoting solid waste recycling in Hong Kong.

REPORT OF THE DIRECTORS

The Board hereby submits its annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the provision of solid waste management services as set out in note 28(b) to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2017 is provided in the Chairman's Statement and the Management Discussion and Analysis of this Annual Report set out on pages 3 to 4 and pages 9 to 16 respectively.

Further discussion on the principal business risks and uncertainties facing the Group is provided in the Management Discussion and Analysis of this Annual Report. The financial risk management is set out in note 3 to the consolidated financial statements.

To the best knowledge of the Board, throughout the financial year ended 31 March 2017, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business.

Our vision is to make a difference in the environment. The Group delivers integrated waste solutions as a responsible enterprise through waste recovery, waste recycling and reuse and waste disposal treatment. Particulars of the Company's environmental policies and performance are delineated in the Management Discussion and Analysis of this Annual Report on pages 9 to 16 and also the Environmental, Social and Governance Report 2017 ("ESG Report") in electronic version which will be available on the Company's website and the designated website of the Stock Exchange in early August 2017.

Disclosures relating to the relationships with employees, customers and suppliers are included in the Management Discussion and Analysis of this Annual Report on pages 9 to 16. Further details relating to the Group's relationships with its key stakeholders can be found in the Company's ESG Report to be published on the Company's website and the designated website of the Stock Exchange in early August 2017.

All of the above discussion/sections form part of this report.

REPORT OF THE DIRECTORS

RESULTS AND DIVIDEND

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 55.

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2017 (2016: Nil).

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 58 and in note 23(a) to the consolidated financial statements respectively.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$Nil (2016: HK$116,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 22(b) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution comprise the share premium account less accumulated losses. As at 31 March 2017, the reserves of the Company available for distribution to the shareholders of the Company (the "Shareholders") amounted to approximately HK$1,097,107,000 (2016: HK$1,120,608,000).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 24 August 2017 to Wednesday, 30 August 2017, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible for attending and voting at the 2017 annual general meeting of the Company (the "2017 AGM") to be held on Wednesday, 30 August 2017, all completed transfer documents, accompanied by the

REPORT OF THE DIRECTORS

relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 23 August 2017.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of the Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro-rata basis to existing Shareholders.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 128.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2017.

DIRECTORS

The Directors since 1 April 2016 to the date of this report were:

Executive Directors
Mr. Lam King Sang
Mr. Tam Sui Kin, Chris
Mr. Suen Wing Yip *(resigned on 1 December 2016)*

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

REPORT OF THE DIRECTORS

Pursuant to Article 108 of the Articles of Association, Mr. Tam Sui Kin, Chris, Mr. Tsang On Yip Patrick, Mr. Lau Sai Cheong and Mr. Chow Shiu Wing, Joseph shall retire by rotation at the 2017 AGM. All the retiring Directors, being eligible, offer themselves for re-election, at the forthcoming annual general meeting of the Company.

The Directors being proposed for re-election at the forthcoming annual general meeting have no service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for a term of three years from their respective date of appointment, which may be terminated by serving not less than three to six months' notice in writing by either party as appropriate.

During the year ended 31 March 2017, Directors have no service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the existing Directors and senior management of the Company are set out on pages 5 to 8.

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 2016/17 Interim Report are set out below:

Executive Director's Emoluments

With effect from 1 January 2017, the annual salaries of Mr. Lam King Sang and Mr. Tam Sui Kin, Chris have been adjusted to HK$2,256,000 each. Their annual director's fees remained unchanged at HK$360,000 each.

REPORT OF THE DIRECTORS

Mr. Cheng Chi Ming, Brian (Non-executive Director)

The Company has renewed the letter of appointment as a Non-executive Director and Chairman of the Company with Mr. Cheng for a term of three years from 1 January 2017. Pursuant to the letter of appointment, Mr. Cheng is entitled to an annual fee of HK$720,000 which was determined with reference to his time commitment and responsibilities as well as the prevailing market conditions.

Mr. Cheng resigned as a non-executive director of Newton Resources Ltd. (stock code: 1231) on 23 January 2017.

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

Mr. Wong has been appointed as an independent non-executive director of China New Higher Education Group Limited (stock code: 2001) and Hilong Holding Limited (stock code: 1623) with effect from 20 March 2017 and 24 March 2017 respectively. Mr. Wong also acts as an independent non-executive director of Kunming Dianchi Water Treatment Co., Ltd. (stock code: 3768), the securities which commenced listing on the main board of the Stock Exchange on 6 April 2017.

Mr. Yeung Kwok Ki, Anthony (Independent Non-executive Director)

Mr. Yeung has retired from his position as a non-executive director of Yangtze Optical Fibre and Cable Joint Stock Limited Company (a joint stock limited company incorporated in the People's Republic of China and listed on the main board of the Stock Exchange, stock code: 6869) with effect from 24 January 2017.

REMUNERATION POLICY

During the year ended 31 March 2017, the remuneration policy for the Directors and senior management members of the Group was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and merit payments were linked to the financial situation of the Group and the performance of each individual Director or senior management member of the Group. Details of the remuneration of the Directors and senior management member of the Group are set out in note 10 to the consolidated financial statements contained in this Annual Report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Related Party Transactions and Connected Transactions" below, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

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

As at 31 March 2017, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures 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
Lam King Sang	Personal	–	15,000,000	0.31%
Tam Sui Kin, Chris	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 in the section headed "Directors' Rights to Acquire Shares or Debentures" below.

REPORT OF THE DIRECTORS

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

Under the share option scheme of Greenheart Group Limited, a fellow subsidiary of the Company, the following Directors have personal interests in share options to subscribe for ordinary shares of Greenheart Group Limited. Certain details of the share options of Greenheart Group Limited held by the relevant Directors during the year ended 31 March 2017 were as follows:

				Number of share options					
Name of Directors	Date of grant	Exercisable period	Exercise Price per Share HK$	Outstanding as at 01.04.2016	Granted and accepted	Exercised	Cancelled/ Lapsed	Outstanding as at 31.03.2017	Approximate percentage of shareholding
Tsang On Yip, Patrick	17.07.2015	17.07.2015 – 16.07.2020	1.23	2,000,000	–	–	–	2,000,000	0.13%
	13.09.2016	13.09.2016 - 12.09.2021	0.78	–	3,000,000	–	–	3,000,000	0.20%
								5,000,000	0.33%
Nguyen Van Tu, Peter	17.07.2015	17.07.2015 – 16.07.2020	1.23	1,000,000	–	–	–	1,000,000	0.07%
	13.09.2016	13.09.2016 - 12.09.2021	0.78	–	1,000,000	–	–	1,000,000	0.07%
								2,000,000	0.14%
Wong Man Chung, Francis	17.07.2015	17.07.2015 – 16.07.2020	1.23	1,000,000	–	–	–	1,000,000	0.07%
	13.09.2016	13.09.2016 - 12.09.2021	0.78	–	1,000,000	–	–	1,000,000	0.07%
								2,000,000	0.14%

Save as disclosed above, as at 31 March 2017, 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 or any of 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.

REPORT OF THE DIRECTORS

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 for the Shares during the year under review. Details of which as at 31 March 2017 were as follows:

Name of Directors	Date of grant	Exercisable period	Exercise price per Share	Number of share options: Outstanding as at 01.04.2016	Granted and accepted	Exercised	Cancelled/ Lapsed	Outstanding as at 31.03.2017	Approximate percentage of shareholding
			HK$						
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%
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%
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%

REPORT OF THE DIRECTORS

Name of Directors	Date of grant	Exercisable period	Exercise Price per Share HK$	Number of share options: Outstanding as at 01.04.2016	Granted and accepted	Exercised	Cancelled/ Lapsed	Outstanding as at 31.03.2017	Approximate percentage of shareholding
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%

These share options represented personal interest held by the relevant Directors as the beneficial owners.

Save as disclosed in this report and in note 22(c) to the consolidated financial statements about the Share Option Scheme, at no time during the year or at the end of the financial year ended 31 March 2017 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.

SHARE OPTION SCHEME

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 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:

REPORT OF THE DIRECTORS

- the closing price of the shares of the Company stated in the Stock Exchange's daily quotations sheet on the business day on which an offer is made to a participant;

- the average of the closing prices of the shares stated in the Stock Exchange's daily quotations sheets 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.

The total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme must not, in aggregate, exceed 10% of the total number of shares in issue immediately following the completion of the Initial Public Offering and the capitalisation issue but excluding the effect of the over-allotment. The 10% limit may be refreshed with the approval by the shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued and to be issued upon exercise of all options granted under the Share Option Scheme to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of the Company. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, if shares issued and to be issued upon exercise of all options granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to a participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in any 12-month period (i) represent in aggregate more than 0.1% of the total number of shares in issue, and (ii) have an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK$5,000,000, the proposed grant of option must be approved by the shareholders of the Company in a general meeting.

An offer of options must be accepted within 30 days from the date of offer, upon payment of a consideration of HK$1 by the grantee. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years from the date of grant of the relevant option. There is no minimum period for which an option must be held before the exercise of the option except otherwise imposed by the Board of Directors of the Company.

REPORT OF THE DIRECTORS

On 7 September 2016, the Board announced that 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. Of which, a total of 152,150,000 Options were accepted by the grantees. 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.

The Options granted and accepted 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:

Tranche	Vesting Period
1	50% of the Options granted and accepted are exercisable from 7 September 2017 to 6 September 2022 (up to 50% of the Options granted and accepted are exercisable)
2	50% of the Options granted and accepted are exercisable from 7 September 2018 to 6 September 2022 (all Options granted and accepted are exercisable)

The fair value of the Options granted during the year ended 31 March 2017 with initial exercise price of HK$0.128 per share 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.

The total number of Shares remains available for issue under the Share Option Scheme is 13,311,329 Shares which represent approximately 0.28% of the issued share capital of the Company as at the date of this Annual Report.

Further particulars of the Share Option Scheme and movements of share options granted under the Share Option Scheme during the year are set out in note 22(c) to the consolidated financial statements.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2017, 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 ("Share") 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	1,530,601,835(L)	31.74%
		Interest in controlled corporations	732,550,000(L)	15.19%
Victory Day Investments Limited	3	Interest in a 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.

REPORT OF THE DIRECTORS

Notes:

1. As at 31 March 2017, 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 81.03% 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 31 March 2017, 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, Underlying Shares and Debentures" 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.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the Group's related party transactions and connected transactions for the year ended 31 March 2017 are set out in note 27 to the consolidated financial statements.

Under Chapter 14A of the Listing Rules, the Directors' service contracts with the Company are fully exempt continuing connected transactions.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, the following Director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as director to represent the interests of the Company and/or the Group:

Name of Director	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Cheng Chi Ming, Brian	NWS Holdings Limited	Investment in waste management business	Director

As the Board is independent of the board of the above entity and none of the above Director can control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from the businesses of the above entity.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company and the Group was entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

–	the largest supplier	9%
–	five largest suppliers in aggregate	28%

The percentages of sales for the year attributable to the Group's major customers are as follows:

–	the largest customer	39%
–	five largest customers in aggregate	75%

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and known to the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares as at the latest practicable date prior to the issue of this report.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors was in force as of the date of this report and during the financial year ended 31 March 2017. The Company has maintained directors and officers liability insurance for the directors of the Company and its subsidiaries.

EVENTS AFTER THE REPORTING PERIOD

Except for matters disclosed elsewhere in this Annual Report, the Group had no other events subsequent to the end of the reporting period to disclose.

REVIEW OF THE AUDITED FINANCIAL STATEMENTS BY AUDIT COMMITTEE

The Audit Committee of the Company, which comprises four independent non-executive Directors and two non-executive Directors with written terms of reference in accordance with the requirements of the Listing Rules, reports to the Board. The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2017.

AUDITOR

The consolidated financial statements for the year ended 31 March 2017 have been audited by KPMG, which will retire and, being eligible, offer itself for re-appointment at the 2017 AGM. A resolution for the re-appointment of KPMG as auditor of the Company and authorisation of the Board to fix the auditor's remuneration is to be proposed at the 2017 AGM.

On behalf of the Board

Cheng Chi Ming, Brian
Chairman
Hong Kong, 29 June 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

Throughout the financial year ended 31 March 2017 and to the extent that it is reasonable and appropriate, the Company has been compliant with the code provisions and some of the recommended best practices as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Listing Rules. The Company has, in order to strengthen its overall corporate governance and without prejudice to the principles of the CG Code, introduced three manuals by which the Company is directed and controlled focusing, in particular, on risk management, internal communication, and internal control mechanisms. The manuals, subject to regular review from time to time by the Board of Directors, stipulate for staff compliance the necessary policies and instructions on corporate governance, finance accounting, human resources and administration. The Company will continue improving its corporate governance that is conducive to the conduct and growth of its business, and reviewing its governance practices to ensure compliance with the regulatory requirements, thereby meeting the expectations of shareholders and investors.

BOARD OF DIRECTORS

The Board, led by the Chairman of the Company, is responsible for the leadership and control of the Company and overseeing the Group's overall businesses, performance, strategic decisions, corporate governance, internal control and risk management functions, and corporate social responsibility policy. The Board has delegated, by way of clear direction and remit, to the senior management of the Company the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and delegated to these committees various responsibilities as set out in their respective terms of reference.

The Board reserved its decision for all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information (including but not limited to annual and interim results), appointment of directors and other significant financial and operational matters.

The Board delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include implementing decisions of the Board, directing and coordinating day-to-day operation and management of the Group in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operational and production plans, budgets, and control systems.

For effective leadership and control, the Board regularly reviews reports and updates from the senior management of the Company on the progress of the approved strategies, plans, budget and control systems, and receives recommendations and advices from various Board Committees in respect of the delegated governance matters.

CORPORATE GOVERNANCE REPORT

The Board currently comprises ten directors, including two executive Directors, four non-executive Directors and four independent non-executive Directors as follows:

Executive Directors
Mr. Lam King Sang
Mr. Tam Sui Kin, Chris

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 COMPOSITION

The following chart illustrates the structure and membership of the Board as well as the standing Board committees as at 31 March 2017:

	Board Committees			
Directors	**Executive Committee**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Mr. Lam King Sang	Chairman			
Mr. Tam Sui Kin, Chris	Member			
Mr. Cheng Chi Ming, Brian		Member		
Mr. Tsang On Yip, Patrick		Member	Member	Member
Mr. Lau Sai Cheong				Member
Mr. To Chun Wai			Member	
Mr. Nguyen Van Tu, Peter		Member	Chairman	Member
Mr. Chow Shiu Wing, Joseph		Member	Member	Chairman
Mr. Wong Man Chung, Francis		Chairman	Member	Member
Mr. Yeung Kwok Ki, Anthony		Member	Member	Member

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are currently held by separate individuals for the purpose of ensuring an effective segregation of duties and a balance of power and authority, and they are Mr. Cheng Chi Ming, Brian and Mr. Lam King Sang respectively.

The roles of the Chairman and Chief Executive Officer are as follows:

- The Chairman provides leadership and is responsible for the effective functioning and leadership, with good corporate governance practices and procedures.

- The Chief Executive Officer is responsible for administering and managing the Group's business and internal controls, including the implementation of major strategies and initiatives decreed and delegated by the Board.

Non-executive Directors and Independent Non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors possesses different business experience, knowledge and professional background. The Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received a written annual confirmation from each existing independent non-executive Director of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all existing independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Independent non-executive Directors are invited to serve as the chairmen and majority members on the Audit Committee, the Remuneration Committee and the Nomination Committee. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on various Board committees, all independent non-executive Directors are contributory to the effective running of the Company.

The list of Directors (by category) is set out above and disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical details of the existing Directors and the relationships among the members of the Board are disclosed under the section headed "Directors and Senior Management" in this Annual Report.

CORPORATE GOVERNANCE REPORT

DIRECTORS' APPOINTMENT AND DIRECTORS' RE-ELECTION

During the year ended 31 March 2017, each of the executive Directors, non-executive Directors and independent non-executive Directors was engaged for a term of three years commencing from their respective dates of appointment, and was subject to retirement by rotation and re-election pursuant to the Articles of Association.

According to the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. Besides, any new Director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by Shareholders at the first general meeting of the Company after his/her appointment, and any new Director so appointed by the Board as an addition to the Board shall submit himself/herself for re-election by Shareholders at the next annual general meeting.

In accordance with Article 108 of the Articles of Association and in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, Mr. Tam Sui Kin, Chris, Mr. Tsang On Yip, Patrick, Mr. Lau Sai Cheong and Mr. Chow Shiu Wing, Joseph shall retire from their office as Director at the 2017 annual general meeting. The retiring Directors, being eligible, will offer themselves for re-election at the 2017 annual general meeting. The Company's circular, sent together with this Annual Report, contains detailed information of the above retiring Directors pursuant to the Listing Rules.

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing Board composition, developing and formulating procedures for nomination and appointment of directors, and assessing the independence of independent non-executive directors. Details of the Nomination Committee and its work performed are set out in the "Nomination Committee" section below.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE RECORDS AT MEETING

The attendance of each Director at the Board meetings, certain committee meetings and general meeting during the year is as follows:

	Attended/Eligible to attend					
Name of Directors	Board Meetings	Executive Committee Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meeting
Executive Directors						
Mr. Lam King Sang	4/4	20/20	0/0	0/0	0/0	1/1
Mr. Tam Sui Kin, Chris	4/4	20/20	0/0	0/0	0/0	1/1
Mr. Suen Wing Yip *	3/3	15/15	0/0	0/0	0/0	1/1
Non-executive Directors						
Mr. Cheng Chi Ming, Brian	4/4	0/0	4/4	0/0	0/0	1/1
Mr. Tsang On Yip, Patrick	4/4	0/0	2/4	3/3	2/2	1/1
Mr. Lau Sai Cheong	4/4	0/0	0/0	0/0	2/2	1/1
Mr. To Chun Wai	4/4	0/0	0/0	3/3	0/0	1/1
Independent Non-executive Directors						
Mr. Nguyen Van Tu, Peter	4/4	0/0	4/4	3/3	2/2	1/1
Mr. Chow Shiu Wing, Joseph	4/4	0/0	3/4	3/3	2/2	1/1
Mr. Wong Man Chung, Francis	4/4	0/0	4/4	3/3	2/2	1/1
Mr. Yeung Kwok Ki, Anthony	4/4	0/0	4/4	3/3	2/2	1/1

* Mr. Suen Wing Yip resigned from the office of Director on 1 December 2016.

BOARD COMMITTEES

For the year ended 31 March 2017, the Board had four standing Board committees, namely, Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee to oversee particular aspects of the Company's affairs. All Board committees were established with defined terms of reference. The updated terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are available on the websites of the Company and the Stock Exchange. All Board committees report to the Board on their decisions and give advices and recommendations to the Board relating to specific matters under the defined terms of reference.

The practices, procedures and arrangements in conducting the meetings of Board committees are in line with those of the Board meetings.

CORPORATE GOVERNANCE REPORT

All Board committees are provided with sufficient resources to discharge their duties and are at liberty to seek independent professional advice as they see fit at the Company's expense.

All Directors and Board committee members are allowed to include matters in the agenda of the regular Board meetings and Board committees meetings.

During the year, the minutes of the Board and Board committee meetings were kept by the Company Secretary which are available for inspection by the relevant Directors. The minutes of the Board and Board committee meetings recorded sufficient details of matters considered and decisions reached. The draft and final version of the minutes were sent to all relevant Directors for comments and execution within a reasonable time after the Board and Board committee meetings.

EXECUTIVE COMMITTEE

As at 31 March 2017, the Executive Committee was composed of two executive Directors with Mr. Lam King Sang acting as its chairman. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decisions. It monitors the execution of the Company's strategic plans and operations by all business units and decides on matters relating to the management and day-to-day operations of the Group.

AUDIT COMMITTEE

As at 31 March 2017, the Audit Committee comprised six members, namely, Mr. Wong Man Chung, Francis, Mr. Nguyen Van Tu, Peter, Mr. Chow Shiu Wing, Joseph and Mr. Yeung Kwok Ki, Anthony, being independent non-executive Directors, and Mr. Cheng Chi Ming, Brian and Mr. Tsang On Yip, Patrick, being non-executive Directors. Mr. Wong Man Chung, Francis is the chairman of the Audit Committee and he possesses relevant accounting and financial management expertise. Mr. Wong is a Certified Public Accountant (Practising) and has over 28 years of experience in auditing, taxation, corporate internal control and governance, acquisition and financial advisory.

The principal duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the management responsible for the accounting and financial reporting function or external auditor before submission to the Board; (ii) review the relationship with the external auditor by making reference to the audit plan and work performed by the auditor, their fees and terms of engagement, and by making recommendations to the Board on the appointment, re-appointment and removal of external auditor; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated control procedures.

The Audit Committee is also responsible for performing the following corporate governance duties:

CORPORATE GOVERNANCE REPORT

a. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

b. to review and monitor the training and continuous professional development of directors and senior management of the Company;

c. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d. to develop, review and monitor the code of conduct and compliance manuals (if any) applicable to employees and directors of the Company; and

e. to review the Company's compliance with the CG Code as set out in Appendix 14 of the Listing Rules and disclosure in the corporate governance report in the annual report of the Company.

During the year ended 31 March 2017, the Audit Committee has performed the following major tasks:

- Review and discussion of the annual financial statements, annual results announcement, annual report, the related accounting principles and practices adopted by the Group and the relevant audit findings;
- Review and discussion of the interim financial report, interim results announcement, interim report and the related accounting principles and practices adopted by the Group;
- Review of the scope of audit work, audit plan, auditor's fees and terms of engagement;
- Discussion and recommendation of the appointment of the external auditor;
- Review of the internal audit plan for the Group;
- Review and discussion of the adequacy and effectiveness of the risk management and internal control systems of the Group and the associated action plans; and
- Review of the corporate governance practices of the Group.

During the year, the Audit Committee held two private meetings with the external auditor without the presence of any executive Directors or the management of the Company.

CORPORATE GOVERNANCE REPORT

All issues raised by the Audit Committee are addressed and dealt with by the relevant members of the management team, and the work, findings and recommendations of the Audit Committee are reported to the Board. During the year ended 31 March 2017, there was no disagreement between the Board and the Audit Committee, and there was no issue of significant importance requiring disclosure in this Annual Report under the Listing Rules.

The Company has adopted a whistle blowing policy for its employees, customers, suppliers and other stakeholders through which to raise concerns about any suspected misconduct or malpractice within the Company. The Audit Committee is responsible for monitoring and reviewing the policy and recommendations for action resulting from the investigation into any such complaints.

REMUNERATION COMMITTEE

As at 31 March 2017, the Remuneration Committee comprised six members, namely, Mr. Nguyen Van Tu, Peter, Mr. Chow Shiu Wing, Joseph, Mr. Wong Man Chung, Francis and Mr. Yeung Kwok Ki, Anthony, being independent non-executive Directors, Mr. Tsang On Yip, Patrick and Mr. To Chun Wai, being non-executive Directors. Mr. Nguyen Van Tu, Peter is the chairman of the Remuneration Committee.

The principal duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Company and the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) make recommendations on the remuneration packages of executive Directors and senior management; and (iii) review and approve performance-based remuneration by making reference to corporate goals and objectives handed down by the Board from time to time.

Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration.

Details of the remuneration of each Director for the year ended 31 March 2017 are set out in note 10(a) to the consolidated financial statements contained in this Annual Report.

During the year ended 31 March 2017, the Remuneration Committee performed the following tasks:

- Review and discussion of the remuneration policy and structure of Directors and senior management of the Company;
- Review and recommendation of payment of bonus, allowance, gratuity and benefits to the Directors and senior management of the Company;

CORPORATE GOVERNANCE REPORT

- Recommendation of the Director's fees and remuneration packages on renewal of the Directors appointments;
- Review of the Director's fees of the Board members; and
- Review of its terms of reference.

NOMINATION COMMITTEE

The Company established the Nomination Committee in accordance with the provisions set out in CG Code. As at 31 March 2017, the Nomination Committee comprised six members, Mr. Chow Shiu Wing, Joseph, Mr. Nguyen Van Tu, Peter, Mr. Wong Man Chung, Francis and Mr. Yeung Kwok Ki, Anthony, being the independent non-executive Directors, Mr. Tsang On Yip, Patrick and Mr. Lau Sai Cheong, being non-executive Directors. Mr. Chow Shiu Wing, Joseph is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee are to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of Directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of Directors; and (v) assess the independence of independent non-executive Directors.

During the year ended 31 March 2017, the Nomination Committee has performed the following works:

- Review and discussion of the existing structure, size, diversity and composition of the Board to ensure it has a balance of expertise, skill and experience appropriate to the requirements for the business of the Group;
- Review and assessment of the independence of the existing independent non-executive Directors;
- Recommendation of the re-appointment of the retiring Directors at the annual general meeting of the Company;
- Discussion and recommendation of the re-designation of the Chief Executive Officer;
- Recommendation of the renewal of letters of appointments of independent non-executive Directors and non-executive Director and of the service agreement of an executive Director on maturity; and
- Monitoring the implementation of board diversity policy of the Company.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board recognises the benefits of diversity of its members, and its Nomination Committee is therefore entrusted with the responsibility for identifying and recommending to the Board for endorsement suitably qualified individuals regardless of gender, age, and ethnicity to become members of the Board. As can be seen, the incumbents of the Board (including the executive Directors, non-executive Directors and independent non-executive Directors) are taken on strength by reference to their respective qualifications, experiences, skills, qualities, and characters that satisfy the requirements under Listing Rules 3.08 and 3.09. The Nomination Committee will continue to carry out its responsibility to identify and make best use of diverse talents for the long-term good of the Company.

DIRECTORS' TRAINING

All the Directors received an induction on appointment to ensure appropriate understanding of the business and operation of the Group, and full awareness of director responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors were updated with changes in any legal and regulatory developments, and changes in business and market dynamics to facilitate the discharge of their responsibilities. From time to time, professional briefings by the relevant subject matter experts were arranged for the Directors through which to refresh their knowledge and skills. Trainings received by each of the Directors during the year from 1 April 2016 to 31 March 2017 are summarised as follows:

	Areas of Training				
Name of Directors	**Corporate strategy and business**	**Law and regulatory compliance**	**Directors' duties/ governance practices**	**Risk management**	**Others**
Executive Directors					
Mr. Lam King Sang	✓	✓			
Mr. Tam Sui Kin, Chris	✓	✓	✓	✓	
Mr. Suen Wing Yip*	✓	✓	✓	✓	
Non-executive Directors					
Mr. Cheng Chi Ming, Brian	✓	✓	✓	✓	
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	✓	✓	✓	✓	✓

* Covered the period from 1 April 2016 to 30 November 2016 during which Mr. Suen Wing Yip held directorship of the Company.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate liability insurance for Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the CG Code. During the year, no claim was made against any of the Directors and officers of the Company.

COMPANY SECRETARY

The company secretary is a full-time employee of the Company. She reports to the Chairman and is responsible for advising the Board on governance matters. All Directors have access to the advice and services of the company secretary.

According to the requirements of Rule 3.29 of the Listing Rules, the company secretary has taken not less than 15 hours of relevant professional training during the financial year ended 31 March 2017.

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. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2017.

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 inside 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 year ended 31 March 2017.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities, with the support from the Finance and Accounting Department, to prepare the financial statements of the Group for the year ended 31 March 2017 in accordance with statutory requirements and applicable accounting standards. The auditor of the Group acknowledges the reporting responsibilities in the auditor's report on the financial statements for the year ended 31 March 2017.

The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

The Directors are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures and authorised their publication as and when required.

EXTERNAL AUDIT AND AUDITOR'S REMUNERATION

The Company's external auditor, KPMG, performed independent audit on the Group's consolidated financial statements for the year ended 31 March 2017. The Audit Committee has unrestricted access to external auditor and the latter reports to the Audit Committee on any significant weaknesses identified in the internal control system during the course of audit.

Prior to the commencement of the audit of the Company, the Audit Committee would receive written confirmation from the external auditor on its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants.

The Company paid/payable to KPMG a total remuneration of HK$2,000,000 and HK$668,000 for their annual audit and non-audit services respectively during the year. The non-audit services mainly consist of review of the interim report, taxation and consultancy services.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

Role of the Board

The Board acknowledges its responsibility to evaluate and determine the nature and extent of the risks that it is willing to accept in pursuit of its strategic and business objectives. It reviews and monitors the effectiveness of the risk management and the internal control systems of the Group particularly in respect of financial, operational and compliance controls on an ongoing basis to safeguard the investments of Shareholders and assets of the Group. Such review, conducted at least annually, includes evaluating the Group's ability to respond to changes in business and external environment, the quality of management's ongoing monitoring of risks, the extent and frequency of monitoring results communication to the Board, and the effectiveness of the Group's process over financial reporting and its compliance of the Listing Rule.

The risk management and internal control systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board assesses, through the Audit Committee and the internal audit function, the effectiveness of the Group's risk management and internal control systems and also considers the adequacy of resources, qualifications and experience of the accounting, internal audit and financial reporting functions of its staff and their training.

Risk Management

The board is responsible for determining the Group's risk level and risk appetite and overseeing the Group's risk management strategies. Risk management is integrated into the day-to-day operation of the Group and is a continuous process carried out at all levels of the Group.

The risk management process of the Group involves risk identification, risk assessment and risk-countering. The methodology adopted in risk identification and assessment process involves top-down and bottom-up approaches. The top-down approach involves identification of major strategic risks that will prevent the Group from achieving its strategic objectives. In terms of risk review and reporting, senior management, through the Group's internal audit function, reports the major risks arising from the growth of business scale, extent, complexity and constantly changing business environment on a regular basis. The internal audit function facilitates analyses of the risk exposures of the Group by interviewing senior management, department managers and key personnel of the Group. The analyses of existing and emerging risks form a basis for determining how the risks should be managed and mitigated. Adopting both qualitative and quantitative risk management methodologies, risks which may impede the achievement of business objectives are evaluated from dimensions of likelihood of their occurrence and severity of potential consequences on the business. At functional level, a bottom-up approach with involvement of all key business units is adopted to identify operational risks in daily operations. These risks mainly fall under the five major categories of strategic risks, operational risks, market risks, financial risks and legal risks.

CORPORATE GOVERNANCE REPORT

The identified risks are prioritised by comparing the result of the risk assessment, and risk management strategies and internal control processes are determined to prevent, avoid or mitigate the risks. Moreover, staff members are encouraged to report problems of operations and monitoring to identify non-compliance with the corporate policies, standards, practices and procedures.

Internal Controls

To assure achievement of the Company's governance objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies, three manuals, with particular emphasis on communications, risk management and controls, are implemented under the auspices of the Board of Directors for company-wide compliance. Subject to periodical review and regular monitoring, these manuals are procedural means by which the Company resources are directed, monitored, and measured. The Company has also established internal procedures and controls for the handling and dissemination of inside information in order to regulate its information disclosure. Such procedures and controls are applicable to all staff members who can access to any inside information and they are obliged to information confidentiality and strict compliance is required. More importantly, through the additional efforts of internal and external auditors and that of the Audit Committee the effectiveness of internal control is further measured for improvement.

Internal Audit

The internal audit function carries out independent appraisal as to the existence, adequacy and effectiveness of the risk management activities and internal control systems in the Group's business operations.

Adopting a risk assessment methodology, the internal audit function implements its annual audit plan which is reviewed by the Audit Committee to identify key business and operational risks, formulate an impartial opinion on the systems, recommend improvements and monitor corrective or remedial measures to minimise risk exposure. The internal audit function reports directly to the Audit Committee on major findings, corrective actions and responses from management on a quarterly basis.

The internal audit reports will cover significant business processes and activities of the Group. It works with management to establish action plans to address identified control weaknesses. Post-audit reviews will be performed to ensure all identified control weaknesses have been satisfactorily remediated.

During the year under review, no significant issue was noted which would have an adverse impact on the effectiveness and adequacy of the internal control system, or would have a material impact on the Group's financial position. The Board is of the view that the risk management and internal control systems of the Group for the reporting period ended 31 March 2017 was efficient and adequate, and was in compliance with the risk management and internal control provisions under the Corporate Governance Code.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for making proposals/moving a resolution at the annual general meeting ("AGM")

- The Company holds a general meeting as its AGM every year.

- The next AGM will be held on Wednesday, 30 August 2017 (the "2017 AGM"). Details of the 2017 AGM are set out in the notice of the 2017 AGM which constitutes part of the circular to shareholders sent together with this Annual Report. Notice of the 2017 AGM and proxy form are also available on the Company website.

- There are no provisions allowing shareholders of the Company (the "Shareholders") to make proposals or move resolutions at the AGM under the Memorandum and Articles of Association of the Company (the "M&A"), or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "EGM") by following the procedures below.

Procedures for shareholders to convene an EGM (including making proposals/moving a resolution at the EGM)

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Integrated Waste Solutions Building, 8 Chun Cheong Street, Tseung Kwan O Industrial Estate, New Territories, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name and the contact information of the Eligible Shareholder(s) concerned, the reason(s) to convene an EGM, the agenda proposed to be included the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned. The Eligible Shareholder(s) must prove his/her/their shareholding in the Company to the satisfaction of the Company.

CORPORATE GOVERNANCE REPORT

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's Hong Kong branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.

- If within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the M&A, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Enquiries to the Board

Enquiries may be put to the Board at the principal place of business of the Company at Integrated Waste Solutions Building, 8 Chun Cheong Street, Tseung Kwan O Industrial Estate, New Territories, Hong Kong or by email info@iwsgh.com.

INVESTOR RELATIONS

The Board believes that effective communication with Shareholders and the investment community is essential to enhance investor relations and understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which would enable Shareholders and investors to make their best investment decisions. The Company has maintained a website at www.iwsgh.com as a communication platform to keep Shareholders and investors, abreast of the information and updates on the Group's business developments and operations, financial information, announcements and circulars, notices of general meetings, and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business in Hong Kong for any enquiries.

The Board considers that the general meetings of the Company can serve to provide an important channel for Shareholders to exchange views with the Board. The chairman of the Board as well as the chairmen and/or other members of the Board Committees are normally available to answer any questions raised by the Shareholders.

The Company continues to enhance communication and relationship with its investors. Designated senior management of the Company maintains dialogue with institutional investors and analysts to keep them informed of the Group's development.

The Company's amended and restated memorandum and articles of association are available on the Company's website as well as the designated website of the Stock Exchange. During the year ended 31 March 2017, there was no alteration to the Company's constitutional documents.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of
Integrated Waste Solutions Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Integrated Waste Solutions Group Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 55 to 127, which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matters (continued)

Assessment of impairment of property, plant and equipment ("PP&E")

Refer to note 12 to the consolidated financial statements and the accounting policies on pages 68 - 69.

The Key Audit Matter

As at 31 March 2017, the carrying values of the Group's PP&E amounted to HK$704,871,000.

In view of the losses incurred by the Group over the past few years and the significant difference between the Group's market capitalisation and its net asset value as reflected in the consolidated financial statements, management considered that indicators of impairment of the Group's PP&E existed at the reporting date.

Assets were allocated to three cash-generating units ("CGUs"), which comprised (i) the recovered paper and materials business, (ii) the tissue paper products business and (iii) the confidential materials destruction services business, for the purpose of assessing potential impairment.

Management performed impairment assessments of the Group's PP&E by comparing the carrying values of each identified CGU to which PP&E was allocated with the respective value in use or fair value less costs of disposal, whichever was higher, to determine the amount of impairment loss which should be recognised for the year.

During the year ended 31 March 2017, the Group recognised an impairment loss of HK$12,873,000 primarily in respect of the PP&E relating to the tissue paper products business.

How the matter was addressed in our audit

Our audit procedures to assess impairment of PP&E included the following:

- evaluating management's process and procedures for the identification of indicators of potential impairment of the Group's PP&E;
- evaluating the methodology adopted by management in the preparation of the discounted cash flow forecasts and management's identification of CGUs and the amounts of PP&E allocated to each CGU with reference to the requirements of the prevailing accounting standards;
- challenging the key estimates and assumptions adopted in the discounted cash flow forecasts, which included, future revenue, future cost of sales and other operating expenses and the prevailing inflation rate, by comparing relevant data with the financial budgets which were approved by the Board of Directors and by comparison with market available data, industry statistics and our knowledge of the business of the Group;

INDEPENDENT AUDITOR'S REPORT

Key audit matters (continued)

Assessment of impairment of property, plant and equipment ("PP&E")

Refer to note 12 to the consolidated financial statements and the accounting policies on pages 68 - 69.

The Key Audit Matter

The estimation of value in use requires management to exercise significant judgement in preparing discounted cash flow forecasts, particularly in estimating the long-term growth rates, future revenue, future cost of sales and other costs and the discount rates applied all of which can be inherently uncertain.

Management engaged an independent firm of surveyors ("Surveyors") to assist in the estimation of the fair values of land and buildings as at 31 March 2017. The estimation of fair value less costs of disposal of the Group's land and buildings involves the exercise of significant judgement in respect of the assumptions applied in the valuation of the Group's land and buildings, particularly in estimating the building costs applied in determining the surrender value of the Group's land and buildings under the land lease agreement.

How the matter was addressed in our audit

- comparing the forecast revenue and forecast cost of sales and other operating expenses included in discounted cash flow forecasts prepared in the prior year with the current year's performance of the relevant CGUs to assess how accurate the prior year's discounted cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified;

- engaging our internal valuation specialists to assess whether the discount rates applied in the discounted cash flow forecasts were within the range adopted by other companies in the same industry;

- performing sensitivity analyses of the key assumptions, including the long-term growth rates and the discount rates, adopted in the discounted cash flow forecasts prepared by management and assessing the impact of changes in the key assumptions on the conclusions reached in the impairment assessments and whether there were any indicators of management bias;

INDEPENDENT AUDITOR'S REPORT

Key audit matters (continued)

Assessment of impairment of property, plant and equipment ("PP&E")

Refer to note 12 to the consolidated financial statements and the accounting policies on pages 68 - 69.

The Key Audit Matter	How the matter was addressed in our audit
We identified assessing impairment of PP&E as a key audit matter because of the significant judgement and estimation required to be exercised, particularly in respect of estimating long-term growth rates, future revenue, future cost of sales and other costs, the discount rates applied and building costs and also because of the selection of these assumptions could be subject to management bias.	• obtaining and inspecting the valuation report prepared by the Surveyors engaged by management and on which directors' assessment of the fair value less costs of disposal of the Group's land and buildings was based; • evaluating the Surveyors' independence, experience, competence, capability and objectivity; and • engaging our internal valuation specialists to assist us in evaluating the methodology adopted by the Surveyors in their valuation and in comparing the major assumptions applied by the Surveyors in the assessment of the fair value less costs of disposal of the Group's land and buildings with available market data and government statistics.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT

Information other than the consolidated financial statements and auditor's report thereon (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tang Yuen Yee, Loren Gertrud.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017
(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Revenue	5	**206,940**	273,131
Cost of sales		**(169,063)**	(250,621)
Gross profit		**37,877**	22,510
Other revenue	6	**7,644**	6,980
Other net loss	7	**(3,843)**	(3,315)
Selling and distribution expenses		**(30,867)**	(48,175)
Administrative and other operating expenses		**(82,235)**	(90,489)
Impairment loss of property, plant and equipment	12(a)	**(12,873)**	–
Operating loss		**(84,297)**	(112,489)
Finance income	8(b)	**5,400**	5,492
Share of loss of joint venture	14(d)	**(2,309)**	(2,454)
Loss before taxation	8	**(81,206)**	(109,451)
Income tax	9(a)	**–**	–
Loss and total comprehensive income for the year		**(81,206)**	(109,451)
Attributable to:			
Equity shareholders of the Company		**(81,201)**	(104,078)
Non-controlling interests		**(5)**	(5,373)
		(81,206)	(109,451)
Basic and diluted loss per share	11	**(1.7) cents**	(2.2) cents

The notes on pages 60 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2017
(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Non-current assets			
Property, plant and equipment	12	**704,871**	734,786
Land use rights	13	**32,982**	32,431
Interests in joint venture	14	**16,840**	30,381
Deposits and prepayments	17	**22,284**	17,656
Finance lease receivables	18	**–**	5,153
		776,977	820,407
Current assets			
Inventories	15	**4,550**	4,808
Trade and bills receivables	16	**41,657**	45,355
Other receivables, deposits and prepayments	17	**23,742**	35,052
Finance lease receivables	18	**–**	1,004
Taxation recoverable	21(a)	**2,976**	3,076
Amounts due from joint venture	14	**14,682**	867
Amount due from a related company	27(c)	**12**	12
Restricted and pledged bank deposits	19	**17,876**	18,475
Bank deposits and cash	19	**219,102**	288,212
		324,597	396,861
Current liabilities			
Trade payables	20	**8,655**	13,901
Other payables and accruals	20	**18,439**	52,061
Amount due to a related company	27(c)	**10**	10
		27,104	65,972
Net current assets		**297,493**	330,889
NET ASSETS		**1,074,470**	1,151,296

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2017
(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
CAPITAL AND RESERVES			
Share capital	22	**482,234**	482,234
Reserves	23	**592,236**	672,480
Total equity attributable to equity shareholders of the Company		**1,074,470**	1,154,714
Non-controlling interests		**–**	(3,418)
TOTAL EQUITY		**1,074,470**	1,151,296

Approved and authorised for issue by the Board of Directors on 29 June 2017.

Cheng Chi Ming, Brian
Chairman

Lam King Sang
Director

The notes on pages 60 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017
(Expressed in Hong Kong dollars)

	Note	Share capital (Note 22) $'000	Share premium (Note 23(b)(i)) $'000	Capital reserve (Note 23(b)(ii)) $'000	Share-based capital reserve (Note 23(b)(iii)) $'000	Accumulated losses $'000	Attributable to equity shareholders of the Company $'000	Non-controlling interests $'000	Total $'000
Balance at 1 April 2015		482,234	3,092,881	(964,044)	5,534	(1,360,256)	1,256,349	1,955	1,258,304
Changes in equity for 2016:									
Loss and total comprehensive income for the year		–	–	–	–	(104,078)	(104,078)	(5,373)	(109,451)
Equity settled share-based transactions	22(c)	–	–	–	2,443	–	2,443	–	2,443
Share options lapsed	22(c)(i)	–	–	–	(7,977)	7,977	–	–	–
Balance at 31 March 2016 and 1 April 2016		482,234	3,092,881	(964,044)	–	(1,456,357)	1,154,714	(3,418)	1,151,296
Changes in equity for 2017:									
Loss and total comprehensive income for the year		–	–	–	–	(81,201)	(81,201)	(5)	(81,206)
Equity settled share-based transactions	22(c)	–	–	–	3,280	–	3,280	–	3,280
Wavier for amount due to non-controlling interests ("NCI")	23(e)	–	–	–	–	–	–	1,100	1,100
Acquisition of additional interest in a subsidiary from NCI	23(e)	–	–	–	–	(2,323)	(2,323)	2,323	–
Balance at 31 March 2017		482,234	3,092,881	(964,044)	3,280	(1,539,881)	1,074,470	–	1,074,470

The notes on pages 60 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2017
(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
Operating activities			
Cash used in operations	24	**(36,003)**	(31,037)
Hong Kong Profits Tax recovered		**100**	173
Net cash used in operating activities		**(35,903)**	(30,864)
Investing activities			
Payment for the purchase of property, plant and equipment		**(23,342)**	(79,357)
Prepayments for purchase of property, plant and equipment		**(14,624)**	(14,517)
Payment for the purchase of land use right	13	**(1,615)**	(5,921)
Investment in joint venture		**–**	(3)
Advance to joint venture		**(241)**	(867)
Loans to joint venture		**–**	(31,579)
Proceeds from disposal of property, plant and equipment		**3,153**	6,164
Proceeds from finance lease receivables		**–**	261
Interest received		**2,863**	4,176
Net cash used in investing activities		**(33,806)**	(121,643)
Financing activities			
Loan from non-controlling interests		**–**	1,100
Decrease/(increase) in restricted and pledged bank deposits		**599**	(16,250)
Net cash generated from/(used in) financing activities		**599**	(15,150)
Net decrease in cash and cash equivalents		**(69,110)**	(167,657)
Cash and cash equivalents at the beginning of the year		**288,212**	455,869
Cash and cash equivalents at the end of the year	19	**219,102**	288,212

The notes on pages 60 to 127 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 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$), which is also the functional currency of the Company.

2 Summary of significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related Interpretations promulgated by the International Accounting Standards Board ("IASB"). These financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

In the Company's statement of financial position, investment in subsidiaries is accounted for at cost less impairment losses (see note 2(j)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(e) Joint ventures

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees, post-acquisition post-tax items of the investees' other comprehensive income and any impairment losses for the year are recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in a joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (see note 2(j)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings	30 - 33 years
– Leasehold improvements	5 years or unexpired lease term, whichever is shorter
– Plant and machinery	3 - 15 years
– Furniture, fixtures and equipment	3 - 5 years
– Motor vehicles	3 - 15 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis among the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Land use rights

Land use rights are up-front payments to acquire long-term interest in leasehold land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land from the date when the respective rights were granted. Amortisation of land use rights is calculated on a straight-line basis over the period of the lease and is recognised in profit or loss within “administrative and other operating expenses”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(h) Financial assets

The Group classifies its financial assets as loans or receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables comprise 'trade and bills receivables', 'other receivables, deposits and prepayments', 'amount due from a related company', 'amounts due from a joint venture', 'bank deposits and cash' and 'restricted and pledged bank deposits' in the consolidated statement of financial position.

Regular way purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired (see note 2(j)).

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(i) Leased assets (continued)

(ii) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investment in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(j) Impairment of assets (continued)

(i) Impairment of investments in equity securities and receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in joint venture accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measureable) or value in use (if determinable).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(iii) Pension obligations

The Group participates in defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when the associated services are rendered by employees and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions, where applicable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(iv) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the share option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the share option expires (when it is released directly to retained profits).

(v) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(p) Income tax (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(p) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(r) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that future economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Sale of goods are recognised when the Group has delivered the products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Service income and project income

Revenue is recognised when services are rendered.

(iii) Subsidy income

Subsidy income is recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Subsidy income that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Subsidy income that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(s) Revenue recognition (continued)

(iii) Subsidy income (continued)

Subsidies which are not government grants are recognised as income in profit or loss when they are received and that the Group comply with the conditions attaching to them.

(iv) Interest income

Interest income is recognised using the effective interest method.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(v) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(v) Translation of foreign currencies (continued)

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities in the statement of financial position are translated at the end of the reporting period;

– income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and all resulting exchange differences are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign currency risk

The Group is exposed to foreign currency risk as some of its business transactions, assets and liabilities are denominated in various foreign currencies primarily Renminbi ("RMB"), United States dollar ("USD") and Euro dollar ("Euro"). The amounts of assets and liabilities denominated in the corresponding currencies are disclosed in notes 16, 19 and 20.

The Group currently does not have a foreign currency hedging policy.

Since HK$ is pegged to USD, management considers that there is no significant foreign currency risk between these two currencies to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(i) Foreign currency risk (continued)

The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages its foreign currency risk by closely monitoring the movement of foreign currency rates.

As at 31 March 2017, if RMB had weakened/strengthened by 5% against HKD with all other variables held constant, pre-tax loss for the year would have been approximately $1,943,000 higher/lower (2016: $1,982,000 higher/lower), mainly as a result of the foreign exchange losses/gains arising from the translation of cash and bank deposits denominated in RMB.

(ii) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related companies and deposits and cash at banks. The Group has no significant concentrations of credit risk. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

For cash at banks, deposits are only placed with banks with good credit ratings. For credit exposures to customers, the Group has policies in place to ensure that sales are made to reputable and credit-worthy customers with an appropriate financial strength and credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly recoverable amount of each individual trade and other receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with borrowing covenants, to ensure that it maintains sufficient cash from operating activities and the availability of funding through an adequate amount of committed credit facilities.

All of the Group's financial liabilities are required to settled within one year or repayable on demand. The total contractual undiscounted cash outflows of these financial liabilities equal to their carrying amount on the statement of financial position.

(iv) Interest rate risk

The Group's exposure to interest rate risk arises mainly from its bank deposits. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. As at 31 March 2017 and 31 March 2016, the Group had no interest bearing bank borrowings.

The Group monitors its interest rate exposure on a dynamic basis and will consider the interest rate exposure when entering into any financing, renewal of existing positions and alternative financing transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Financial risk management (continued)

(b) Capital risk management

The Group regards its shareholders' equity as capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents, deposits with original maturity greater than three months and restricted and pledged bank deposits. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position, plus net debt.

The Group has no borrowings at 31 March 2017 and 31 March 2016.

	2017	2016
	$'000	$'000
Cash and cash equivalents *(note 19)*	**219,102**	288,212
Restricted and pledged bank deposits *(note 19)*	**17,876**	18,475
Net cash	**236,978**	306,687
Total capital	**1,074,470**	1,151,296
Net debt to total capital gearing ratio	**N/A**	N/A

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Critical accounting estimates and judgements (continued)

(a) Estimate of useful lives of property, plant and equipment

The Group determines the estimated useful lives and residual values in order to ascertain the amount of depreciation charges for each reporting period. These estimates are based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives or residual values are different from those previously estimated.

(b) Provision for impairment of property, plant and equipment

If circumstances indicate that carrying value of property, plant and equipment may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognised in accordance with IAS 36, Impairment of assets. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling prices and the value in use. It is difficult to estimate the precise selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which requires significant judgment relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(c) Provision for impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of each reporting period.

Significant judgement is exercised on the assessment of the collectability of trade receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial positions. If the financial positions of the customers of the Group were to deteriorate which in an impairment of their abilities to make payments, additional provision may be required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

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:

	2017	2016
	$'000	$'000
Sale of recovered paper and materials	**184,571**	235,686
Sale of tissue paper products	**3,606**	18,117
Provision of CMDS	**18,491**	16,692
Provision of logistics services	**272**	2,636
	206,940	273,131

All of the Group's revenue from external customers are derived from sales originated from Hong Kong during the years ended 31 March 2017 and 31 March 2016.

For the year ended 31 March 2017, revenue of approximately $150,933,000 (2016: $77,844,000) is derived from external customers which individually accounted for greater than 10% of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5 Segment information (continued)

All of the Group's non-current assets as at 31 March 2017 and 31 March 2016 are located in Hong Kong.

The segment results and other segment items included in the loss for the year ended 31 March 2017 are as follows:

	Recovered paper and materials $'000	Tissue paper products $'000	CMDS $'000	Logistics services $'000	Group $'000
Segment revenue:					
Sale to external customers	184,571	3,606	18,491	272	206,940
Inter-segment sale	–	–	–	21,792	21,792
Reportable segment revenue	184,571	3,606	18,491	22,064	228,732
Elimination of inter-segment revenue	–	–	–	(21,792)	(21,792)
	184,571	3,606	18,491	272	206,940
Segment results:					
Reportable segment profits	32,431	88	10,696	3,937	47,152
Elimination of inter-segment profits					(9,275)
Reportable segment profits derived from the Group's external customers					37,877
Unallocated operating costs					(109,301)
Impairment loss of property, plant and equipment					(12,873)
Finance income					5,400
Share of loss of joint venture					(2,309)
Loss for the year					(81,206)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Segment information (continued)

The segment results and other segment items included in the loss for the year ended 31 March 2016 are as follows:

	Recovered paper and materials $'000	Tissue paper products $'000	CMDS $'000	Logistics services $'000	Group $'000
Segment revenue:					
Sale to external customers	235,686	18,117	16,692	2,636	273,131
Inter-segment sale	–	–	–	20,211	20,211
Reportable segment revenue	235,686	18,117	16,692	22,847	293,342
Elimination of inter-segment revenue	–	–	–	(20,211)	(20,211)
	235,686	18,117	16,692	2,636	273,131
Segment results:					
Reportable segment profits	14,908	1,743	9,403	2,117	28,171
Elimination of inter-segment profits					(5,661)
Reportable segment profits derived from the Group's external customers					22,510
Unallocated operating costs					(134,999)
Finance income					5,492
Share of loss of joint venture					(2,454)
Loss for the year					(109,451)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 Other revenue

	2017	2016
	$'000	$'000
Service income	3,777	4,589
Refund from mediation *(note)*	2,338	–
Project income	1,296	1,054
Subsidy income	–	528
Installation service income	–	460
Others	233	349
	7,644	6,980

Note: In prior years, the Group has lodged certain claims against its former directors and employees ("Defendants"). During the year ended 31 March 2017, the Group entered into settlement deed with certain Defendants and received the mediation sum of $2,338,000. The Group has irrevocably released these Defendants from obligations of the claims and discontinued the claims against them.

7 Other net loss

	2017	2016
	$'000	$'000
Gain/(loss) on disposals of property, plant and equipment, net	866	(634)
Write off of property, plant and equipment	(1,581)	(1,700)
Foreign exchange losses, net	(3,128)	(981)
	(3,843)	(3,315)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 Loss before taxation

Loss before taxation is arrived after charging/(crediting):

		2017	2016
		$'000	$'000
(a)	**Staff costs (excluding directors' emoluments)**		
	Salaries, wages and other benefits	**49,584**	60,653
	Contributions to defined contribution retirement plan	**2,068**	2,247
	Equity settled share-based payment expenses *(note 22(c))*	**3,280**	2,443
		54,932	65,343
	Staff costs included in:		
	– Cost of sales	**19,615**	23,854
	– Selling and distribution expenses	**16,992**	17,344
	– Administrative and other operating expenses	**18,325**	24,145
		54,932	65,343
(b)	**Finance income**		
	Interest income from banks deposits	**(2,802)**	(3,404)
	Interest income from other deposits	**(61)**	(247)
	Interest income from loans to joint venture	**(2,342)**	(1,778)
	Finance lease income	**(195)**	(63)
		(5,400)	(5,492)
(c)	**Other items**		
	Cost of inventories sold *(note 15)*	**124,368**	181,985
	Amortisation of land use rights *(note 13)*	**1,064**	968
	Depreciation of property, plant and equipment *(note 12)*	**34,870**	36,518
	Impairment losses:		
	– Trade and bills receivables *(note 16(b))*	**355**	2,889
	– Finance lease receivables *(note 18)*	**5,657**	–
	Operating lease charges in respect of land and buildings	**14,041**	19,217
	Auditor's remuneration:		
	– Audit services	**2,000**	2,000
	– Other services	**668**	591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9 Income tax

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income:

No provision for Hong Kong Profits Tax for the years ended 31 March 2017 and 31 March 2016 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 year or the subsidiaries have no estimated assessable profits in Hong Kong.

(b) Reconciliation between income tax expense and loss before taxation at applicable tax rates:

	2017	2016
	$'000	$'000
Loss before taxation	**(81,206)**	(109,451)
Tax calculated at tax rates of 16.5% (2016: 16.5%)	**(13,399)**	(18,059)
Tax effects of non-taxable income	**(2,369)**	(1,005)
Tax effects of non-deductible expenses	**3,226**	3,708
Tax effects of tax losses not recognised	**13,819**	18,719
Tax effects of utilisation of tax loss previously not recognised	**(1,384)**	(273)
Others	**107**	(3,090)
Income tax expense	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 Emoluments for directors and five highest paid individuals and senior management

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	For the year ended 31 March 2017					
	Fees	Salaries, allowance and benefits in kind	Discretionary bonus	Retirement schemes contributions	Share-based payments *(note (d))*	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Executive directors						
Mr. Lam King Sang[(a)]	360	2,193	694	18	322	3,587
Mr. Tam Sui Kin, Chris	360	2,004	800	18	322	3,504
Mr. Suen Wing Yip[(b)]	240	4,305	–	12	322	4,879
Non-executive directors						
Mr. Cheng Chi Ming, Brian	720	–	–	–	322	1,042
Mr. Tsang On Yip, Patrick	360	–	–	–	322	682
Mr. Lau Sai Cheong	360	–	–	–	189	549
Mr. To Chun Wai[(c)]	360	–	–	–	189	549
Independent non-executive directors						
Mr. Chow Shiu Wing, Joseph	360	–	–	–	189	549
Mr. Nguyen Van Tu, Peter	360	–	–	–	189	549
Mr. Wong Man Chung, Francis	360	–	–	–	189	549
Mr. Yeung Kwok Ki, Anthony[(a)]	360	–	–	–	189	549
	4,200	8,502	1,494	48	2,744	16,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 Emoluments for directors and five highest paid individuals and senior management (continued)

(a) Directors' emoluments (continued)

	For the year ended 31 March 2016					
	Fees $'000	Salaries, allowance and benefits in kind $'000	Discretionary bonus $'000	Retirement schemes contributions $'000	Share-based payments *(note (d))* $'000	Total $'000
Executive directors						
Mr. Lam King Sang[(a)]	30	181	–	–	–	211
Mr. Tam Sui Kin, Chris	360	1,634	628	18	5	2,645
Mr. Suen Wing Yip[(b)]	360	2,715	230	18	8	3,331
Mr. To Chun Wai[(c)]	158	1,029	640	11	–	1,838
Non-executive directors						
Mr. Cheng Chi Ming, Brian	720	–	–	–	–	720
Mr. Tsang On Yip, Patrick	360	–	–	–	–	360
Mr. Lau Sai Cheong	360	–	–	–	–	360
Mr. To Chun Wai[(c)]	202	–	–	–	–	202
Independent non-executive directors						
Mr. Chow Shiu Wing, Joseph	360	–	–	–	–	360
Mr. Nguyen Van Tu, Peter	360	–	–	–	3	363
Mr. Wong Man Chung, Francis	360	–	–	–	–	360
Mr. Yeung Kwok Ki, Anthony[(a)]	30	–	–	–	–	30
	3,660	5,559	1,498	47	16	10,780

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 Emoluments for directors and five highest paid individuals and senior management (continued)

(a) Directors' emoluments (continued)

Notes:

(a) Appointed on 1 March 2016.

(b) Resigned as executive director on 1 December 2016.

(c) Re-designated as non-executive director on 9 September 2015.

(d) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(o)(iv) and in accordance with that policy, includes adjustments to reverse amount accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of share options granted, are disclosed under paragraph "Share option scheme" in the directors' report.

(e) In accordance with the terms of the share option scheme, upon the making of a mandatory cash offers to all holders of share options due to the change in controlling shareholder of the Group on 21 December 2015, all share options were deemed to be lapsed on 29 February 2016 and $16,000 was paid to the directors by Prestige Safe Limited, a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited.

During the years ended 31 March 2017 and 31 March 2016, no director received any emoluments from the Group as an inducement to join or leave the Group or as compensation for loss of office. No director waived or has agreed to waive any emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 Emoluments for directors and five highest paid individuals and senior management (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included 3 directors (2016: 3). Their emoluments are reflected in the analysis presented in note 10(a). The emoluments payable to the remaining 2 (2016: 2) individuals are as follows:

	2017 $'000	2016 $'000
Salaries, allowance and benefits in kind	**1,674**	1,645
Discretionary bonus	**308**	390
Retirement schemes contributions	**36**	3
Share-based payments	**57**	2
	2,075	2,040

The emoluments fell within the following bands:

	Number of individuals 2017	 2016
Nil to $1,000,000	**1**	–
$1,000,001 to $2,000,000	**1**	2

(c) Emoluments of senior management

The emoluments of the senior management whose profiles are set out in the section headed "Directors and Senior Management" of the annual report (of which these financial statements form a part) have been included in notes 10(a) and 10(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

11 Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of $81,201,000 (2016: $104,078,000) and the weighted average number of 4,822,334,000 (2016: 4,822,334,000) ordinary shares in issue during the year.

	2017	2016
	$'000	$'000
Loss attributable to the equity shareholders of the Company	**(81,201)**	(104,078)
	'000	'000
Weighted average number of ordinary shares in issue	**4,822,334**	4,822,334
Basic loss per share	**(1.7) cents**	(2.2) cents

(b) Diluted loss per share

No adjustment had been made to the basic loss per share presented for the year ended 31 March 2017 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share presented.

There were no outstanding dilutive instruments as at 31 March 2016 and therefore the diluted loss per share equals the basic loss per share for the year ended 31 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Property, plant and equipment

	Buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Total $'000
Year ended 31 March 2017						
Net book amount						
1 April 2016	662,873	3,241	29,558	7,213	31,901	734,786
Additions	10,425	2,008	8,724	353	186	21,696
Disposals	–	–	(161)	(159)	(1,967)	(2,287)
Write off	–	(1,428)	(94)	(59)	–	(1,581)
Impairment	–	–	(12,873)	–	–	(12,873)
Depreciation	(21,336)	(1,337)	(5,555)	(2,374)	(4,268)	(34,870)
31 March 2017	651,962	2,484	19,599	4,974	25,852	704,871
At 31 March 2017						
Cost	698,206	6,091	39,842	13,392	44,070	801,601
Accumulated depreciation and impairment	(46,244)	(3,607)	(20,243)	(8,418)	(18,218)	(96,730)
Net book amount	651,962	2,484	19,599	4,974	25,852	704,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Property, plant and equipment (continued)

	Buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Total $'000
Year ended 31 March 2016						
Net book amount						
At 1 April 2015	606,148	4,855	22,506	8,207	40,311	682,027
Additions	76,963	1,813	22,410	1,904	1,040	104,130
Disposals	–	–	(8,611)	(349)	(4,193)	(13,153)
Write off	–	(1,697)	–	(3)	–	(1,700)
Depreciation	(20,238)	(1,730)	(6,747)	(2,546)	(5,257)	(36,518)
At 31 March 2016	662,873	3,241	29,558	7,213	31,901	734,786
At 31 March 2016						
Cost	687,781	6,708	45,932	13,805	48,752	802,978
Accumulated depreciation and impairment	(24,908)	(3,467)	(16,374)	(6,592)	(16,851)	(68,192)
Net book amount	662,873	3,241	29,558	7,213	31,901	734,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Property, plant and equipment (continued)

(a) Impairment loss

During the year ended 31 March 2017, the Group recognised an impairment loss of $12,873,000 on property, plant and equipment of the tissue paper operation to reduce their carrying amount to the recoverable amount of $3,800,000. The impairment arose primarily due to the decline in demand for the tissue paper products and shrinking profitability, and lack of prospects for recovery in the near term.

The recoverable amount of the property, plant and equipment is the higher of the fair value less cost of disposal and its value in use. The estimate of the recoverable amount of these assets has been determined based on a value in use calculation. The value in use calculation uses cash flow projections based on the business forecasts approved by the management covering a period of three years. Cash flow beyond the three-year period are extrapolated using a steady long-term growth rate of 3%.

Key assumptions used for value in use calculation:

	2017
Long-term growth rate	**3.00%**
Pre-tax discount rate	**10.50%**

13 Land use rights

The Group's interests in land use rights represent prepaid operating lease payments. Their net book amounts are analysed as follows:

	2017	2016
	$'000	$'000
In Hong Kong, held on medium term	**32,982**	32,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13 Land use rights (continued)

The movements of land use rights are as follows:

	2017	2016
	$'000	$'000
At the beginning of the year	**32,431**	27,478
Additions	**1,615**	5,921
Amortisation	**(1,064)**	(968)
At the end of the year	**32,982**	32,431

Amortisation of land use rights has been included in "administrative and other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

14 Interests in joint venture

	2017	2016
	$'000	$'000
Non-current assets		
Share of net liabilities	**(4,760)**	(2,451)
Loans to joint venture *(note 14(b))*	**21,600**	32,832
	16,840	30,381
Current assets		
Amounts due from joint venture *(note 14(c))*	**3,450**	867
Loans to joint venture *(note 14(b))*	**11,232**	–
	14,682	867
Interests in joint venture	**31,522**	31,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Interests in joint venture (continued)

(a) Details of the Group's interests in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest			
Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
ALBA Integrated Waste Solutions (Hong Kong) Limited ("ALBA IWS")	Incorporated	Hong Kong	$10,000	25%	–	25%	Treatment of waste electrical and electronic equipment

The Group is entitled to share 25% of the financial results of ALBA IWS. Notwithstanding the 25% of paid up capital and the profit sharing arrangements of ALBA IWS, the Group accounts for the investment in ALBA IWS as a joint venture as the Group has joint control over the financial and operating decisions of ALBA IWS.

(b) Loans to joint venture

At 31 March 2017, loans to joint venture of $32,832,000 (2016: $32,832,000) comprised of:

(i) loan of $21,600,000 (2016: $21,600,000) as a security of bank deposits placed by the joint venture for the issue of bank guarantee to the Hong Kong government in connection with the project development on the treatment of waste electrical and electronic equipment. The loan is unsecured, interest-bearing at the rate of 7% per annum and has no fixed terms of repayment;

(ii) loan of $2,500,000 (2016: $2,500,000) under credit facility arrangement granted to the joint venture, pursuant to which the Company agreed to provide the joint venture a credit facility of $7,125,000. The loan is unsecured, interest bearing at the rate of HIBOR plus 6% per annum and repayable on 14 May 2017; and

(iii) loan of $8,732,000 (2016: $8,732,000) which is unsecured, interest bearing at the rate of 7% per annum and repayable on 2 February 2018.

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(Expressed in Hong Kong dollars)

14 Interests in joint venture (continued)

(c) Amounts due from joint venture

The amounts due from joint venture at 31 March 2017 and 31 March 2016 are unsecured, interest-free and has no fixed terms of repayment.

(d) Summarised financial information of ALBA IWS and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2017	2016
	$'000	$'000
Gross amounts of ALBA IWS:		
Current assets	**170,765**	72,061
Non-current assets	**4,123**	1,417
Current liabilities	**(193,827)**	(82,888)
Non-current liabilities	**(101)**	(395)
Net liabilities	**(19,040)**	(9,805)
Included in the above assets and liabilities:		
Cash and cash equivalents	**80,895**	37,535
Current financial liabilities (excluding trade and other payables and provisions)	**(121,335)**	(77,070)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(102)**	(395)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14 Interests in joint venture (continued)

(d) Summarised financial information of ALBA IWS and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below: (continued)

	2017	2016
	$'000	$'000
Revenue	**180,907**	32,940
Loss for the year	**(9,235)**	(9,815)
Total comprehensive income for the year	**(9,235)**	(9,815)
Group's share of loss of ALBA IWS	**(2,309)**	(2,454)
Included in the above loss:		
Depreciation	**(550)**	(150)
Interest income	**87**	–
Interest expense	**(11,493)**	(8,049)
Income tax expense	**–**	–
Reconciled to the Group's interest in ALBA IWS:		
Gross amounts of net liabilities of ALBA IWS	**(19,040)**	(9,805)
Group's effective interest	**25%**	25%
Group's share of net liabilities of ALBA IWS	**(4,760)**	(2,451)
Loans to ALBA IWS *(note 14(b))*	**32,832**	32,832
Amount due from ALBA IWS *(note 14(c))*	**3,450**	867
Carrying amount in the consolidated financial statements	**31,522**	31,248

15 Inventories

	2017	2016
	$'000	$'000
Raw materials	**1,794**	–
Finished goods	**2,756**	4,808
	4,550	4,808

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately $124,368,000 (2016: $181,985,000) for the year ended 31 March 2017.

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(Expressed in Hong Kong dollars)

16 Trade and bills receivables

	2017	2016
	$'000	$'000
Trade and bills receivables	**50,215**	53,558
Less: Provision for impairment *(note 16(b))*	**(8,558)**	(8,203)
Trade and bills receivables, net	**41,657**	45,355

(a) Ageing analysis

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

	2017	2016
	$'000	$'000
0 - 30 days	**39,471**	35,840
31 - 60 days	**499**	2,104
61 - 90 days	**435**	14
91 - 120 days	**289**	1,585
Over 120 days	**9,521**	14,015
	50,215	53,558
Less: Provision for impairment *(note 16(b))*	**(8,558)**	(8,203)
	41,657	45,355

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16 Trade and bills receivables (continued)

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see note 2(j)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2017	2016
	$'000	$'000
At the beginning of the year	**8,203**	5,314
Impairment loss recognised	**355**	2,889
At the end of the year	**8,558**	8,203

As at 31 March 2017, trade and bills receivables of approximately $8,558,000 (2016: $8,203,000) were impaired and fully provided for. The individually impaired receivables mainly related to smaller customers which were in default in payments and considered to be irrecoverable.

The movement of provision for impaired receivables have been included in "administrative and other operating expenses" in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16 Trade and bills receivables (continued)

(c) Trade and bills receivables that are not impaired

The ageing analysis of these trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017	2016
	$'000	$'000
Neither past due nor impaired	**30,791**	22,973
1 - 30 days	**8,554**	14,072
31 - 60 days	**433**	929
61 - 90 days	**209**	622
91 - 120 days	**87**	3,898
Over 120 days	**1,583**	2,861
	10,866	22,382
	41,657	45,355

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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(Expressed in Hong Kong dollars)

16 Trade and bills receivables (continued)

(d) The carrying amounts of trade and bills receivables are denominated in the following currencies:

	2017	2016
	$'000	$'000
HK$	**40,886**	37,909
USD	**771**	7,446
	41,657	45,355

At 31 March 2017 and 31 March 2016, the fair values of the trade and bills receivables approximate their carrying amounts. The maximum exposure to credit risk at the end of each reporting period is the carrying value of the receivables. The Group does not hold any collateral as security.

17 Other receivables, deposits and prepayments

	2017	2016
	$'000	$'000
Non-current portion		
Prepayments for purchase of property, plant and equipment	**22,284**	17,656
Current portion		
Deposits placed with suppliers	**9,015**	10,253
Utility and other deposits	**8,547**	17,250
Prepayments	**3,833**	5,867
Other receivables	**2,347**	1,682
Total	**23,742**	35,052

At 31 March 2017 and 31 March 2016, the fair values of other receivables, deposits and prepayments approximate their carrying amounts. The maximum exposure to credit risk at the end of each reporting period is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18 Finance lease receivables

During the year ended 31 March 2016, the Group entered into finance lease arrangement with an independent third party (the "lessee") for certain of its plant and machineries. The term of finance lease entered was 7 years. The interest rate inherent in the lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 3.8% per annum.

The lessee has defaulted on the finance lease payments since December 2016 and subsequently terminated the finance lease arrangement with the Group. Accordingly, the Group has made a full provision for the finance lease receivables of $5,657,000 and charged to the profit or loss for the year ended 31 March 2017.

	2016	
	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	1,004	1,042
After 1 year but within 2 years	967	1,042
After 2 years but within 5 years	2,691	3,126
After 5 years	1,495	1,826
	5,153	5,994
	6,157	7,036
Less: Unearned interest income		(879)
Present value of finance lease receivables		6,157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

19 Bank deposits and cash and restricted and pledged bank deposits

	2017	2016
	$'000	$'000
Deposits with banks	179,242	231,077
Cash at bank	39,806	57,089
Cash in hand	54	46
Cash and cash equivalents in the consolidated statement of cash flows	219,102	288,212
Restricted and pledged bank deposits	17,876	18,475
	236,978	306,687

Bank deposits and cash and restricted and pledged bank deposits are denominated in the following currencies:

	2017	2016
	$'000	$'000
HK$	188,962	247,858
RMB	38,869	39,632
USD	9,131	19,180
Euro	16	17
	236,978	306,687

As at 31 March 2017, the restricted and pledged bank deposits were mainly pledged as a guarantee to suppliers to secure supply.

Cash at bank earns interest at floating rates based on prevailing bank deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 Payables and accruals

	2017	2016
	$'000	$'000
Trade payables	**8,655**	13,901
Other payables and accruals:		
– Construction costs payable	**6,940**	18,949
– Accrued expenses	**6,417**	20,215
– Receipts in advance from customers	**1,020**	1,963
– Amount due to non-controlling interests *(note)*	**–**	1,100
– Others	**4,062**	9,834
	18,439	52,061
	27,094	65,962

Note: As at 31 March 2016, the amount due to non-controlling interests of the Group was unsecured, interest-free and repayable on demand. The amount due to non-controlling interests was waived upon the acquisition of additional 40% equity interests of the subsidiary (see note 23(e)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 Payables and accruals

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade payables, based on the invoice due date, is as follows:

	2017	2016
	$'000	$'000
Current	3,681	5,005
1 – 30 days	2,133	3,480
31 – 60 days	18	1,085
61 – 90 days	12	5
91 – 120 days	24	27
Over 120 days	2,787	4,299
	8,655	13,901

(b) The carrying amounts of payables and accruals are denominated in the following currencies:

	2017	2016
	$'000	$'000
HK$	26,883	64,012
USD	211	1,950
	27,094	65,962

As at 31 March 2017 and 31 March 2016, the fair values of the trade and other payables approximate their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

21 Income tax in the consolidated statement of financial position

(a) Taxation recoverable in the consolidated statement of financial position represents:

	2017	2016
	$'000	$'000
Balance of Hong Kong Profits Tax provision relating to prior years	**2,976**	3,076

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Future benefits of tax losses	**Depreciation allowance in excess of the related depreciation**	**Total**
	$'000	$'000	$'000
At 1 April 2015	31,466	(31,466)	–
Credited/(charged) to profit or loss *(note 9(a))*	4,373	(4,373)	–
At 31 March 2016 and 1 April 2016	35,839	(35,839)	–
(Charged)/credited to profit or loss *(note 9(a))*	(1,461)	1,461	–
At 31 March 2017	34,378	(34,378)	–

(c) Deferred tax assets not recognised

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses of $401,089,000 (2016: $325,723,000) sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 March 2017. The tax losses do not expire under current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 Share capital

(a) Authorised share capital of the Company

	2017	2016
	$'000	$'000
Authorised:		
5,000,000,000 ordinary shares of $0.10 each	**500,000**	500,000

(b) Issued share capital of the Company

	Number of ordinary shares	Amount
	'000	$'000
Issued and fully paid:		
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	4,822,334	482,234

(c) 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 sheets 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 Share capital (continued)

(c) Equity settled share-based transactions (continued)

(i) Share options granted in 2014

On 25 April 2014, the Group announced that a total of 71,110,000 share options under the Share Option Scheme to subscribe for the Company's shares were granted, subject to acceptance of the grantees. Each share option shall entitle the holder to subscribe for one share upon exercise of such share option at an initial exercise price of $0.542 per share. These share options may be exercised from 25 July 2014 to 24 April 2020 (both dates inclusive) subject to the vesting periods.

Pursuant to the Share Option Scheme, the number of unexercised share options and exercise price may be subject to adjustment in case of alteration in the capital structure of the Company. On 14 October 2014, the Board announced that as a result of the completion of the Open Offer, adjustments have been made to the exercise price of the share options and the number of shares falling to be issued under the outstanding options granted under the Share Option Scheme. The adjustments (the "Adjustments") to the exercise price and the number of the shares falling to be issued under the outstanding share options took effect from 15 October 2014. As at 15 October 2014, the number of shares falling to be issued under the outstanding share options alter the Adjustments was 76,746,711 and the exercise price of the share options after the Adjustments was $0.444 per share.

In accordance with the terms of the Share Option Scheme, upon the making of a mandatory cash offers to all holders of the share options following the change in controlling shareholder of the Group on 21 December 2015, all share options that remained unexercised were deemed to be lapsed on 29 February 2016 and $24,000 was paid to the holders of share options by Prestige Safe Limited, a wholly-owned subsidiary of Chow Tai Fook (Holding) Limited, for the purchase of the share options.

(ii) Share options granted in 2016

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 CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 Share capital (continued)

(c) Equity settled share-based transactions (continued)

(iii) The movements in the number of share options under the Share Option Scheme during the year were as follows:

			Number of share options						
Date of grant	Initial exercise price $	Exercisable period	Outstanding at 1 April 2015	Cancelled/ lapsed during the year ended 31 March 2016	Outstanding at 31 March 2016 and 1 April 2016	Granted and accepted during the year ended 31 March 2017	Cancelled/ lapsed during the year ended 31 March 2017	Outstanding and exercisable at 31 March 2017	Remaining contractual life
Directors									
– 25 April 2014	0.542	25 July 2014 to 24 April 2020	53,223,422	(53,223,422)	–	–	–	–	N/A
– 7 September 2016	0.128	7 September 2017 to 6 September 2022	–	–	–	127,800,000	(15,000,000)	112,800,000	5.4 years
Employees									
– 25 April 2014	0.542	25 July 2014 to 24 April 2020	17,248,781	(17,248,781)	–	–	–	–	N/A
– 7 September 2016	0.128	7 September 2017 to 6 September 2022	–	–	–	24,350,000	(1,450,000)	22,900,000	5.4 years
Other eligible participants									
– 25 April 2014	0.542	25 July 2014 to 24 April 2020	3,955,138	(3,955,138)	–	–	–	–	N/A
			74,427,341	(74,427,341)	–	152,150,000	(16,450,000)	135,700,000	

Vesting period: Tranche 1: 50% vesting in 1 year from the date of grant (7 September 2017 to 6 September 2022)

Tranche 2: 50% vesting in 2 years from the date of grant (7 September 2018 to 6 September 2022)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 Share capital (continued)

(c) Equity settled share-based transactions (continued)

Share option expenses charged to the consolidated statement of profit or loss and other comprehensive income are determined using the binomial lattice model based on the following assumptions:

	Date of grant	
	25 April 2014	7 September 2016
Fair value at measurement date	$0.190	$0.057
Share price at measurement date	$0.328	$0.128
Exercise price	$0.542	$0.128
Expected volatility	52.10%	50.00%
Risk-free interest rate (based on Exchange Fund Notes)	1.34%	0.63%
Expected average life of options	2.2 years	6 years
Expected dividend yield	0%	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 estimate.

The Group recognised expenses of $3,280,000 (2016: $2,443,000) related to equity settled share-based payment transactions during the year ended 31 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

(a) Movements in components of equity

	Note	Share capital $'000	Share premium $'000	Share-based capital reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 April 2015		482,234	3,092,881	5,534	(1,966,224)	1,614,425
Equity settled share-based transactions	22(c)	–	–	2,443	–	2,443
Share options lapsed	22(c)(i)	–	–	(7,977)	7,977	–
Loss and total comprehensive income for the year		–	–	–	(14,026)	(14,026)
Balance at 31 March 2016 and 1 April 2016		482,234	3,092,881	–	(1,972,273)	1,602,842
Equity settled share-based transactions	22(c)	–	–	3,280	–	3,280
Loss and total comprehensive income for the year		–	–	–	(23,501)	(23,501)
Balance at 31 March 2017		482,234	3,092,881	3,280	(1,995,774)	1,582,621

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Reserves (continued)

(b) Nature and purpose of reserves

(i) Share premium

The application of share premium account is governed by the Companies Law of Cayman Islands (the "Companies Law"). Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

Capital reserve represents the difference between (i) the aggregate of the consideration for the acquisitions under common control upon the reorganisation during the year ended 31 March 2010 ("Reorganisation"); and (ii) the aggregate of the share capital and share premium of the entities transferred to the Group pursuant to the Reorganisation.

(iii) Share-based capital reserve

The share-based capital reserve represents the portion of the grant date fair value of unexercised share options granted to directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(o)(iv).

(c) Dividends

No dividends had been paid or declared by the Company for the year ended 31 March 2017 (2016: $Nil).

(d) Distributable reserves

The aggregate amounts of distributable reserves of the Company was $1,097,107,000 (2016: $1,120,608,000) as at 31 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Reserves (continued)

(e) Acquisition of additional interests in a subsidiary

On 30 April 2016, Kind Surplus Limited, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with the non-controlling interests of Hong Kong Ying Cheung (International) Holdings Limited ("Ying Cheung"), pursuant to which Kind Surplus Limited agreed to acquire an additional 40% equity interests of Ying Cheung (the "Acquisition") for a consideration of $2 and at the same time, the non-controlling interests agreed to waive the amounts owing by Ying Cheung to the non-controlling interests of $1,100,000. Upon the completion of the Acquisition, Ying Cheung became a wholly owned subsidiary of the Group.

The effect of the changes in the ownership interest of Ying Cheung on the equity attributable to owners of the Company during the year ended 31 March 2017 is summarised as follows:-

	2017
	$
Carrying amount of non-controlling interests of the net liabilities acquired	**(3,423,000)**
Waiver of the amounts due to non-controlling interests	**1,100,000**
	(2,323,000)
Consideration paid	**(2)**
Transfer of interest of non-controlling interests to accumulated losses	**(2,323,002)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 Note to the consolidated statement of cash flows

Reconciliation of loss before taxation to net cash used in operations

	Note	2017 $'000	2016 $'000
Loss before taxation		**(81,206)**	(109,451)
Adjustments for:			
Depreciation of property, plant and equipment	12	**34,870**	36,518
Amortisation of land use rights	13	**1,064**	968
(Gain)/loss on disposals of property, plant and equipment, net	7	**(866)**	634
Write off of property, plant and equipment	7	**1,581**	1,700
Impairment of property, plant and equipment	12(a)	**12,873**	–
Provision for impairment of trade and bills receivables	16(b)	**355**	2,889
Provision for impairment of finance lease receivables	18	**5,657**	–
Finance income	8(b)	**(5,400)**	(5,492)
Share of loss of joint venture	14(d)	**2,309**	2,454
Share-based payments	22(c)	**3,280**	2,443
Operating loss before working capital changes		**(25,483)**	(67,337)
Inventories		**258**	1,278
Trade and bills receivables		**3,343**	29,192
Other receivables, deposits and prepayments		**11,310**	17,948
Finance lease receivables		**695**	–
Payables and accruals		**(26,126)**	(12,118)
Cash used in operations		**(36,003)**	(31,037)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25 Commitments

(a) Capital commitments

Capital commitments outstanding at 31 March 2017 not provided for in the consolidated financial statements were as follows:

	2017	2016
	$'000	$'000
Contracted but not provided for		
– Property, plant and equipment	**2,409**	16,025

(b) Operating lease commitments

At 31 March 2017, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2017	2016
	$'000	$'000
Within 1 year	**3,424**	8,239
After 1 year but within 5 years	**5,103**	3,433
	8,527	11,672

26 Contingent liabilities

Litigation with former directors and employees

At 31 March 2017, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27 Material related party transactions

(a) Key management personnel

Remuneration of key management personnel, including amounts paid to the directors, certain highest paid employees and senior management, are disclosed in note 10.

(b) The following transactions were carried out with related parties during the year:

	2017	2016
	$'000	$'000
Interest income received from ALBA IWS	**2,342**	1,778
Logistics service income received from ALBA IWS	**261**	165

(c) Year-end balances with related parties

Excepted as disclosed elsewhere in the notes to the financial statements, the balances are unsecured, interest-free and repayable upon demand. The carrying values of these balances approximate their fair values.

Amounts due from related parties, net of impairment provisions are disclosed as follows:

		2017	2016
Name	**Relationship**	**$'000**	$'000
ALBA IWS	Joint venture *(note 14(b)&(c))*	**36,282**	33,699
E&I Development Limited ("E&I")	Controlling shareholders are the son and daughter of Mr. Leung Kai Kuen, one of the substantial shareholders of the Company	**12**	12

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27 Material related party transactions (continued)

(c) Year-end balances with related parties (continued)

The information relating to the amounts due from related companies, disclosed pursuant to the Hong Kong Companies Ordinance, is as follows:

Name	Maximum amount outstanding during 2017 $'000	2016 $'000
ALBA IWS	**36,282**	33,699
E&I	**12**	12

Amount due to a related company is disclosed as follows:

Name	Relationship	2017 $'000	2016 $'000
Lai Wah Shipping Company	Sole proprietor is Mr. Leung Kai Kuen, one of the substantial shareholders of the Company	**10**	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

28 Company-level statement of financial position

	Note	2017 $'000	2016 $'000
Non-current assets			
Interests in subsidiaries	28(a)	**1,577,342**	1,471,438
Current assets			
Receivables and prepayments		**1,393**	2,850
Bank deposits and cash		**202,068**	268,880
Taxation recoverable		**1**	1
		203,462	271,731
Total assets		**1,780,804**	1,743,169
Current liabilities			
Payables and accruals		**2,928**	11,568
Amounts due to subsidiaries	28(a)	**195,255**	128,759
Total liabilities		**198,183**	140,327
NET ASSETS		**1,582,621**	1,602,842
CAPITAL AND RESERVES			
Share capital	22	**482,234**	482,234
Reserves	23	**1,100,387**	1,120,608
TOTAL EQUITY		**1,582,621**	1,602,842

Approved and authorised for issue by the Board of Directors on 29 June 2017.

Cheng Chi Ming, Brian
Chairman

Lam King Sang
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

28 Company-level statement of financial position (continued)

(a) Investment in subsidiaries and amounts due from/(to) subsidiaries

	Company	
	2017	2016
	$'000	$'000
Consolidated subsidiaries		
Investments at cost, unlisted shares	**967,944**	967,944
Less: Provision	**(815,712)**	(815,712)
	152,232	152,232
Amounts due from subsidiaries	**1,425,110**	1,319,206
	1,577,342	1,471,438
Amounts due to subsidiaries	**195,255**	128,759

Amounts due from subsidiaries are unsecured, non-interest bearing and with no fixed terms of repayment and are classified as non-current as these are not expected to be recoverable within the next twelve months.

Amounts due to subsidiaries are unsecured, non-interest bearing and with no fixed terms of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Company-level statement of financial position (continued)

(b) Principal subsidiaries held by the Group

The following is a list of the principal subsidiaries which have been consolidated as at and for the year ended 31 March 2017:

Name	Place and date of incorporation/ establishment	Particulars of issued paid-in capital	Effective interest held	Principal activities and place of operation
Directly held				
IWS Global Limited	British Virgin Islands ("BVI")/ 16 March 2007	Ordinary US$50,030	100% (2016: 100%)	Investment holding/ Hong Kong
Indirectly held				
IWS Waste Management (Global) Company Limited	BVI/ 23 March 2009	Ordinary US$1	100% (2016: 100%)	Investment holding/ Hong Kong
IWS Assorted Paper (Global) Company Limited	BVI/ 23 March 2009	Ordinary US$1	100% (2016: 100%)	Investment holding/ Hong Kong
IWS Environmental Technologies (Global) Company Limited	BVI/ 23 March 2009	Ordinary US$1	100% (2016: 100%)	Investment holding/ Hong Kong
CMDS (Global) Company Limited	BVI/ 23 March 2009	Ordinary US$1	100% (2016: 100%)	Investment holding/ Hong Kong
IWS Waste Management Company Limited	Hong Kong/ 28 September 1993	Ordinary HK$1,000,000	100% (2016: 100%)	Trading of recovered paper and materials/ Hong Kong
IWS Assorted Paper Company Limited	Hong Kong/ 15 December 1997	Ordinary HK$1,000,000	100% (2016: 100%)	Trading of tissue paper products/Hong Kong
Confidential Materials Destruction Service Limited	Hong Kong/ 22 June 1979	Ordinary HK$10,000	100% (2016: 100%)	Provision of confidential materials destruction service and trading of recovered paper and materials/Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Company-level statement of financial position (continued)

(b) Principal subsidiaries held by the Group (continued)

Name	Place and date of incorporation/ establishment	Particulars of issued paid-in capital	Effective interest held	Principal activities and place of operation
Indirectly held (continued)				
IWS Environmental Technologies Limited	Hong Kong/ 23 October 2002	Ordinary HK$1,000,000	100% (2016: 100%)	Procurement of waste paper/Hong Kong
IWS Promotion Limited	Hong Kong/ 17 September 2010	Ordinary HK$1	100% (2016: 100%)	Development of recycling facilities at Tseung Kwan O/Hong Kong
IWS Paper Agency (Global) Company Limited	BVI/ 28 November 2011	Ordinary US$1	100% (2016: 100%)	Investment holding/ Hong Kong
IWS Logistics Limited	Hong Kong/ 26 February 2013	Ordinary HK$1	100% (2016: 100%)	Provision of logistics services/Hong Kong
Hong Kong Ying Cheung (International) Holdings Limited	Hong Kong/ 1 December 2014	Ordinary HK$5,000,000	100% (2016: 60%)	Trading of high-density polyethylene products/Hong Kong
IWS Waste Management (Asia) Limited	Hong Kong/ 25 November 2014	Ordinary HK$10,000	100% (2016: 100%)	Manufacturing of plastic products/Hong Kong

29 Events after the end of the reporting period

Except for matters disclosed elsewhere in the consolidated financial statements, the Group had no other events subsequent to the end of the reporting period to disclose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

30 Immediate and ultimate controlling party

At 31 March 2017, the directors consider the immediate parent and ultimate controlling party of the Group to be Chow Tai Fook (Holding) Limited and Chow Tai Fook Capital Limited respectively, both of which are incorporated in the British Virgin Islands.

31 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 March 2017

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 March 2017 (continued)

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(s). Currently, revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 March 2017 (continued)

IFRS 15, Revenue from contracts with customers (continued)

(a) Timing of revenue recognition (continued)

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts IFRS 15 some of the Group's contract that are currently recognised at a point in time may meet the IFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of IFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position on the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 March 2017 (continued)

IFRS 16, Leases

As disclosed in note 2(i), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee. IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 25(b), at 31 March 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to $3,424,000 and $5,103,000 respectively, the majority of which is payable either within 1 year or between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

The Group is considering whether to adopt IFRS 16 before its effective date of 1 January 2019. However, early adoption of IFRS 16 is only permitted if this is not earlier than the adoption of IFRS 15. It is therefore unlikely that IFRS 16 will be adopted before the effective date of IFRS 15, being 1 January 2018.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	573,274	480,587	443,542	273,131	**206,940**
Gross profit	89,508	40,858	24,335	22,510	**37,877**
Profit/(loss) before taxation	1,830	(52,026)	(127,264)	(109,451)	**(81,206)**
Income tax	(4,952)	(1,224)	1,113	–	**–**
Loss from continuing operations	(3,122)	(53,250)	(113,080)	(109,451)	**(81,206)**
Impairment loss on amounts due from De-consolidated Subsidiaries	(2,500)	(431,638)	(36,572)	–	**–**
Loss and total comprehensive income for the year	(5,622)	(484,888)	(149,652)	(109,451)	**(81,206)**
Attributable to:					
Equity shareholders of the Company	(5,622)	(484,888)	(149,607)	(104,078)	**(81,201)**
Non-controlling interests	–	–	(45)	(5,373)	**(5)**
	(5,622)	(484,888)	(149,652)	(109,451)	**(81,206)**

ASSETS AND LIABILITIES

	As at 31 March				
	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,504,649	1,062,116	1,332,934	1,217,268	**1,101,574**
Total liabilities	90,979	133,334	74,630	65,972	**27,104**
Total equity	1,413,670	928,782	1,258,304	1,151,296	**1,074,470**

IWS

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

This Annual Report is printed on environmentally friendly paper
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