



IWS

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



Interim Report
中期報告 2017/18



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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 HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Integrated Waste Solutions Building

8 Chun Cheong Street

Tseung Kwan O Industrial Estate

New Territories

Hong Kong

CORPORATE WEBSITE

www.iwsggh.com

STOCK CODE

923

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited

Clifton House

75 Fort Street

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

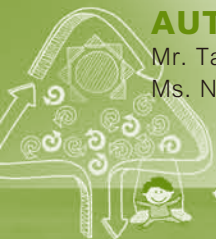
Hang Seng Bank Limited

Bank of Communications Co., Ltd.

LEGAL ADVISER

As to Hong Kong law:

Troutman Sanders





MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Global economic activities continued to expand in the first half of 2017. The economic growth of Mainland China remained steady with its gross domestic product increased by 6.9% year-on-year. Amid the generally benign global economic environment, the Group has strived to stabilising our businesses and paving our way to a turnaround. However, the stringent environmental monitoring policies and stricter requirements on environmental protection in Mainland China have hindered our growth momentum. On 18 July 2017, the Chinese Government notified the World Trade Organisation that by the end of 2017, China would forbid the import of 4 classes, 24 kinds of solid wastes, including plastics waste from living sources, vanadium slag, unsorted waste paper and waste textile materials. Although the overall impact on the recycling industry in Hong Kong is yet to reveal, this certainly has exerted pressure on our business performance going forward.

FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the six months ended 30 September 2017 (the "Current Period") amounted to HK\$27.1 million, a decrease in loss of HK\$0.9 million when compared to the net loss for the six months ended 30 September 2016 (the "Last Period"). The reduction in loss was due to the management's continuous effort in the retrenchment of operating costs to an optimum level.

Performance of Business Segments

Revenue Analysis

| | 6 months ended 30.09.2017 HK\$'000 | 6 months ended 30.09.2016 HK\$'000 | Fav/(Unfav) Change HK\$'000 | % |
|--------------------------------|---|--|--|----------|
| Sales of Recovered Paper | 84,590 | 91,891 | (7,301) | (7.9%) |
| Sales of Tissue Paper Products | 304 | 2,270 | (1,966) | (86.6%) |
| CMDS service income | 9,751 | 9,435 | 316 | 3.3% |
| Logistics service income | 104 | 155 | (51) | (32.9%) |
| Sales of Other Waste Materials | 2,626 | 414 | 2,212 | 534.3% |
| | 97,375 | 104,165 | (6,790) | (6.5%) |





MANAGEMENT DISCUSSION AND ANALYSIS

During the Current Period, the sales of **Recovered Paper** has been continuously affected by the stringent environmental monitoring polices in Mainland China. The import restrictions in Mainland China has crippled the trading of recovered paper especially during August/September 2017. Total sales revenue of recovered paper amounted to approximately HK\$84.6 million during the Current Period, a drop of approximately HK\$7.3 million or 7.9% when compared to the Last Period. The sales volume have decreased by 30.8% while the average selling price per ton has increased by 33.0% due to the shortage of supply of recovered paper on a period-on-period basis. Notwithstanding, the gross profit margin of recovered paper trading has increased from 16.8% to 17.5% which was attributable to stringent cost control.

The sales of **Tissue Paper Products** dropped by approximately HK\$2.0 million or 86.6%. The market for tissue paper products is highly competitive in the PRC, Hong Kong and internationally. The intensifying market competition and rising wood pulp prices had adversely impacted our tissue paper business which led to decreasing in sales volume and profit margin. Moreover, compared with local brands, international tissue paper manufacturers have greater resources in new product innovation and can afford excessive marketing. Accordingly, domestic brands, especially economy and private labels, are less likely to gain share from them. With limited production capacity and upsurge in the cost of production, the Group did not foresee the results of this segment would turn around in the near future. In view of the relatively insignificant contribution of the tissue paper business, the Group decided to cease this line of business in August 2017 and channel its resources to other solid waste management businesses.

Confidential Material Destruction Services (“CMDS”) service income increased by 3.3% or HK\$0.3 million. CMDS service income comes primarily from government authorities, financial and professional institutions and private companies. Total CMDS service income includes materials destruction services for both paper and non-paper products, which recorded an increase of 1.0% and 11.4% respectively over the Last Period. The increase in the public awareness of personal privacy has led to an increase in need of confidential destruction for both paper and non-paper products, we believe that the contribution from this segment would continue to grow in the long term.

Revenue from sales of **Other Waste Materials** was mainly derived from the Group’s new project, Recycled Plastic Pellets, which was still at its pre-commissioning stage during the Current Period. It is expected that this would be one of the profit contributors in the coming years after its full commercial operation commences by the end of 2017.

Gross Profit

The gross profit margin of the Group for the Current Period has improved from 17.4% to 19.1% when compared to the Last Period. The increase in gross profit margin was attributable to an on-going cost efficiency exercise to reduce the direct cost of sales.





MANAGEMENT DISCUSSION AND ANALYSIS

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of approximately HK\$49.7 million, representing a reduction of approximately HK\$1.1 million or 2.2% when compared to the Last Period. The reduction in these expenditures was due to the stringent cost control measures adopted by the management throughout the Current Period.

Loss before Interest, Tax, Depreciation and Amortisation (“LBITDA”)

Although the revenue of the Group has reduced, LBITDA for the Current Period has improved by approximately HK\$0.6 million to HK\$12.5 million when compared to HK\$13.1 million of the Last Period. The improvement has reflected the determination of the management to maintain operating costs at an optimum level.

Liquidity and Financial Resources

As at 30 September 2017, the Group had unrestricted bank deposits and cash of approximately HK\$219.0 million (31 March 2017: HK\$219.1 million). The Group had no bank loans and overdrafts as at 30 September 2017 and 31 March 2017.

As at 30 September 2017, the Group had net current assets of approximately HK\$265.3 million, as compared to net current assets of approximately HK\$297.5 million as at 31 March 2017. The current ratio of the Group was 12.4 as at 30 September 2017 as compared to 12.0 as at 31 March 2017.

Foreign Exchange Exposure

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

For the six months ended 30 September 2017, the Group recorded a net foreign exchange gain of HK\$1.6 million (six months ended 30 September 2016: exchange loss of HK\$1.9 million). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.





MANAGEMENT DISCUSSION AND ANALYSIS

Major Capital Expenditure And Commitments

During the Current Period, the Group incurred HK\$24.1 million for construction expenditure, I.T. infrastructure and purchase of plant and machineries in respect of the Headquarter of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 30 September 2017, the Group has capital commitments of HK\$0.1 million, which are mainly related to I.T. infrastructure development of the Headquarter.

Pledge of Assets

As at 30 September 2017, the Group had restricted bank deposits amounted to HK\$0.4 million (31 March 2017: HK\$17.9 million) which were pledged with banks for issuing guarantees to suppliers.

Capital Structure

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

Claims Against Former Directors and Employees

As at 30 September 2017, the Group has lodged certain claims against its former directors and employees. The outcome of these claims and the recovery of loss and damages from these claims cannot yet be reliably estimated.

Employees and Remuneration Policies

The Group had employed approximately 194 employees in Hong Kong as at 30 September 2017. Employee costs, excluding directors' emoluments, amounted to HK\$22.3 million for the six months ended 30 September 2017 (six months ended 30 September 2016: HK\$22.1 million). All of the Group companies are equal opportunity employers, with the selection and promotion of employees based on suitability for the position offered. The Group believes that, with proper training and guidance, people with intellectual disabilities can be capable, loyal and conscientious workers to contribute to society. In this respect, the Group has recruited several employees through Hong Chi On-the-Job Training Program. By providing job opportunities to people with intellectual disabilities, we can enhance their social integration and assist them in seeking open employment.

In addition to the mandatory MPF contributions by both employer and employees, the Group offers all full-time employees a comprehensive benefits package which includes discretionary performance bonus, annual leave, sick leave, maternity and paternity leave, marriage leave and compassionate leave entitlements, healthcare benefits and labour insurance.





MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

While working diligently on its core businesses, the Group is actively seeking new sources to expand its income base. Two new projects, Recycled Plastic Pellets and WEEE Treatment, coming into operation in the 4th quarter of 2017 will provide new sources of revenue to the Group. As part of a campaign against “foreign garbage” and environmental pollution, Mainland China will be implementing ban on importing waste materials from 1 January 2018 and this will boost the demand for recycled plastic pellets which are raw materials for manufacturing plastic products. It is expected that our Recycled Plastic Pellets project will be able to capture this market opportunity and benefit under such policy. However, this new policy will be affecting our recovered paper business as a result of stringent monitoring measures. Although it is still uncertain on its long term impact, the Group had taken measures to mitigate the risk by exporting to other markets in the region.

The new municipal solid waste charging scheme introduced by the HKSAR Government has enhanced the prospect in developing new waste management projects. The Group will actively respond to these policies and aim at improving investment returns while contributing to environmental protection. The Group will actively participate in the tender for EPD’s Glass Management Contractors contract in providing glass beverage bottle collection and treatment services. We will be well-prepared ourselves for opportunities arises under this scheme promulgated by the HKSAR Government so as to contribute our effort to promote solid waste recycling in Hong Kong.

Looking ahead, with the continued effort in procuring new opportunities and enhancing its existing operations, e.g. equipment upgrading, efficiency improvements and cost controls, the Group is confident in its future to delivering quality waste management service and creating values to our customers.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2017 (2016 interim: HK\$Nil).





OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme on 11 March 2010 (the “Share Option Scheme”). On 7 September 2016, a total of 157,850,000 options (“Options”) under the Share Option Scheme to subscribe for the shares of the Company were granted, subject to the acceptance of the grantees on or before 7 October 2016. 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 are exercisable during the period from 7 September 2017 to 6 September 2022 (both dates inclusive) subject to the Vesting Periods 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 following table discloses movements of the Company’s share Options held by Directors and employees during the six months ended 30 September 2017 (“Current Period”):

| | Outstanding as at 1 April 2017 | Exercised during the Current Period | Cancelled/ lapsed during the Current Period | Outstanding as at 30 September 2017 |
|------------------------------|--------------------------------------|--|---|--|
| Eligible participants | | | | |
| Directors | 112,800,000 | – | – | 112,800,000 |
| Employees | 22,900,000 | – | (2,550,000) | 20,350,000 |
| Total | 135,700,000 | – | (2,550,000) | 133,150,000 |

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





OTHER INFORMATION

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

As at 30 September 2017, the interests or short positions of the Directors and chief executive 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 under the heading "Directors' Rights to Acquire Shares or Debentures" below.





OTHER INFORMATION

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

| Name of Directors | Name of associated corporation | Capacity | Date of Grant | Exercisable period | Exercise Price per Share HK\$ | Interest in underlying shares pursuant to share options | Approximate percentage of shareholding |
|-------------------------|--------------------------------|----------|---------------|-------------------------|----------------------------------|---|--|
| Tsang On Yip, Patrick | Greenheart Group Limited | Personal | 17.07.2015 | 17.07.2015 – 16.07.2020 | 1.23 | 2,000,000 | 0.12% |
| | | | 13.09.2016 | 13.09.2016 – 12.09.2021 | 0.78 | 3,000,000 | 0.18% |
| | | | | | | <u>5,000,000</u> | <u>0.30%</u> |
| Nguyen Van Tu, Peter | Greenheart Group Limited | Personal | 17.07.2015 | 17.07.2015 – 16.07.2020 | 1.23 | 1,000,000 | 0.06% |
| | | | 13.09.2016 | 13.09.2016 – 12.09.2021 | 0.78 | 1,000,000 | 0.06% |
| | | | | | | <u>2,000,000</u> | <u>0.12%</u> |
| Wong Man Chung, Francis | Greenheart Group Limited | Personal | 17.07.2015 | 17.07.2015 – 16.07.2020 | 1.23 | 1,000,000 | 0.06% |
| | | | 13.09.2016 | 13.09.2016 – 12.09.2021 | 0.78 | 1,000,000 | 0.06% |
| | | | | | | <u>2,000,000</u> | <u>0.12%</u> |

Save as disclosed above, as at 30 September 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 and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or recorded in the register required to be maintained by the Company under Section 352 of the SFO, or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.





OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme adopted by the shareholders of the Company on 11 March 2010 (the "Share Option Scheme"), the Company has granted to Directors options to subscribe Shares. Details of which as at 30 September 2017 were as follows:

| Name of Directors | Date of grant | Exercisable period | Exercise price per Share HK\$ | Outstanding as at 1 April 2017 | Number of share options | | | Outstanding as at 30 September 2017 | Approximate percentage of shareholding |
|-----------------------|---------------|-------------------------|----------------------------------|--------------------------------|-------------------------|-----------|-------------------|-------------------------------------|--|
| | | | | | Granted and accepted | Exercised | Cancelled/ Lapsed | | |
| 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% |





OTHER INFORMATION

| Name of Directors | Date of grant | Exercisable period | Exercise price per Share HK\$ | Number of share options | | | | | Outstanding as at 30 September 2017 | Approximate percentage of shareholding |
|-------------------------|---------------|-------------------------|----------------------------------|--------------------------------|----------------------|-----------|-------------------|-----------|-------------------------------------|--|
| | | | | Outstanding as at 1 April 2017 | Granted and accepted | Exercised | Cancelled/ Lapsed | | | |
| Nguyen Van Tu, Peter | 07.09.2016 | 07.09.2017 – 06.09.2022 | 0.128 | 4,400,000 | - | - | - | 4,400,000 | 0.09% | |
| | 07.09.2016 | 07.09.2018 – 06.09.2022 | 0.128 | 4,400,000 | - | - | - | 4,400,000 | 0.09% | |
| Chow Shiu Wing, Joseph | 07.09.2016 | 07.09.2017 – 06.09.2022 | 0.128 | 4,400,000 | - | - | - | 4,400,000 | 0.09% | |
| | 07.09.2016 | 07.09.2018 – 06.09.2022 | 0.128 | 4,400,000 | - | - | - | 4,400,000 | 0.09% | |
| Wong Man Chung, Francis | 07.09.2016 | 07.09.2017 – 06.09.2022 | 0.128 | 4,400,000 | - | - | - | 4,400,000 | 0.09% | |
| | 07.09.2016 | 07.09.2018 – 06.09.2022 | 0.128 | 4,400,000 | - | - | - | 4,400,000 | 0.09% | |
| Yeung Kwok Ki, Anthony | 07.09.2016 | 07.09.2017 – 06.09.2022 | 0.128 | 4,400,000 | - | - | - | 4,400,000 | 0.09% | |
| | 07.09.2016 | 07.09.2018 – 06.09.2022 | 0.128 | 4,400,000 | - | - | - | 4,400,000 | 0.09% | |

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

Save as disclosed above and in note 12 to the unaudited interim financial report about the Share Option Scheme, at no time during the six months ended 30 September 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.





OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 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 ("Shares") and underlying Shares

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

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





OTHER INFORMATION

Notes:

1. As at 30 September 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 30 September 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Sustainability has become one of the major concerns 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.

In early August 2017, the Company published its first ESG Report which was prepared according to the ESG Reporting Guide set out in Appendix 27 to the Listing Rules, and in accordance with the operational circumstances of the Company. During the six months ended 30 September 2017, the Company remained focused on moving in the right direction to conserve energy and natural resources, reduce waste, promote green issues in its neighbourhood, attend to employee welfare, improve working conditions, uphold intellectual property, ensure equal opportunity, and sponsor and support local community activities championed by different charitable and/or non-governmental organisations. We will continue to openly communicate our stewardship performance, and encourage partnerships with our employees, business partners, non-governmental organisations, academia, government, as well as other stakeholders.





OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintain a high standard of corporate governance and has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules. The Company has complied with the code provisions set out in the CG Code throughout the six months ended 30 September 2017.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiries by the Company with the Directors, all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2017.

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

The Company has also adopted Code for Securities Transactions by Relevant Employees (the “Own Code”) on no less exacting terms than the Model Code for governing securities transactions by relevant employees who are likely to be in possession of inside information of the Company or its securities. No incident of non-compliance of the Own Code by any relevant employee was noted by the Company during the six months ended 30 September 2017.

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 2017 Annual Report are set out below:

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

Mr. Cheng has been appointed as a non-executive director of Leyou Technologies Holdings Limited (stock code: 1089) with effect from 5 September 2017. He has resigned as a director of The Macao Water Supply Company Limited.

Mr. Tsang On Yip, Patrick (Non-executive Director)

Mr. Tsang has been appointed as a non-executive director of i-Cable Communications Limited (stock code: 1097) with effect from 15 September 2017.





OTHER INFORMATION

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim financial report of the Group for the six months ended 30 September 2017 with the management and the external auditor, KPMG. The unaudited interim financial report of the Group for the six months ended 30 September 2017 has been reviewed by the Company's external auditor, KPMG, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by International Auditing and Assurance Standards Board and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2017.

By Order of the Board

Integrated Waste Solutions Group Holdings Limited
Cheng Chi Ming, Brian

Chairman

Hong Kong, 23 November 2017





CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 - UNAUDITED
(Expressed in Hong Kong dollars)

| | | Six months ended | |
|---|-------------|-------------------------|------------|
| | | 30 September | |
| | | 2017 | 2016 |
| | <i>Note</i> | \$'000 | \$'000 |
| Revenue | 5 | 97,375 | 104,165 |
| Cost of sales | | (78,738) | (86,018) |
| Gross profit | | 18,637 | 18,147 |
| Other revenue | | 788 | 5,304 |
| Other net gain/(loss) | | 1,421 | (1,296) |
| Selling and distribution expenses | | (13,270) | (15,874) |
| Administrative and other operating expenses | | (36,410) | (34,930) |
| Operating loss | | (28,834) | (28,649) |
| Finance income | 6 | 4,693 | 2,650 |
| Share of loss of joint venture | | (2,924) | (2,011) |
| Loss before taxation | 6 | (27,065) | (28,010) |
| Income tax | 7 | – | – |
| Loss and total comprehensive income for the period | | (27,065) | (28,010) |
| Attributable to: | | | |
| – Equity shareholders of the Company | 8 | (27,065) | (28,005) |
| – Non-controlling interests | | – | (5) |
| | | (27,065) | (28,010) |
| Basic and diluted loss per share | 8 | (0.6) cent | (0.6) cent |

The notes on pages 22 to 34 form part of this interim financial report.





CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2017 - UNAUDITED
(Expressed in Hong Kong dollars)

| | | At 30 September 2017 \$'000 | At 31 March 2017 \$'000 |
|---|----|--------------------------------------|----------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 713,066 | 704,871 |
| Land use rights | | 32,437 | 32,982 |
| Interests in joint venture | | 38,916 | 16,840 |
| Deposits and prepayments | | 292 | 22,284 |
| | | 784,711 | 776,977 |
| Current assets | | | |
| Inventories | | 5,322 | 4,550 |
| Trade and bills receivables | 10 | 29,665 | 41,657 |
| Other receivables, deposits and prepayments | | 19,039 | 23,742 |
| Amount due from a related company | | 12 | 12 |
| Amount due from joint venture | | 12,207 | 14,682 |
| Taxation recoverable | | 2,976 | 2,976 |
| Restricted and pledged bank deposits | | 355 | 17,876 |
| Bank deposits and cash | | 219,045 | 219,102 |
| | | 288,621 | 324,597 |
| Current liabilities | | | |
| Trade payables | 11 | 5,326 | 8,655 |
| Other payables and accruals | | 18,016 | 18,439 |
| Amount due to a related company | | 10 | 10 |
| | | 23,352 | 27,104 |
| Net current assets | | 265,269 | 297,493 |
| NET ASSETS | | 1,049,980 | 1,074,470 |





CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2017 - UNAUDITED
(Expressed in Hong Kong dollars)

| | | At | At |
|-----------------------------|-------------|---------------------|-----------|
| | | 30 September | 31 March |
| | | 2017 | 2017 |
| | <i>Note</i> | \$'000 | \$'000 |
| CAPITAL AND RESERVES | | | |
| Share capital | 12 | 482,234 | 482,234 |
| Reserves | | 567,746 | 592,236 |
| TOTAL EQUITY | | 1,049,980 | 1,074,470 |

The notes on pages 22 to 34 form part of this interim financial report.





CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 - UNAUDITED

(Expressed in Hong Kong dollars)

| | | Attributable to equity shareholders of the Company | | | | | | | |
|---|-------|--|---------------|-----------------|-----------------------------|--------------------|-----------|---------------------------|--------------|
| | | Share capital | Share premium | Capital reserve | Share-based capital reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | Note | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 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 the six months ended 30 September 2016: | | | | | | | | | |
| Loss and total comprehensive income for the period | | - | - | - | - | (28,005) | (28,005) | (5) | (28,010) |
| Equity settled share-based transactions | 12(c) | - | - | - | 413 | - | 413 | - | 413 |
| Waiver of amount due to non-controlling interests | | - | - | - | - | - | - | 1,100 | 1,100 |
| Acquisition of additional interest in a subsidiary from non-controlling interests | | - | - | - | - | (2,323) | (2,323) | 2,323 | - |
| Balance at 30 September 2016 and 1 October 2016 | | 482,234 | 3,092,881 | (964,044) | 413 | (1,486,685) | 1,124,799 | - | 1,124,799 |
| Changes in equity for the six months ended 31 March 2017: | | | | | | | | | |
| Loss and total comprehensive income for the period | | - | - | - | - | (53,196) | (53,196) | - | (53,196) |
| Equity settled share-based transactions | | - | - | - | 2,867 | - | 2,867 | - | 2,867 |
| Balance at 31 March 2017 | | 482,234 | 3,092,881 | (964,044) | 3,280 | (1,539,881) | 1,074,470 | - | 1,074,470 |
| Balance at 1 April 2017 | | 482,234 | 3,092,881 | (964,044) | 3,280 | (1,539,881) | 1,074,470 | - | 1,074,470 |
| Changes in equity for the six months ended 30 September 2017: | | | | | | | | | |
| Loss and total comprehensive income for the period | | - | - | - | - | (27,065) | (27,065) | - | (27,065) |
| Equity settled share-based transactions | 12(c) | - | - | - | 2,575 | - | 2,575 | - | 2,575 |
| Balance at 30 September 2017 | | 482,234 | 3,092,881 | (964,044) | 5,855 | (1,566,946) | 1,049,980 | - | 1,049,980 |

The notes on pages 22 to 34 form part of this interim financial report.





CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 - UNAUDITED
(Expressed in Hong Kong dollars)

| | Six months ended | |
|---|-------------------------|----------|
| | 30 September | |
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Operating activities | | |
| Cash generated from/(used in) operations | 3,974 | (9,506) |
| Net cash generated from/(used in) operating activities | 3,974 | (9,506) |
| Investing activities | | |
| Purchase of property, plant and equipment | (3,837) | (10,066) |
| Prepayments for purchase of property, plant and equipment | – | (11,914) |
| Proceeds from disposal of property, plant and equipment | 117 | 3,168 |
| Purchase of land use right | – | (1,644) |
| Increase in amount due from joint venture | (19,164) | (1,281) |
| Interest received | 1,332 | 1,485 |
| Net cash used in investing activities | (21,552) | (20,252) |
| Financing activities | | |
| Decrease in restricted and pledged bank deposits | 17,521 | 401 |
| Net cash generated from financing activities | 17,521 | 401 |
| Net decrease in cash and cash equivalents | (57) | (29,357) |
| Cash and cash equivalents at the beginning of the period | 219,102 | 288,212 |
| Cash and cash equivalents at the end of the period | 219,045 | 258,855 |

The notes on pages 22 to 34 form part of this interim financial report.





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General information

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

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

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, promulgated by the International Accounting Standards Board (“IASB”). It was authorised for issue on 23 November 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Basis of preparation (continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standards on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the International Auditing and Assurance Standards Board. KPMG’s independent review report to the Board of Directors is included on pages 35 to 36.

The financial information relating to the financial year ended 31 March 2017 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

3 Change in accounting policies

The IASB has issued several 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 in this interim financial report.

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

4 Financial risk management

Financial risk factors

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

The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2017. There have been no changes in the risk management policies since 31 March 2017.

Fair value measurement

At 30 September 2017, the fair values of financial assets and liabilities approximate their carrying amounts.





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Segment information

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

- Recovered paper and materials: sales of recovered paper and materials
- Tissue paper products: sales 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 People's Republic of China 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:

| | Six months ended | |
|--|-------------------------|---------|
| | 30 September | |
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Sales of recovered paper and materials | 87,216 | 92,305 |
| Sales of tissue paper products | 304 | 2,270 |
| Provision of CMDS | 9,751 | 9,435 |
| Provision of logistics services | 104 | 155 |
| | 97,375 | 104,165 |

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





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Segment information (continued)

The segment results and other segment items included in the loss for the six months ended 30 September 2017 are as follows:

| | Six months ended 30 September 2017 | | | | |
|---|---|---|------------------------|--|-------------------------|
| | Recovered paper and materials \$'000 | Tissue paper products \$'000 | CMDS \$'000 | Logistics services \$'000 | Total \$'000 |
| <i>Segment revenue:</i> | | | | | |
| Sales to external customers | 87,216 | 304 | 9,751 | 104 | 97,375 |
| Inter-segment sales | – | – | – | 10,558 | 10,558 |
| Reportable segment revenue | 87,216 | 304 | 9,751 | 10,662 | 107,933 |
| Elimination of inter-segment revenue | – | – | – | (10,558) | (10,558) |
| | 87,216 | 304 | 9,751 | 104 | 97,375 |
| <i>Segment results:</i> | | | | | |
| Reportable segment profit/(loss) | 15,258 | (137) | 6,207 | 1,662 | 22,990 |
| Elimination of inter-segment profits | | | | | (4,353) |
| Reportable segment profit derived from the Group's external customers | | | | | 18,637 |
| Unallocated operating costs | | | | | (47,471) |
| Finance income | | | | | 4,693 |
| Share of loss of joint venture | | | | | (2,924) |
| Loss for the period | | | | | (27,065) |





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Segment information (continued)

The segment results and other segment items included in the loss for the six months ended 30 September 2016 are as follows:

| | Six months ended 30 September 2016 | | | | |
|---|--|---------------------------------------|----------------|---------------------------------|-----------------|
| | Recovered paper and materials \$'000 | Tissue paper products \$'000 | CMD5 \$'000 | Logistics services \$'000 | Total \$'000 |
| <i>Segment revenue:</i> | | | | | |
| Sales to external customers | 92,305 | 2,270 | 9,435 | 155 | 104,165 |
| Inter-segment sales | – | – | – | 10,991 | 10,991 |
| Reportable segment revenue | 92,305 | 2,270 | 9,435 | 11,146 | 115,156 |
| Elimination of inter-segment revenue | – | – | – | (10,991) | (10,991) |
| | 92,305 | 2,270 | 9,435 | 155 | 104,165 |
| <i>Segment results:</i> | | | | | |
| Reportable segment profit | 15,467 | 198 | 5,291 | 1,697 | 22,653 |
| Elimination of inter-segment profits | | | | | (4,505) |
| Reportable segment profit derived from the Group's external customers | | | | | 18,148 |
| Unallocated operating costs | | | | | (46,797) |
| Finance income | | | | | 2,650 |
| Share of loss of joint venture | | | | | (2,011) |
| Loss for the period | | | | | (28,010) |





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Loss before taxation

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

| | Six months ended | |
|---|------------------|---------|
| | 30 September | |
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| (a) Finance income | | |
| Interest income from bank deposits | (1,332) | (1,301) |
| Interest income from loans to joint venture | (1,937) | (1,165) |
| Financial guarantee income from joint venture | (1,424) | – |
| Finance lease income | – | (123) |
| Others | – | (61) |
| | (4,693) | (2,650) |
| (b) Other items | | |
| Cost of inventories sold | 56,087 | 63,217 |
| Amortisation of land use rights | 545 | 519 |
| Depreciation of property, plant and equipment | 17,331 | 17,049 |
| Reversal of impairment losses | | |
| – Trade and bills receivables (<i>note 10</i>) | (10) | (36) |
| Gain on disposal of property, plant and equipment | (23) | (880) |
| Write off of property, plant and equipment | 209 | 307 |
| Operating lease charges in respect of land and buildings | 3,058 | 4,868 |
| Equity settled share-based payment expenses (<i>note 12(c)</i>) | 2,575 | 413 |
| Foreign exchange (gain)/loss, net | (1,607) | 1,869 |





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Income tax

No provision for Hong Kong Profits Tax for the six months ended 30 September 2017 and 30 September 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 period or the subsidiaries have no estimated assessable profits in Hong Kong.

8 Loss per share

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to equity shareholders of the Company of \$27,065,000 (six months ended 30 September 2016: \$28,005,000) and the weighted average of 4,822,334,000 (2016: 4,822,334,000) ordinary shares in issue during the interim period.

(b) Diluted loss per share

No adjustment had been made to the basic loss per share presented for the six months ended 30 September 2017 and 30 September 2016 in respect of a dilution as the outstanding share options had an anti-dilutive effect on the basic loss per share presented.

9 Property, plant and equipment

During the six months ended 30 September 2017, the Group acquired items of property, plant and equipment with aggregate costs of \$25,829,000 (2016: \$10,297,000).





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

10 Trade and bills receivables

| | At | At |
|-----------------------------|---------------------|----------|
| | 30 September | 31 March |
| | 2017 | 2017 |
| | \$'000 | \$'000 |
| Trade and bills receivables | 33,878 | 50,215 |
| Less: Impairment loss | (4,213) | (8,558) |
| | 29,665 | 41,657 |

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

| | At | At |
|---------------|---------------------|----------|
| | 30 September | 31 March |
| | 2017 | 2017 |
| | \$'000 | \$'000 |
| 0 – 30 days | 26,250 | 39,471 |
| 31 – 60 days | 2,297 | 499 |
| 61 – 90 days | 150 | 435 |
| 91 – 120 days | 175 | 289 |
| Over 120 days | 793 | 963 |
| | 29,665 | 41,657 |

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





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

11 Trade payables

| | At | At |
|----------------|---------------------|----------|
| | 30 September | 31 March |
| | 2017 | 2017 |
| | \$'000 | \$'000 |
| Trade payables | 5,326 | 8,655 |

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

| | At | At |
|---------------|---------------------|----------|
| | 30 September | 31 March |
| | 2017 | 2017 |
| | \$'000 | \$'000 |
| Current | 2,077 | 3,681 |
| 1 – 30 days | 454 | 2,133 |
| 31 – 60 days | 28 | 18 |
| 61 – 90 days | 16 | 12 |
| 91 – 120 days | 13 | 24 |
| Over 120 days | 2,738 | 2,787 |
| | 5,326 | 8,655 |

12 Share capital and reserves

(a) Authorised share capital of the Company

| | At | At |
|--|---------------------|----------|
| | 30 September | 31 March |
| | 2017 | 2017 |
| | \$'000 | \$'000 |
| Authorised: | | |
| 5,000,000,000 ordinary shares of \$0.10 each | 500,000 | 500,000 |





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Share capital and reserves (continued)

(b) Issued share capital of the Company

| | Number of ordinary shares | Amount |
|---|--------------------------------------|---------------|
| | '000 | \$'000 |
| Issued and fully paid: | | |
| At 1 April 2016, 31 March 2017, 1 April 2017 and 30 September 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 sheet for the five business days immediately preceding the date on which such offer is made; and
- the nominal value of a share of the Company.

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





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Share capital and reserves (continued)

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

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

| Date of grant | Initial exercise price | Exercisable period | Number of share options | | | Remaining contractual life |
|--------------------|------------------------|--------------------------------------|-----------------------------|------------------------------------|----------------------------------|----------------------------|
| | | | Outstanding at 1 April 2017 | Cancelled/lapsed during the period | Outstanding at 30 September 2017 | |
| | \$ | | '000 | '000 | '000 | |
| Directors | | | | | | |
| - 7 September 2016 | 0.128 | 7 September 2017 to 6 September 2022 | 112,800 | - | 112,800 | 4.9 years |
| Employees | | | | | | |
| - 7 September 2016 | 0.128 | 7 September 2017 to 6 September 2022 | 22,900 | (2,550) | 20,350 | 4.9 years |
| | | | <u>135,700</u> | <u>(2,550)</u> | <u>133,150</u> | |

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

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





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Share capital and reserves (continued)

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

Share option expenses charged to the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2017 are determined using the binomial lattice model based on the following assumptions:

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

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

The Group recognised expense of \$2,575,000 (2016: \$413,000) related to equity settled share-based payment transactions during the six months ended 30 September 2017.

(d) Dividends

No dividends had been paid or declared by the Company for the six months ended 30 September 2017 (2016: Nil).





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Capital commitments

| | At 30 September 2017 \$'000 | At 31 March 2017 \$'000 |
|--|--------------------------------------|----------------------------------|
| Contracted but not provided for | | |
| – Property, plant and equipment | 116 | 2,409 |

14 Claims against former directors and employees

At 30 September 2017, the Group has lodged certain claims against its former directors and employees. The outcome of these claims and the recovery of loss and damages from these claims cannot yet be reliably estimated.

15 Material related party transactions

Transactions with related parties

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

| | Six months ended 30 September | |
|--|-------------------------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Financial guarantee income received from joint venture | 1,424 | – |
| Interest income received from joint venture | 1,937 | 1,165 |
| Logistics service income received from joint venture | 104 | 144 |

16 Approval of interim financial report

The interim financial report was approved by the Board on 23 November 2017.





INDEPENDENT AUDITOR'S REVIEW REPORT



**Review report to the Board of Directors of
Integrated Waste Solutions Group Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 17 to 34 which comprises the consolidated statement of financial position of Integrated Waste Solutions Group Holdings Limited as of 30 September 2017 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the International Accounting Standards Board. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.





INDEPENDENT AUDITOR'S REVIEW REPORT

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

23 November 2017





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



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