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

Annual Report 年報
2018

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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
Mr. Chan Ting Bond, Michael

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
Mr. Chan Ting Bond, Michael

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
Mr. Chan Ting Bond, Michael

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
Mr. Chan Ting Bond, Michael

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

Bank of Communications Co., Ltd.
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

CHAIRMAN'S STATEMENT

Cheng Chi Ming, Brian
Chairman

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 2018.

The Group had been striving for a stable development during the year. Despite the impact from external factors which affected our business on recovered paper and tissue paper, new opportunities have been opened up, leading to a gradual shift of business focus to new areas including electronic wastes and plastic recycling. With our continuous input, the new businesses in solid waste management spheres began to bring contribution to the Group's revenue. We remain positive in sustaining growth of our business and are committed to delivering value to shareholders and stakeholders.

The stringent environmental policies reform of the People's Republic of China (the "PRC" or "China") has been the key external factor affecting the business environment of the recycling industry. The ban on unsorted waste paper imports caused direct reduction on paper exports in Hong Kong. Our recovered paper business has been facing inevitable difficulties in which more consolidation is in progress to accommodate the change. The highly competitive tissue paper market in Mainland China and Hong Kong raised its production cost, leading to our decision to cease the operation of tissue paper during the year.

CHAIRMAN'S STATEMENT

In spite of the unfavourable business environment, the Chinese environmental policies also bring impetus to our other solid waste management segments. With the ban on plastic scrap import, the Group benefitted from the growing demand for recycled plastic pellets, which marked a good start of this new line of business. Waste electrical and electronic equipment ("WEEE") management is another business with promising prospect. In conjunction with the producer responsibility scheme ("PRS") on WEEE coming into effect by the end of 2018, the WEEE treatment facility commenced operation in October 2017. Together with the steady growth of the confidential material destruction services ("CMDS") business owing to the growing importance of data privacy, the Group is gradually building capacity in maintaining a stable and healthy development with diversified source of revenue.

Looking ahead, with the new engine of our business has been setting in motion, we are poised to taking the business to the next level. Apart from adapting to policy changes and keeping the business on the right track, we are also eager to explore new opportunities brought by our new operations. We believe that our expertise and experience gained throughout the years have strengthened our capabilities in seizing such opportunities and forging success. As an integrated waste solutions provider, we respond to environmental policies of the PRC and Hong Kong through providing quality waste management solutions and services that suits the interests of the Group, stakeholders and the society.

The Group is committed not only to meeting shareholders' expectations but also to taking up its share of corporate responsibility. We do not limit ourselves in contributing to environmental protection through maintaining a reliable waste management services, we also engage with stakeholders on our environmental and social performances, supporting initiatives for waste reduction and recycling practices to be spread across the community.

On behalf of the Board, I would like to thank the management team for their strong dedication to the Company. I would also like to extend my appreciation to investors, shareholders, business partners and staff for their continuous support to the Group throughout the year.

Cheng Chi Ming, Brian
Chairman

Hong Kong, 27 June 2018

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Chief Executive Officer

Mr. Lam King Sang, aged 57, 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 53, 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 35, 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, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 659). He is also a non-executive director of Haitong International Securities Group Limited (stock code: 665), Wai Kee Holdings Limited (stock code: 610) and Leyou Technologies Holdings Limited (stock code: 1089), all of which are listed on the main board of the Stock Exchange. Mr. Cheng is a director of SUEZ NWS Limited (formerly known as Sino-French Holdings (Hong Kong) 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), Beijing Capital International Airport Company Limited (stock code: 694) and Tharisa plc. (whose shares and listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc.). 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 46, 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 (stock code: 158), and UMP Healthcare Holdings Limited (stock code: 722), a non-executive director of Greenheart Group Limited (stock code: 94) and i-Cable Communications Limited (Stock Code: 1097), all being companies listed on the main board of the Stock Exchange. He is also a director of Cheng Yu Tung Foundation Limited, Chow Tai Fook Enterprises Limited, Chow Tai Fook (Holding) Limited and Prestige Safe Limited, and the governor of Chow Tai Fook Charity Enterprises 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau Sai Cheong, aged 61, is a Non-executive Director 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).

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 62, 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 chairman and CEO 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 74, is an Independent Non-executive Director, chairman of the Remuneration Committee, 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), 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) and Combest Holdings Limited (stock code: 8190).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chow Shiu Wing, Joseph, aged 46, is an Independent Non-executive Director, chairman of the Nomination Committee, 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.

Mr. Wong Man Chung, Francis, aged 53, is an Independent Non-executive Director, chairman of the Audit Committee, 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), Hilong Holding Limited (stock code: 1623) and Qeeka Home (Cayman) Inc. (stock code: 1739); 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 non-executive chairman of Union Alpha C.P.A. Limited and a non-executive 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yeung Kwok Ki, Anthony, aged 73, 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 19 December 2013 to 24 January 2017, Mr. Yueng 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).

Mr. Chan Ting Bond, Michael, aged 37, 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 May 2018, Mr. Chan is currently serving as general manager, strategy and operations in Zung Fu Group (a member of Jardine Matheson Group). He possesses extensive multi-industry experience in corporate strategy and planning, sales operation management, business development, corporate finance and change management. Mr. Chan commenced his career with PricewaterhouseCoopers in Sydney, Australia as a senior associate from February 2000 to February 2006, and then relocated to Hong Kong and joined KPMG as a manager from March 2006 to August 2007. He later joined Ping An of China Asset Management (Hong Kong) Company Limited servicing as vice president in Global Business Development from August 2007 to March 2011. Joined Jardine Matheson Group in June 2011, Mr. Chan first served as the corporate finance manager in Jardine Cycle & Carriage Limited in Singapore, followed by his appointment as the corporate planning director in Dairy Farm Group from January 2012 to March 2014 until his current appointment at Zung Fu Group in April 2014. Mr. Chan is currently an independent non-executive director and the chairman of the audit committee of Luk Hing Entertainment Group Holdings Limited (stock code: 8052), a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Chan is a chartered financial analyst of the CFA Institute and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Chartered Accountants Australia and New Zealand. In addition, he is qualified as a member of the Chartered Alternative Investment Analyst Association and a financial risk manager of the Global Association of Risk Professionals. Mr. Chan obtained his Executive Master of Business Administration from the Kellogg School of Management of Northwestern University, the United States and the Hong Kong University of Science and Technology and holds a bachelor's degree of commerce (majoring in accounting and finance) from the University of New South Wales.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

Integrated Waste Solutions Group Holdings Limited 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, plastic, 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 plastic pellets, which are sorted, packed and exported to the PRC or overseas.

We are committed to maintaining stable and efficient services, managing and developing our business in a professional manner. Recognizing the importance of our business in becoming part of the solutions 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

In Hong Kong, over 15,000 tonnes of waste are disposed to the landfills each day and over 67% of them are solid wastes in 2016. Due to limited space, Hong Kong has few options on waste management but to start taking action in reducing and recycling waste. However, the recycling rate remained as low as 34%. With new legislation by the Hong Kong government on municipal waste management, including the producer responsibility schemes ("PRS") implemented for plastic bags, glass beverage containers and waste electrical and electronic equipment ("WEEE"), the market landscape has started to undergo radical changes.

One of the biggest impacts on Hong Kong recycling market is from the tightened control on waste imports by the PRC, with new regulations announced in mid-2017 and effective from the beginning of 2018. The ban on unsorted scrap paper led to accumulation of paper wastes in Hong Kong. Such measures have been extended to other wastes such as plastic and garment, pressurizing the necessity to develop a local waste management services to treat the increasing amount of waste disposal. The Group's waste management operations, covering paper and WEEE etc., are part of the solutions in solving the issue of municipal waste in the long term.

FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the year ended 31 March 2018 ("FY2018") amounted to HK$81.0 million, an improvement of HK$0.2 million when compared to the net loss of HK$81.2 million for the year ended 31 March 2017 ("FY2017").

	FY2018	FY2017	Fav./(Unfav.) Change	
	HK$'000	HK$'000	HK$'000	%
Results of Operating Segments	**(14,639)**	(24,005)	**9,366**	**39.0%**
Net Corporate expenses	**(37,958)**	(42,014)	**4,056**	**9.7%**
	(52,597)	(66,019)	**13,422**	**20.3%**
Share of results of joint venture	**(28,368)**	(2,309)	**(26,059)**	**(1,128.6%)**
Non-operating items:				
Impairment loss of property, plant and equipment	**–**	(12,873)	**12,873**	**100.0%**
Loss attributable to equity shareholders of the Company	**(80,965)**	(81,201)	**236**	**0.3%**

The results of the operating segments of the Group has improved with a decrease in loss of HK$9.4 million or 39.0% when compared to FY2017 while the net corporate expenses has reduced by HK$4.1 million or 9.7%. The Group's 25% investment in the Waste Electronic and Electrical Equipment ("WEEE") project commenced its commercial operation in October 2017 and a share of loss of the WEEE project of HK$28.4 million was recognised during its construction stage and initial stage of operation.

Performance of Business Segments

Revenue Analysis	FY2018	FY2017	Fav./(Unfav.) Change	
	HK$'000	HK$'000	HK$'000	%
Sales of recovered paper	**148,386**	181,979	**(33,593)**	**(18.5%)**
CMDS service income	**18,508**	18,491	**17**	**0.1%**
Sales of recycled plastic pellets	**7,461**	795	**6,666**	**838.5%**
Sales of tissue paper products	**410**	3,606	**(3,196)**	**(88.6%)**
Logistics service income	**164**	272	**(108)**	**(39.7%)**
Sales of other waste materials	**532**	1,797	**(1,265)**	**(70.4%)**
	175,461	206,940	**(31,479)**	**(15.2%)**

The revenue of **Recovered Paper** has reduced to approximately HK$148.4 million, a drop of approximately HK$33.6 million or 18.5% when compared to FY2017. The sales volume decreased by 30.4%. The industry has been largely affected by environmental policy reforms of the PRC. The ban on unsorted waste paper import, that took effect in 1 January 2018, implied a more stringent quality requirement on waste paper. This directly caused the drop of trade volume of Hong Kong waste paper to the PRC. The waste paper import quota imposed on factories in Mainland China further affected the sales of recovered paper. The average selling price per ton has increased by 17.2% due to the shortage of supply of recovered paper on a period-on-period basis but the gross profit of recovered paper trading has decreased by 13.2% from HK$31.9 million to HK$27.7 million due to reduction in trade volume. With a rather difficult outlook in this segment, the Group is looking for ways in adapting to the changing external environment.

On the other hand, sales on recovered office paper generated from our CMDS services have recorded an increase of 33.2%. Due to the difference in usage of office paper as compared to other types of recovered paper, the price and export volume of office paper has not been affected by the environmental regulations of the PRC. Moreover, the Group has also expanded in the Southeast Asian market where the demand for office paper remains robust, bringing a significant increment in sales.

Confidential Material Destruction Services ("CMDS") service income increased by 0.1% to HK$18.5 million. The growing awareness and concern on data privacy and intellectual property rights is the main attribution for a stable performance on CMDS. We collect and destroy confidential materials from government authorities, financial and professional institutions and private corporations in Hong Kong. Confidential materials that we destroy include confidential documents; branded products; counterfeit and storage media such as computer hard disks, credit cards, mobile SIM cards, etc. We expect a stable growth of contribution from this segment in the long term.

MANAGEMENT DISCUSSION AND ANALYSIS

Plastic Recycling is our new solid waste recycling business which came into operation in October 2017. Plastic waste are recycled and processed 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. The ban imposed by the PRC government on unprocessed plastic scrap has a positive impact on our business. The demand for processed plastic pellets is on a significant rise, pushing our production to reaching its full capacity. We believe that the plastic segment has potential in expanding and thus bringing a positive contribution to our revenue, as the Group is seeking to increase production efficiency to accommodate the surging demand.

The sales revenue of **Tissue Paper Products** dropped by HK$3.2 million or 88.6% to HK$0.4 million. The Group had been facing a highly competitive environment at the tissue paper business. The fierce competition of paper processing in the PRC led to the elimination of small manufacturers, bringing up the cost of materials imports including wood pulp. Sales volume and profit margin had been declining. As a local manufacturer, it had become unrealistic to compete against international paper manufacturers who gains larger market share with greater resources for product innovation and marketing. Given the limited production capacity and upsurge production cost, 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.

The joint venture with ALBA Group operating in recycling of **waste electrical and electronic equipment ("WEEE")** has become operational in October 2017. The full year operating results of this joint venture will be reflected in the report of the next financial year, and the processing volume of WEEE is expected to rise. Under the producer responsibility scheme on waste electrical and electronic equipment, the Waste Disposal Ordinance and other relevant regulations proposed by the Hong Kong government are scheduled to become effective by the end of 2018. The prospect of the WEEE operation remain dependent on the legislation procedure and actual implementation of the regulations.

Gross Profit

The Gross Profit percentage of the Group for FY2018 has reduced slightly from 18.3% to 17.7% when compared to FY2017. The recent tightening of import regulations imposed by the PRC had negatively impacted on gross profit margin.

Selling, Distribution and Administrative Expenses

Selling, distribution and administrative expenses amounted to a total of HK$97.4 million, representing a reduction of HK$15.7 million when compared to FY2017. The reduction in these expenditures was due to the continuous 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 increased slightly by approximately HK$0.7 million to HK$51.4 million when compared to HK$50.7 million of FY2017.

Liquidity and Financial Resources

The Group recognizes 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. The Group will explore all possible financing options when necessary.

As at 31 March 2018, the Group had unrestricted bank deposits and cash of approximately HK$218.9 million (2017: HK$219.1 million). The Group had no bank loans and overdrafts as at 31 March 2018 (2017: Nil).

As at 31 March 2018, the Group had net current assets of approximately HK$270.4 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 11.8 as at 31 March 2018 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 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 2018, the Group recorded a net foreign exchange gain of HK$4.6 million (2017: loss of HK$3.1 million) as a result of the appreciation 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$20.5 million for the purchase of new machineries for its business operations in the headquarter of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2018, the Group has capital commitments of HK$0.1 million, which are mainly related to I.T. infrastructure development of the headquarters.

Pledge of Assets

As at 31 March 2018, the Group had restricted bank deposits amounted to HK$0.2 million (2017: HK$17.9 million) which were pledged with banks for issuing guarantees to suppliers to secure supply.

Contingent Liabilities

At 31 March 2018, the Group has, upon legal advice, lodged certain claims against its former director and employee and the outcomes of which remain to be seen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Striving to be one of the key players in resolving the mounting municipal solid waste issue in Hong Kong, the Group is committed to achieving this in a sustainable way, i.e. by gradually embedding environmental, social and governance ("ESG") considerations into our strategic decision making. During the process, we aim to involve our key stakeholder groups including customers, employees, investors, government agencies, suppliers, environmental NGOs, etc. In addition to ongoing communication, the Group commenced an engagement exercise during the year, hoping to learn more about their concern and feedback on our ESG initiatives including resources conservation, emissions reduction, health and safety, community involvement, etc.

Led by relevant department heads who report to the Board of Directors for consideration and decision-making, the Group's ESG functions and sustainability practices have been optimized in conjunction with its business growth. While detailed ESG performances will be published in our ESG Report in August 2018 on the websites of the Company and the Stock Exchange, in compliance with 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"), this section explains the Group's environmental policy and the relationships with its key stakeholder groups.

Environmental Policy and Compliance

Diesel and electricity are the two main energy types we consumed. Committing to environmental sustainability, the Group implements ongoing initiatives to conserve energy consumption by adhering to our environmental management system certified by ISO 14001:2004 standard. All our vehicles are equipped with GPS tracking system to ensure optimal performance, aiming to manage the diesel consumption as much as possible by planning routes strategically.

For our plastic recycling operation, we adopt thermal insulation on metallic parts of the heating area of the pelletizers to reduce heat loss, thereby saving power. We also ensure all heating devices are controlled precisely for maintaining the required temperature to help reduce unnecessary energy consumption. As our business continues to expand, such initiatives are reviewed regularly at management review meetings to maintain their validity and effectiveness.

Strictly complying with all relevant local environmental laws and regulations during the year, we were not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to environmental laws and regulations.

The Group highly values the importance of ensuring compliance with applicable legal and regulatory requirements and has been keeping abreast of the latest regulatory changes in Hong Kong and the Mainland China regarding waste management, as well as other environmental laws. It is critical for us to fully grasp the implications of any regulatory changes. The failure of which may adversely affect the Group's reputation, operations and financial performance.

Engagement with Stakeholders

The Group strives to continually maintain close relationship with its stakeholders and responds to their key concerns through ESG reporting. We engage with our key stakeholder groups on an ongoing basis and through a variety of platforms. In addition to existing communication channels such as meetings and publications, we commissioned an independent third-party consultant to conduct telephone interviews and online survey with both internal and external stakeholders, collecting their views on the Group's businesses towards sustainability. We will continue to broaden our engagement with key stakeholders and respond to their expectations by identifying and managing material sustainability topics.

Employees

The Group maintains effective communication channels between employees and the management on employment matters. As of 31 March 2018, the Group had a workforce of 178 employees. Employee costs, including directors' emoluments, amounted to HK$65.9 million for FY2018 (FY2017: HK$69.1 million). Adhering to the people-oriented management principle, we treat our employees with courtesy and respect, ensuring equal opportunities on recruiting and appraisal procedures based on meritocracy and prohibiting any forms of discrimination.

The Group puts occupational health and safety of our employees on top priority. In addition to complying with all relevant laws and regulations on occupational safety, the Group has established a Safety Management Committee which scrutinizes the implementation of our Occupational Safety and Health Policy and facilitates communication within the Group on safety issues. Our safety management system has laid out potential risks, safety rules and emergency plans in preventing accidents.

The Group encourages our employees to improve their skills by allocating resources on offering 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 strengthen the overall competitiveness of Group.

Customers

As one of the most trusted enterprises by our customers and the public, the Group maintains regular communications with customers and takes necessary improvement measures after collecting their feedbacks. If there is a customer complaint, follow-up actions are undertaken by the management to ensure that the relevant non-conformities will not recur and to document the implementation and effectiveness of the corrective actions. For CMDS, a destruction witnessing suite is available for customers who wish to oversee the destruction process. Upon the completion of the destruction work, we issue barcode collection reports and photographic reports to our customers within one week.

Suppliers

The Group strives to maintain stable relationships with key suppliers, working together towards sustainability in our operations. We follow a set of assessment procedures to evaluate and select suppliers and contractors in accordance with the ability to meet the specified requirements, including price, product quality, inquiry response, on-time delivery, environmental performance and specific quality assurance requirements. Environment-friendly suppliers and contractors are given priority. Subject to evaluation from regular audits, meetings and other means of engagement, all unqualified suppliers and contractors are excluded from the list of approved suppliers and contractors.

Community

The Group is committed to bearing its fair share of social responsibility. In conjunction with our core business of managing municipal solid waste, we are devoted to educating the public about the importance of recycling. The Group's Environmental Education Centre is opened for visits by community groups, contributing to implement the concept of "Reduce, Reuse and Recycle" and transform our community into a more sustainable living environment.

PROSPECTS

The Group will continue to operate diligently and seek for opportunities to develop its business segments, working towards a turnaround. Although the prospects of some segments depend on the environmental policies, laws and regulations of the PRC and Hong Kong, we strive to grasp the opportunities brought by these policy changes in strengthening our existing and new businesses, diversifying sources of revenue and forging sustainable growth. As we advance through our learning curve, we believe that our investments to new solid waste management spheres will eventually bring sustainable returns for our shareholders and investors.

Looking forward, the Group will pursue stable development, maintaining existing business of recovered paper and CMDS. As for the new segments of plastic waste and WEEE, which had a good starting point this year, the Group will continue to maintain this momentum, exploring opportunities to enhance our capabilities and production efficiencies, building up our reputation and market share in these business segments. With our devotion and professionalism, we are confident that we will be able to deliver high quality waste management solutions and services to the Hong Kong communities.

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 2018.

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 27(b) to the financial statements.

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

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2018 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 10 to 18 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 financial statements.

To the best knowledge of the Board, throughout the financial year ended 31 March 2018, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business, and more disclosures in this respect are provided in the Management Discussion and Analysis of this Annual Report.

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 10 to 18 and also the Environmental, Social and Governance Report 2018 ("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 2018.

Disclosures relating to the relationships with employees, customers and suppliers are included in the Management Discussion and Analysis of this Annual Report on pages 10 to 18. 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 2018.

The above discussion forms part of this 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 57.

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2018 (2017: 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 60 and in note 23(a) to the financial statements respectively.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$80,000 (2017: HK$Nil).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution comprise the share premium account less accumulated losses. As at 31 March 2018, the reserves of the Company available for distribution to the shareholders of the Company (the "Shareholders") amounted to approximately HK$1,098,145,000 (2017: HK$1,097,107,000).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 August 2018 to Monday, 27 August 2018, 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 2018 annual general meeting of the Company (the "2018 AGM") to be held on Monday, 27 August 2018, all completed transfer documents, accompanied by the 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 Tuesday, 21 August 2018.

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 120.

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 2018.

DIRECTORS

The Directors since 1 April 2017 to the date of this report were:

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
Mr. Chan Ting Bond, Michael *(Appointed on 1 May 2018)*

Pursuant to Article 108 of the Articles of Association, Messrs. Cheng Chi Ming, Brian, To Chun Wai, Nguyen Van Tu, Peter and Yeung Kwok Ki, Anthony shall retire by rotation at the 2018 AGM. Further, Mr. Chan Ting Bond, Michael, who was newly appointed by the Board on 1 May 2018, will also retire from his office as Director in accordance with Article 112 of the Articles of Association. Mr. To Chun Wai, Non-executive Director, Mr. Nguyen Van Tu, Peter and Mr. Yeung Kwok Ki, Anthony, both being Independent Non-executive Directors, have informed the Company that they will not be seeking re-election at the 2018 AGM and will therefore retire at the conclusion of the 2018 AGM. All the other retiring Directors including Mr. Cheng Chi Ming, Brian and Mr. Chan Ting Bond, Michael, being eligible, offer themselves for re-election at the 2018 AGM.

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 2018, 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 9.

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 2017/18 Interim Report are set out below:

Executive Director's Emoluments

With effect from 1 January 2018, the annual salaries of Mr. Lam King Sang and Mr. Tam Sui Kin, Chris have been adjusted to HK$2,346,240 each. Their annual director's fees remained unchanged at HK$360,000 each.

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

Mr. Cheng resigned as a non-executive director of Beijing Capital International Airport Company Limited (stock code: 694) on 2 February 2018. He has also retired as a non-executive director of Tharisa plc. (shares of which are listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc.).

Mr. Lau Sai Cheong (Non-executive Director)

The Company has renewed the letter of appointment as a Non-executive Director with Mr. Lau for a term of three years from 9 March 2018. Pursuant to the letter of appointment, Mr. Lau is entitled to an annual director's fee of HK$360,000 which was determined with reference to his time commitment and responsibilities as well as the prevailing market conditions, and is subject to review by the Remuneration Committee of the Company from time to time.

Mr. Nguyen Van Tu, Peter (Independent Non-executive Director)

Mr. Nguyen resigned as an independent non-executive director of Combest Holdings Limited (stock code: 8190) on 12 February 2018.

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

Mr. Wong was appointed as an independent non-executive director of Qeeka Home (Cayman) Inc. (stock code: 1739), securities of which commenced listing on the Stock Exchange on 12 July 2018.

REMUNERATION POLICY

During the year ended 31 March 2018, 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 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.

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

As at 31 March 2018, 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.

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 2018 were as follows:

				Number of share options					
Name of Directors	Date of grant	Exercisable period	Exercise Price per Share HK$	Outstanding as at 01.04.2017	Granted and accepted	Exercised	Cancelled/ Lapsed	Outstanding as at 31.03.2018	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	0.12%
	13.09.2016	13.09.2016 - 12.09.2021	0.78	3,000,000	–	–	–	3,000,000	0.18%
								5,000,000	0.30%
Nguyen Van Tu, Peter	17.07.2015	17.07.2015 – 16.07.2020	1.23	1,000,000	–	–	–	1,000,000	0.06%
	13.09.2016	13.09.2016 - 12.09.2021	0.78	1,000,000	–	–	–	1,000,000	0.06%
								2,000,000	0.12%
Wong Man Chung, Francis	17.07.2015	17.07.2015 – 16.07.2020	1.23	1,000,000	–	–	–	1,000,000	0.06%
	13.09.2016	13.09.2016 - 12.09.2021	0.78	1,000,000	–	–	–	1,000,000	0.06%
								2,000,000	0.12%

Save as disclosed above, as at 31 March 2018, 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.

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 and details of which as at 31 March 2018 were as follows:

				Number of share options				
Name of Directors	Date of grant	Exercisable period	Exercise price per Share HK$	Outstanding as at 01.04.2017	Granted and accepted	Exercised	Cancelled/ Lapsed	Outstanding as at 31.03.2018	Approximate percentage of shareholding
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%
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 financial statements about the Share Option Scheme, at no time during the year or at the end of the financial year ended 31 March 2018 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:

- 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.

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 total number of Shares remains available for issue under the Share Option Scheme is 13,961,329 Shares which represent approximately 0.29% 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 financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2018, 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)	56.86%
Cheng Yu Tung Family (Holdings II) Limited	1	Interest in controlled corporations	2,742,514,028(L)	56.86%
Chow Tai Fook Capital Limited	1	Interest in controlled corporations	2,742,514,028(L)	56.86%
Chow Tai Fook (Holding) Limited	2	Interest in controlled corporations	2,742,514,028(L)	56.86%
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%

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

Notes:

1. As at 31 March 2018, 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. Based on historical record kept by the Company and taken into account the new Shares issued pursuant to the open offer undertaken by the Company in October 2014, Mr. Leung Kai Kuen was deemed to be interested in the 785,100,000 Shares which were held by City Legend International Limited ("City Legend"). Mr. Leung Kai Kuen was adjudicated bankrupt by an order of the Court dated 12 October 2016 and his property (including the shares of City Legend) was, as from the date of his bankruptcy, vested in the trustee-in-bankruptcy of Mr. Leung Kai Kuen. As a result of the bankruptcy of Mr. Leung Kai Kuen, Mr. Leung Kai Kuen was no longer deemed to be interested in the 785,100,000 Shares which were held by City Legend.

Save as disclosed above, as at 31 March 2018, 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 2018 are set out in note 26 to the financial statements.

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

ALBA Integrated Waste Solutions (Hong Kong) Limited ("ALBA IWS") is indirectly owned as to 25% by the Company and 75% by independent third parties. The related party transactions between the Group and ALBA IWS, a joint venture, (as disclosed in note 26 to the financial statements) did not constitute connected transactions under Chapter 14A of the Listing Rules.

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	5%
– five largest suppliers in aggregate	23%

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

– the largest customer	21%
– five largest customers in aggregate	55%

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.

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 2018. 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 five 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 2018.

AUDITOR

The consolidated financial statements for the year ended 31 March 2018 have been audited by KPMG, which will retire and, being eligible, offer itself for re-appointment at the 2018 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 2018 AGM.

On behalf of the Board

Cheng Chi Ming, Brian
Chairman
Hong Kong, 27 June 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

Throughout the financial year ended 31 March 2018 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, established various policies focusing, in particular, on risk management, internal communication, and internal control mechanisms. These policies, 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 and 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.

The Board currently comprises eleven directors, including two executive Directors, four non-executive Directors and five 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
Mr. Chan Ting Bond, Michael *(Appointed on 1 May 2018)*

BOARD COMPOSITION

The following chart illustrates the current structure and membership of the Board as well as the standing Board committees:

	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
Mr. Chan Ting Bond, Michael		Member	Member	Member

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.

DIRECTORS' APPOINTMENT AND DIRECTORS' RE-ELECTION

During the year ended 31 March 2018, 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, Messrs. Cheng Chi Ming, Brian, To Chun Wai, Nguyen Van Tu, Peter and Yeung Kwok Ki, Anthony shall retire from their office as Director by rotation at the 2018 AGM. Further, Mr. Chan Ting Bond, Michael, who was newly appointed by the Board on 1 May 2018, will also retire from his office as Director in accordance with Article 112 of the Articles of Association. Mr. To Chun Wai, non-executive Director, Mr. Nguyen Van Tu, Peter and Mr. Yeung Kwok Ki, Anthony, both being independent non-executive Directors, have informed the Company that they will not be seeking re-election at the 2018 AGM and will therefore retire at the conclusion of the 2018 AGM. All the other retiring Directors including Mr. Cheng Chi Ming, Brian and Mr. Chan Ting Bond, Michael, being eligible, offer themselves for re-election at the 2018 AGM. The Company's circular, sent together with this Annual Report, contains detailed information of the above retiring and re-electing 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.

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 Meeting**	**Nomination Committee Meeting**	**Annual General Meeting**
Executive Directors						
Mr. Lam King Sang	4/4	10/10	0/0	0/0	0/0	1/1
Mr. Tam Sui Kin, Chris	4/4	10/10	0/0	0/0	0/0	1/1
Non-executive Directors						
Mr. Cheng Chi Ming, Brian	4/4	0/0	1/3	0/0	0/0	1/1
Mr. Tsang On Yip, Patrick	4/4	0/0	3/3	1/1	1/1	1/1
Mr. Lau Sai Cheong	4/4	0/0	0/0	0/0	1/1	1/1
Mr. To Chun Wai	4/4	0/0	0/0	1/1	0/0	1/1
Independent Non-executive Directors						
Mr. Nguyen Van Tu, Peter	4/4	0/0	3/3	1/1	1/1	1/1
Mr. Chow Shiu Wing, Joseph	4/4	0/0	3/3	1/1	1/1	1/1
Mr. Wong Man Chung, Francis	4/4	0/0	3/3	1/1	1/1	1/1
Mr. Yeung Kwok Ki, Anthony	4/4	0/0	3/3	1/1	1/1	1/1

BOARD COMMITTEES

For the year ended 31 March 2018, 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.

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

The Executive Committee is 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

The Audit Committee comprises seven members, namely, Mr. Wong Man Chung, Francis, Mr. Nguyen Van Tu, Peter, Mr. Chow Shiu Wing, Joseph, Mr. Yeung Kwok Ki, Anthony and Mr. Chan Ting Bond, Michael, 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:

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 2018, 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 external audit work, audit plan, auditor's fees and terms of engagement;

- Review and approval of KPMG's confirmation of independence, its reports to the Audit Committee, and recommendation to the Board for the appointment of the external auditor;

- Review and approval of the internal audit plan and the internal audit reports of 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, and recommendations to the Board on updating the corporate governance policies.

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.

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 2018, 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

The Remuneration Committee comprises seven members, namely, Mr. Nguyen Van Tu, Peter, Mr. Chow Shiu Wing, Joseph, Mr. Wong Man Chung, Francis, Mr. Yeung Kwok Ki, Anthony and Mr. Chan Ting Bond, Michael, 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 2018 are set out in note 10(a) to the financial statements contained in this Annual Report.

During the year ended 31 March 2018, 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 approval of the key performance indicators for executive Directors;
- Review and recommendation to the Board in respect of the emoluments including discretionary and performance bonus to the executive Directors and senior management of the Company;

- Review of the Director's fees of the Board members; and

- Recommendation of the Director's fees on renewal of the appointment of a non-executive Director.

NOMINATION COMMITTEE

The Company established the Nomination Committee in accordance with the provisions set out in CG Code. The Nomination Committee comprises seven members, Mr. Chow Shiu Wing, Joseph, Mr. Nguyen Van Tu, Peter, Mr. Wong Man Chung, Francis, Mr. Yeung Kwok Ki, Anthony and Mr. Chan Ting Bond, Michael, 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 2018, 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, skills, experience and diversity of perspectives appropriate to the requirements the Group's business;

- Review and assessment of the independence of the independent non-executive Directors upon appointment and annually;

- Recommendation of the re-appointment of the retiring Directors at the annual general meeting of the Company;

- Recommendation of the renewal of the letter of appointment of a non-executive Director on maturity; and

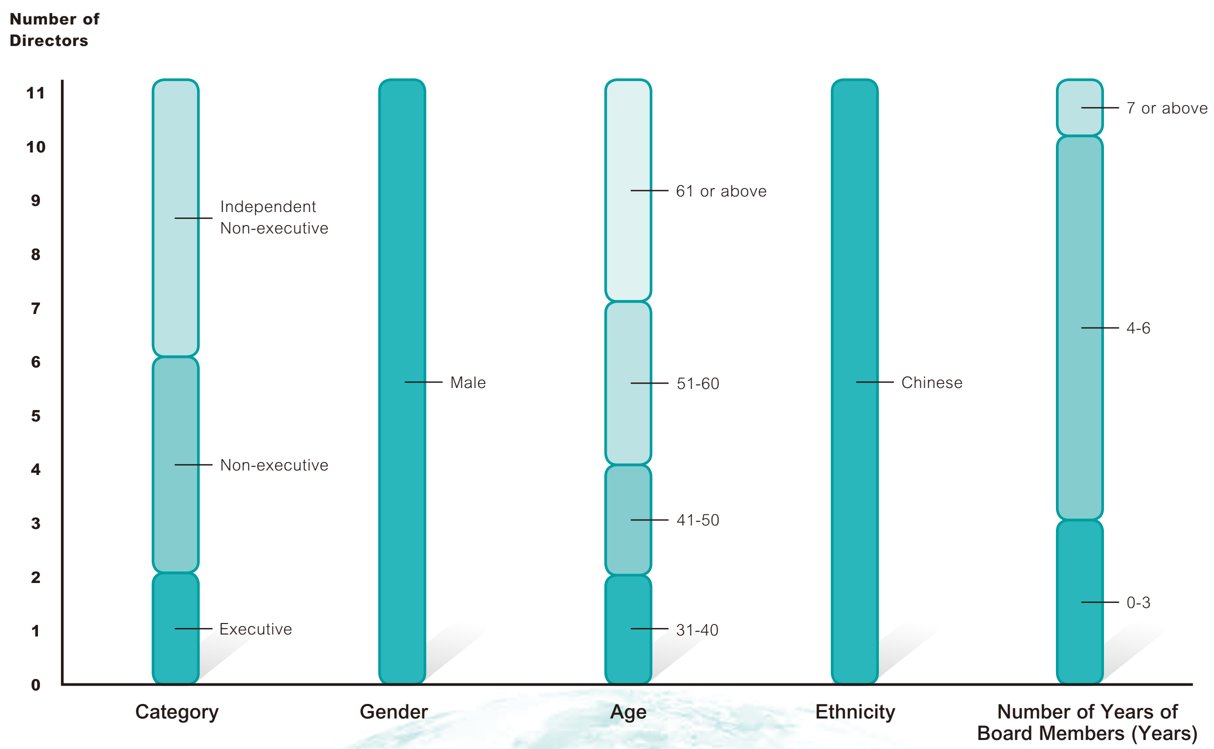
- Monitoring the implementation of board diversity policy of the Company.

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 nominate diverse talents to the Board to maintain a balance of skills, experience and diversity of perspectives and Board refreshment for the long-term good of the Company.

The Board diversity policy was taken into account by the Nomination Committee in considering the nomination of Mr. Chan Ting Bond, Michael as an independent non-executive Director in April 2018. The extensive multi-industry experience of Mr. Chan in corporate strategy and planning, sales operation management, corporate finance and change management would add value to the Board, thereby enhancing diversity and effectiveness of the Board.

Board Composition



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 2017 to 31 March 2018 are summarised as follows:

	Areas of Training			
Name of Directors	**Corporate strategy and business**	**Law and regulatory compliance**	**Directors' duties/ ESG practices**	**Financial reporting/ risk management**
Executive Directors				
Mr. Lam King Sang	✓	✓		✓
Mr. Tam Sui Kin, Chris	✓	✓	✓	✓
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	✓	✓	✓	✓

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 2018.

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 2018.

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 2018.

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 2018 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 2018.

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 2018. 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$2,020,000 and HK$524,000 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.

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 Rules.

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.

The identified risks are prioritized 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, various policies and guidelines, 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 required to uphold the confidentiality of such information. 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. It also provides proactive supports to the business units in their risk management and control process, and promotes the deployment of continuous audits to provide effective independent evaluation.

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 minimize risk exposure. The internal audit function also works with management to establish action plans to address identified control weaknesses within a reasonable period. Ad hoc reviews on operations may be arranged on top of the pre-set annual plan in order to ensure the internal procedures and controls are being adhered to at all times. Post-audit reviews are performed to ensure all identified control weaknesses have been satisfactorily remediated. The internal audit function reports directly to the Audit Committee on all major findings, corrective actions and responses from management on a quarterly basis.

The scope of work performed by the internal audit function includes financial and operational reviews, laws and regulations compliance reviews, and recurring and unscheduled audits. For financial audit, the internal audit function reviews and assesses the accuracy and efficiency of the Group's financial activities and financial information as well as the management of the Group's capital and assets. For operational review, the internal audit function assesses the design and operating effectiveness of the internal control system in business operations. The compliance review focuses on reviewing and evaluating the Group's adherence to regulatory guidelines, procedures, and laws and regulations. During the year under review, the internal audit function conducted reviews including the assessment of the Group's financial reporting controls, operating efficiency of the solid waste recycling business, and the internal control system relating to the collection and handling of confidential materials. 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 financial year ended 31 March 2018 was efficient and adequate, and was in compliance with the risk management and internal control provisions under the Corporate Governance Code.

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 Monday, 27 August 2018 (the "2018 AGM"). Details of the 2018 AGM are set out in the notice of the 2018 AGM which constitutes part of the circular to shareholders sent together with this Annual Report. Notice of the 2018 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.

- 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 2018, there was no alteration to the Company's constitutional documents.

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 57 to 119, which comprise the consolidated statement of financial position as at 31 March 2018, 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 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 2018 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.

Key audit matters (continued)

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

Refer to note 12 to the financial statements and the accounting policies on page 69.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 March 2018, the carrying values of the Group's PP&E amounted to HK$694,609,000. 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.	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;

Key audit matters (continued)

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

Refer to note 12 to the financial statements and the accounting policies on page 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 operating expenses 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 2018. 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 and long-term growth rates applied in the discounted cash flow forecasts were within the range adopted by other companies in the same industry and/or comparable to external market data;

- 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;

Key audit matters (continued)

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

Refer to note 12 to the financial statements and the accounting policies on page 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 operating expenses, 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; • 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; and • considering the Group's disclosures in the consolidated financial statements in respect of impairment testing including the key assumptions and sensitivities to changes in such assumptions, with reference to the requirements of the prevailing accounting standards.

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.

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.

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.

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

- 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.

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 Lee Ka Nang, Simon.

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

27 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000
Revenue	5	**175,461**	206,940
Cost of sales		**(144,441)**	(169,063)
Gross profit		**31,020**	37,877
Other revenue	6	**2,318**	7,644
Other net gain/(loss)	7	**3,232**	(3,843)
Selling and distribution expenses		**(25,299)**	(30,867)
Administrative and other operating expenses		**(72,150)**	(82,235)
Impairment loss of property, plant and equipment	12	**–**	(12,873)
Operating loss		**(60,879)**	(84,297)
Finance income	8(b)	**8,282**	5,400
Share of loss of joint venture	14(d)	**(28,368)**	(2,309)
Loss before taxation	8	**(80,965)**	(81,206)
Income tax	9(a)	**–**	–
Loss and total comprehensive income for the year		**(80,965)**	(81,206)
Attributable to:			
Equity shareholders of the Company	11	**(80,965)**	(81,201)
Non-controlling interests		**–**	(5)
		(80,965)	(81,206)
Basic and diluted loss per share	11	**(1.7) cents**	(1.7) cents

The notes on pages 62 to 119 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000
Non-current assets			
Property, plant and equipment	12	**694,609**	704,871
Land use rights	13	**31,892**	32,982
Interests in joint venture	14	**–**	16,840
Deposits and prepayments	17	**193**	22,284
		726,694	776,977
Current assets			
Inventories	15	**4,499**	4,550
Trade and bills receivables	16	**21,478**	41,657
Other receivables, deposits and prepayments	17	**19,689**	23,742
Taxation recoverable	21(a)	**2,976**	2,976
Amounts due from joint venture	14	**27,715**	14,682
Amount due from a related company	26(c)	**12**	12
Restricted and pledged bank deposits	19(a)	**152**	17,876
Bank deposits and cash	19(a)	**218,871**	219,102
		295,392	324,597
Current liabilities			
Trade payables	20	**5,449**	8,655
Other payables and accruals	20	**19,565**	18,439
Amount due to a related company	26(c)	**10**	10
		25,024	27,104
Net current assets		**270,368**	297,493
NET ASSETS		**997,062**	1,074,470

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2018
(Expressed in Hong Kong dollars)

	Note	**2018** **$'000**	2017 $'000
CAPITAL AND RESERVES			
Share capital	22	**482,301**	482,234
Reserves	23	**514,761**	592,236
TOTAL EQUITY		**997,062**	1,074,470

Approved and authorised for issue by the Board of Directors on 27 June 2018.

Cheng Chi Ming, Brian
Chairman

Lam King Sang
Director

The notes on pages 62 to 119 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018
(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 equity $'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 2017:									
Loss and total comprehensive income for the year		–	–	–	–	(81,201)	(81,201)	(5)	(81,206)
Equity settled share-based transactions	22(c)(ii)	–	–	–	3,280	–	3,280	–	3,280
Wavier for amount due to non-controlling interests ("NCI")		–	–	–	–	–	–	1,100	1,100
Acquisition of additional interest in a subsidiary from NCI		–	–	–	–	(2,323)	(2,323)	2,323	–
Balance at 31 March 2017 and 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 2018:									
Loss and total comprehensive income for the year		–	–	–	–	(80,965)	(80,965)	–	(80,965)
Shares issued under share option scheme	23(a)	67	56	–	(38)	–	85	–	85
Equity settled share-based transactions	22(c)(ii)	–	–	–	3,472	–	3,472	–	3,472
Share options lapsed and forfeited	22(c)(ii)	–	–	–	(208)	208	–	–	–
Balance at 31 March 2018		482,301	3,092,937	(964,044)	6,506	(1,620,638)	997,062	–	997,062

The notes on pages 62 to 119 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 $'000	2017 $'000
Operating activities			
Cash generated from/(used) in operations	19(b)	24,651	(36,003)
Hong Kong Profits Tax recovered		–	100
Net cash generated from/(used in) operating activities		24,651	(35,903)
Investing activities			
Payment for purchase of property, plant and equipment		(27,590)	(23,342)
Prepayments for purchase of property, plant and equipment		–	(14,624)
Payment for purchase of land use right	13	–	(1,615)
Repayment from/(advance to) joint venture		3,236	(241)
New loans to joint venture		(25,000)	–
Loans repaid by joint venture		2,500	–
Proceeds from disposal of property, plant and equipment		1,178	3,153
Interest received		2,985	2,863
Net cash used in investing activities		(42,691)	(33,806)
Financing activities			
Proceeds from restricted and pledged bank deposits		17,724	599
Proceeds from shares issued under share option scheme		85	–
Net cash generated from financing activities		17,809	599
Net decrease in cash and cash equivalents		(231)	(69,110)
Cash and cash equivalents at the beginning of the year		219,102	288,212
Cash and cash equivalents at the end of the year	19(a)	218,871	219,102

The notes on pages 62 to 119 form part of these financial statements.

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 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 Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with 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.

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 2018 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 several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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

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(i)).

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(i)). 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.

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(i)).

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".

2 Summary of significant accounting policies (continued)

(h) 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.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

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.

(i) 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.

2 Summary of significant accounting policies (continued)

(i) 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(i)(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(i)(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.

2 Summary of significant accounting policies (continued)

(i) 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).

– 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.

2 Summary of significant accounting policies (continued)

(i) Impairment of assets (continued)

(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(i)(i) and (ii)).

(j) 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.

(k) 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(i)), 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.

(l) 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.

(m) 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.

2 Summary of significant accounting policies (continued)

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans 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) 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).

(iii) 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 the costs of restructuring which involves the payment of termination benefits.

(o) 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.

2 Summary of significant accounting policies (continued)

(o) 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.

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.

2 Summary of significant accounting policies (continued)

(p) 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.

(q) 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) Interest income

Interest income is recognised using the effective interest method.

2 Summary of significant accounting policies (continued)

(r) 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.

2 Summary of significant accounting policies (continued)

(s) 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.

(t) Translation of foreign currencies

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.

3 Financial risk management

(a) Financial risk factors

Exposure to currency, credit, liquidity and interest rate risks arise in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(i) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("USD") and Renminbi ("RMB"). The amounts of assets and liabilities denominated in the corresponding currencies are disclosed in notes 16, 19 and 20.

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(i) Currency risk (continued)

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.

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 2018, if RMB had weakened/strengthened by 5% against HK$ with all other variables held constant, pre-tax loss for the year would have been approximately $2,226,000 higher/lower (2017: $1,943,000 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. 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 of 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 consolidated statement of financial position.

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(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 2018 and 31 March 2017, 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.

(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 payable 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 2018 and 31 March 2017.

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.

(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.

4 Critical accounting estimates and judgements (continued)

(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.

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:

	2018	2017
	$'000	$'000
Sales of recovered paper and materials	**156,379**	184,571
Sales of tissue paper products	**410**	3,606
Provision of CMDS	**18,508**	18,491
Provision of logistics services	**164**	272
	175,461	206,940

5 Segment information (continued)

All of the Group's revenue from external customers are derived from sales originated from Hong Kong during the years ended 31 March 2018 and 31 March 2017.

For the year ended 31 March 2018, revenue of approximately $58,392,000 (2017: $150,933,000) is derived from external customers which individually accounted for greater than 10% of the Group's total revenue.

All of the Group's non-current assets as at 31 March 2018 and 31 March 2017 are located in Hong Kong.

The segment results and other segment items included in the loss for the year ended 31 March 2018 are as follows:

	Recovered paper and materials $'000	Tissue paper products $'000	CMDS $'000	Logistics services $'000	Total $'000
Segment revenue:					
Sales to external customers	156,379	410	18,508	164	175,461
Inter-segment sales	–	5	–	18,991	18,996
Reportable segment revenue	156,379	415	18,508	19,155	194,457
Elimination of inter-segment revenue	–	(5)	–	(18,991)	(18,996)
	156,379	410	18,508	164	175,461
Segment results:					
Reportable segment profits/(loss)	24,879	(633)	11,520	3,588	39,354
Elimination of inter-segment profits					(8,334)
Reportable segment profits derived from the Group's external customers					31,020
Unallocated operating costs					(91,899)
Finance income					8,282
Share of loss of joint venture					(28,368)
Loss for the year					(80,965)

5 Segment information (continued)

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	Total $'000
Segment revenue:					
Sales to external customers	184,571	3,606	18,491	272	206,940
Inter-segment sales	–	–	–	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)

6 Other revenue

	2018 $'000	2017 $'000
Service income	**882**	3,777
Refund from mediation	**–**	2,338
Project income	**–**	1,296
Others	**1,436**	233
	2,318	7,644

7 Other net gain/(loss)

	2018 $'000	2017 $'000
Gain on disposals of property, plant and equipment, net	**28**	866
Write off of property, plant and equipment	**(1,356)**	(1,581)
Foreign exchange gains/(losses), net	**4,560**	(3,128)
	3,232	(3,843)

8 Loss before taxation

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

	2018 $'000	2017 $'000
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**60,440**	63,780
Contributions to defined contribution retirement plan	**2,004**	2,068
Equity settled share-based payment expenses	**3,472**	3,280
	65,916	69,128
Staff costs included in:		
– Cost of sales	**20,665**	19,615
– Selling and distribution expenses	**15,002**	16,992
– Administrative and other operating expenses	**30,249**	32,521
	65,916	69,128
(b) Finance income		
Interest income from banks deposits	**(2,985)**	(2,802)
Interest income from other deposits	**–**	(61)
Interest income from loans to joint venture	**(3,873)**	(2,342)
Financial guarantee income from joint venture	**(1,424)**	–
Finance lease income	**–**	(195)
	(8,282)	(5,400)
(c) Other items		
Cost of inventories sold *(note 15)*	**99,170**	124,368
Amortisation of land use rights *(note 13)*	**1,090**	1,064
Depreciation of property, plant and equipment *(note 12)*	**35,346**	34,870
(Reversal of impairment losses)/Impairment losses recognised:		
– Trade and bills receivables *(note 16(b))*	**(10)**	355
– Finance lease receivables *(note 18)*	**–**	5,657
Bad debts written off	**13**	–
Operating lease charges in respect of land and buildings	**5,340**	14,041
Auditor's remuneration:		
– Audit services	**2,020**	2,000
– Other services	**524**	668

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 2018 and 31 March 2017 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:

	2018 $'000	2017 $'000
Loss before taxation	**(80,965)**	(81,206)
Tax calculated at tax rates of 16.5% (2017: 16.5%)	**(13,359)**	(13,399)
Tax effects of non-taxable income	**(577)**	(2,369)
Tax effects of non-deductible expenses	**5,573**	3,226
Tax effects of tax losses not recognised	**11,271**	13,819
Tax effects of utilisation of tax losses previously not recognised	**(2,665)**	(1,384)
Others	**(243)**	107
Income tax expense	**–**	–

10 Emoluments for directors and individuals with highest emolument

(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 2018					
	Fees $'000	Salaries, allowance and benefits in kind $'000	Discretionary bonus $'000	Retirement schemes contributions $'000	Share-based payments *(note (c))* $'000	Total $'000
Executive directors						
Mr. Lam King Sang	360	2,279	752	18	406	3,815
Mr. Tam Sui Kin, Chris	360	2,279	752	18	406	3,815
Non-executive directors						
Mr. Cheng Chi Ming, Brian	720	–	–	–	406	1,126
Mr. Tsang On Yip, Patrick	360	–	–	–	406	766
Mr. Lau Sai Cheong	360	–	–	–	238	598
Mr. To Chun Wai	360	–	–	–	238	598
Mr. Chan Ting Bond, Michael[a]	–	–	–	–	–	–
Independent non-executive directors						
Mr. Chow Shiu Wing, Joseph	360	–	–	–	238	598
Mr. Nguyen Van Tu, Peter	360	–	–	–	238	598
Mr. Wong Man Chung, Francis	360	–	–	–	238	598
Mr. Yeung Kwok Ki, Anthony	360	–	–	–	238	598
	3,960	4,558	1,504	36	3,052	13,110

10 Emoluments for directors and individuals with highest emoluments (continued)

(a) Directors' emoluments (continued)

	For the year ended 31 March 2017					
	Fees $'000	Salaries, allowance and benefits in kind $'000	Discretionary bonus $'000	Retirement schemes contributions $'000	Share-based payments *(note (c))* $'000	Total $'000
Executive directors						
Mr. Lam King Sang	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	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	360	–	–	–	189	549
	4,200	8,502	1,494	48	2,744	16,988

Notes:

(a) Appointed on 1 May 2018.

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

(c) 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(n)(ii) 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.

During the years ended 31 March 2018 and 31 March 2017, 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.

10 Emoluments for directors and individuals with highest emoluments (continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2017: four) are directors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2018	2017
	$'000	$'000
Salaries, allowance and benefits in kind	**1,745**	948
Discretionary bonus	**272**	218
Retirement schemes contributions	**36**	18
Share-based payments	**58**	44
	2,111	1,228

The emoluments of the above individuals are within the following bands:

	2018	2017
$	**Number of individuals**	Number of individuals
Nil – 1,000,000	**1**	0
1,000,001 – 2,000,000	**1**	1

(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).

11 Loss per share

The calculation of the basic and diluted loss per share is based on the loss attributable to equity shareholders of the Company of $80,965,000 (2017: $81,201,000) and the weighted average number of 4,822,597,000 (2017: 4,822,334,000) ordinary shares in issue during the year.

(a) Basic loss per share

Weighted average number of ordinary shares

	2018 $'000	2017 $'000
Issued ordinary shares at 1 April	**4,822,334**	4,822,334
Effect of share options exercised *(note 22(c))*	**263**	–
Weighted average number of ordinary shares at 31 March	**4,822,597**	4,822,334

(b) Diluted loss per share

No adjustment had been made to the basic loss per share presented for the year ended 31 March 2018 and 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.

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 2018						
Net book amount						
At 1 April 2017	651,962	2,484	19,599	4,974	25,852	704,871
Additions	610	401	20,488	5,866	225	27,590
Disposals	–	–	–	(21)	(1,129)	(1,150)
Write off	(1,100)	(234)	–	(22)	–	(1,356)
Depreciation	(21,635)	(923)	(6,025)	(2,638)	(4,125)	(35,346)
At 31 March 2018	629,837	1,728	34,062	8,159	20,823	694,609
At 31 March 2018						
Cost	697,623	5,711	73,846	21,520	39,384	838,084
Accumulated depreciation and impairment	(67,786)	(3,983)	(39,784)	(13,361)	(18,561)	(143,475)
Net book amount	629,837	1,728	34,062	8,159	20,823	694,609

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 2017						
Net book amount						
At 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)
At 31 March 2017	651,962	2,484	19,599	4,974	25,852	704,871
At 31 March 2017						
Cost	698,206	6,091	53,426	13,392	44,070	815,185
Accumulated depreciation and impairment	(46,244)	(3,607)	(33,827)	(8,418)	(18,218)	(110,314)
Net book amount	651,962	2,484	19,599	4,974	25,852	704,871

12 Property, plant and equipment (continued)

Impairment loss

During the year ended 31 March 2017, the Group recognised an impairment loss of $12,873,000 to property, plant and equipment of the tissue paper operation to reduce their carrying amount to their 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:

	2018	2017
Long-term sales growth rate	**3.00%**	3.00%
Pre-tax discount rate	**14.00%**	10.50%

13 Land use rights

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

	2018	2017
	$'000	$'000
In Hong Kong, held on medium term	**31,892**	32,982

The movements of land use rights are as follows:

	2018	2017
	$'000	$'000
At the beginning of the year	**32,982**	32,431
Additions	**–**	1,615
Amortisation	**(1,090)**	(1,064)
At the end of the year	**31,892**	32,982

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

	2018 $'000	2017 $'000
Share of net liabilities	(33,127)	(4,760)
Loans to joint venture *(note 14(b))*	55,332	32,832
Amounts due from joint venture *(note 14(c))*	5,510	3,450
	27,715	31,522
Represented by:		
Non-current portion	–	16,840
Current portion	27,715	14,682
	27,715	31,522

(a) Details of the Group's interest 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.

14 Interests in joint venture (continued)

(b) Loans to joint venture

At 31 March 2018, loans to joint venture of $55,332,000 (2017: $32,832,000) comprised of:

(i) loan of $21,600,000 (2017: $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 $25,000,000 (2017:$Nil) as a credit facility for the joint venture to meet its working capital requirements. The loan is unsecured, interest bearing at the rate of 7% per annum and repayable on 24 November 2018; and

(iii) loan of $8,732,000 (2017: $8,732,000) which is unsecured, interest bearing at the rate of 7% per annum and repayable on 25 May 2018.

(c) Amounts due from joint venture

The amounts due from joint venture at 31 March 2018 and 31 March 2017 are unsecured, interest-free and has no fixed terms of repayment.

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:

	2018 $'000	2017 $'000
Gross amounts of ALBA IWS:		
Current assets	**80,824**	170,765
Non-current assets	**43,912**	4,123
Current liabilities	**(257,245)**	(193,827)
Non-current liabilities	**–**	(101)
Net liabilities	**(132,509)**	(19,040)
Included in the above assets and liabilities:		
Cash and cash equivalents	**39,987**	80,895
Current financial liabilities (excluding trade and other payables and provisions)	**(213,882)**	(121,335)
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	(102)
Revenue	**269,409**	180,907
Loss for the year	**(113,472)**	(9,235)
Total comprehensive income for the year	**(113,472)**	(9,235)
Group's effective interest	**25%**	25%
Group's share of loss of ALBA IWS	**(28,368)**	(2,309)
Included in the above loss:		
Depreciation	**(1,698)**	(550)
Interest income	**85**	87
Interest expense	**(16,818)**	(11,493)
Income tax expense	**–**	–
Reconciled to the Group's interest in ALBA IWS:		
Gross amounts of net liabilities of ALBA IWS	**(132,509)**	(19,040)
Group's effective interest	**25%**	25%
Group's share of net liabilities of ALBA IWS	**(33,127)**	(4,760)
Loans to ALBA IWS *(note 14(b))*	**55,332**	32,832
Amount due from ALBA IWS *(note 14(c))*	**5,510**	3,450
Carrying amount in the consolidated financial statements	**27,715**	31,522

15 Inventories

	2018 $'000	2017 $'000
Raw materials	**1,788**	1,794
Finished goods	**2,711**	2,756
	4,499	4,550

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately $99,170,000 (2017: $124,368,000) for the year ended 31 March 2018.

16 Trade and bills receivables

	2018 $'000	2017 $'000
Trade and bills receivables	**25,715**	50,215
Less: Allowance for doubtful debts *(note 16(b))*	**(4,237)**	(8,558)
Trade and bills receivables, net	**21,478**	41,657

(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 allowance for doubtful debts, is as follows:

	2018 $'000	2017 $'000
0 – 30 days	**16,726**	39,471
31 – 60 days	**3,314**	499
61 – 90 days	**509**	435
91 – 120 days	**315**	289
Over 120 days	**4,851**	9,521
	25,715	50,215
Less: Allowance for doubtful debts *(note 16(b))*	**(4,237)**	(8,558)
	21,478	41,657

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

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(i)(i)).

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

	2018 $'000	2017 $'000
At the beginning of the year	**8,558**	8,203
Impairment loss (reversed)/recognised	**(10)**	355
Uncollectible amounts written off	**(4,311)**	–
At the end of the year	**4,237**	8,558

As at 31 March 2018, trade and bills receivables of approximately $4,237,000 (2017: $8,558,000) 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.

16 Trade and bills receivables (continued)

(c) Trade and bills receivables that are not impaired

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

	2018 $'000	2017 $'000
Neither past due nor impaired	**14,273**	30,791
1 – 30 days	**4,287**	8,554
31 – 60 days	**2,074**	433
61 – 90 days	**197**	209
91 – 120 days	**78**	87
Over 120 days	**569**	1,583
	7,205	10,866
	21,478	41,657

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.

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

	2018 $'000	2017 $'000
HK$	**19,501**	40,886
USD	**1,977**	771
	21,478	41,657

At 31 March 2018 and 31 March 2017, 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

	2018	2017
	$'000	$'000
Non-current portion		
Prepayments for purchase of property, plant and equipment	**193**	22,284
Current portion		
Deposits placed with suppliers	**7,013**	9,015
Utility and other deposits	**7,158**	8,547
Prepayments	**3,203**	3,833
Other receivables	**2,315**	2,347
Total	**19,689**	23,742

At 31 March 2018 and 31 March 2017, 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.

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 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.

19 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	2018 $'000	2017 $'000
Deposits with banks	**168,374**	179,242
Cash at bank	**50,438**	39,806
Cash in hand	**59**	54
Cash and cash equivalents in the consolidated statement of cash flows	**218,871**	219,102
Restricted and pledged bank deposits	**152**	17,876
	219,023	236,978

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

	2018 $'000	2017 $'000
HK$	**168,008**	188,962
RMB	**44,527**	38,869
USD	**6,470**	9,131
Euro	**18**	16
	219,023	236,978

As at 31 March 2018, 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.

19 Cash and cash equivalents and other cash flow information (continued)

(b) Reconciliation of loss before taxation to cash generated from/(used in) operations

	Note	2018 $'000	2017 $'000
Loss before taxation		**(80,965)**	(81,206)
Adjustments for:			
Depreciation of property, plant and equipment	12	**35,346**	34,870
Amortisation of land use rights	13	**1,090**	1,064
Gain on disposals of property, plant and equipment, net	7	**(28)**	(866)
Write off of property, plant and equipment	7	**1,356**	1,581
Impairment of property, plant and equipment	12(a)	**–**	12,873
(Reversal of)/Provision for impairment of trade and bills receivables	16(b)	**(10)**	355
Reversal of accounts payables	8(c)	**(1,991)**	–
Provision for impairment of finance lease receivables	18	**–**	5,657
Finance income	8(b)	**(8,282)**	(5,400)
Share of loss of joint venture	14(d)	**28,368**	2,309
Share-based payments	22(c)	**3,472**	3,280
Operating loss before working capital changes		**(21,644)**	(25,483)
Inventories		**51**	258
Trade and bills receivables		**20,189**	3,343
Other receivables, deposits and prepayments		**26,144**	11,310
Finance lease receivables		**–**	695
Payables and accruals		**(89)**	(26,126)
Cash generated from/(used in) operations		**24,651**	(36,003)

20 Payables and accruals

	2018 $'000	2017 $'000
Trade payables	**5,449**	8,655
Other payables and accruals:		
– Construction costs payable	**6,910**	6,940
– Accrued expenses	**7,897**	6,417
– Receipts in advance from customers	**1,043**	1,020
– Others	**3,715**	4,062
	19,565	18,439
	25,014	27,094

(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:

	2018 $'000	2017 $'000
Current	**3,088**	3,681
1 – 30 days	**793**	2,133
31 – 60 days	**720**	18
61 – 90 days	**20**	12
91 – 120 days	**13**	24
Over 120 days	**815**	2,787
	5,449	8,655

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

	2018 $'000	2017 $'000
HK$	**24,754**	26,883
USD	**260**	211
	25,014	27,094

As at 31 March 2018 and 31 March 2017, the fair values of the payables and accruals approximate their carrying amounts.

21 Income tax in the consolidated statement of financial position

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

	2018	2017
	$'000	$'000
Balance of Hong Kong Profits Tax provision relating to prior years	**2,976**	2,976

(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 2016	35,839	(35,839)	–
(Charged)/credited to profit or loss *(note 9(a))*	(1,461)	1,461	–
At 31 March 2017 and 1 April 2017	34,378	(34,378)	–
Credited/(charged) to profit or loss *(note 9(a))*	1,939	(1,939)	–
At 31 March 2018	36,317	(36,317)	–

(c) Deferred tax assets not recognised

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses of $453,250,000 (2017: $401,089,000) 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 2018. The tax losses do not expire under current tax legislation.

22 Share capital

(a) Authorised share capital of the Company

	2018 $'000	2017 $'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 '000	Amount $'000
Issued and fully paid:		
At 1 April 2016, 31 March 2017 and 1 April 2017	4,822,334	482,234
Shares issued under share option scheme	675	67
At 31 March 2018	4,823,009	482,301

(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.

(Expressed in Hong Kong dollars)

22 Share capital (continued)

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

(i) 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.

(ii) 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 2016	Granted and accepted during the year ended 31 March 2017	Cancelled/ lapsed during the year ended 31 March 2017	Outstanding at 31 March 2017 and 1 April 2017	Cancelled/ lapsed during the year ended 31 March 2018	Exercised during the year ended 31 March 2018	Outstanding at 31 March 2018	Remaining contractual life
Directors										
7 September 2016	0.128	7 September 2017 to 6 September 2022	–	127,800,000	(15,000,000)	112,800,000	–	–	112,800,000	4.4 years
Employees										
7 September 2016	0.128	7 September 2017 to 6 September 2022	–	24,350,000	(1,450,000)	22,900,000	(3,725,000)	(675,000)	18,500,000	4.4 years
			–	152,150,000	(16,450,000)	135,700,000	(3,725,000)	(675,000)	131,300,000	

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)

(Expressed in Hong Kong dollars)

22 Share capital (continued)

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

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

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 expenses of $3,472,000 (2017: $3,280,000) related to equity settled share-based payment transactions during the year ended 31 March 2018.

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	Reserves $'000	Total $'000
Balance at 1 April 2016		482,234	3,092,881	–	(1,972,273)	1,120,608	1,602,842
Equity settled share-based transactions	22(c)	–	–	3,280	–	3,280	3,280
Loss and total comprehensive income for the year		–	–	–	(23,501)	(23,501)	(23,501)
Balance at 31 March 2017 and 1 April 2017		482,234	3,092,881	3,280	(1,995,774)	1,100,387	1,582,621
Equity settled share-based transactions	22(c)	–	–	3,472	–	3,472	3,472
Shares issued under share option scheme	22(c)	67	56	(38)	–	18	85
Share options lapsed and forfeited	22(c)	–	–	(208)	208	–	–
Loss and total comprehensive income for the year		–	–	–	774	774	774
Balance at 31 March 2018		482,301	3,092,937	6,506	(1,994,792)	1,104,651	1,586,952

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(n)(ii).

(c) Dividends

No dividends had been paid or declared by the Company for the year ended 31 March 2018 (2017: $Nil).

(d) Distributable reserves

The aggregate amounts of distributable reserves of the Company was $1,098,145,000 (2017: $1,097,107,000) as at 31 March 2018.

24 Commitments

(a) Capital commitments outstanding at 31 March 2018 not provided for in the financial statements were as follows:

	2018 $'000	2017 $'000
Contracted but not provided for		
– Property, plant and equipment	**79**	2,409

(b) At 31 March 2018, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2018 $'000	2017 $'000
Within 1 year	**2,387**	3,424
After 1 year but within 5 years	**3,586**	5,103
	5,973	8,527

The Group is the lessee in respect of a number of land and building held under operating leases. The leases typically run for an initial period of 3 to 5 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

25 Contingent liabilities

Litigation with former directors and employees

At 31 March 2018, 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.

26 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) Transactions with related parties

In addition to the transactions, disclosed elsewhere in the notes to the financial statements, the Group entered into the following material related party transactions during the year:

	2018 **$'000**	2017 $'000
Interest income received from a joint venture	**3,873**	2,342
Financial guarantee income received from a joint venture	**1,424**	–
Logistics service income received from a joint venture	**164**	261

(c) Balances with related parties

Excepted as disclosed elsewhere in the notes to the financial statements, these 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:

Name	**Relationship**	**2018** **$'000**	2017 $'000
ALBA IWS	Joint venture *(note 14(b)&(c))*	**60,842**	36,282
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

26 Material related party transactions

(c) Balances with related parties (continued)

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

	Maximum amount outstanding during	
Name	**2018**	2017
	$'000	$'000
ALBA IWS	**60,842**	36,282
E&I	**12**	12

Amount due to a related company are disclosed as follows:

Name	Relationship	2018	2017
		$'000	$'000
Lai Wah Shipping Company	Sole proprietor is Mr. Leung Kai Kuen, one of the substantial shareholders of the Company	**10**	10

27 Company-level statement of financial position

	Note	2018 $'000	2017 $'000
Non-current asset			
Interests in subsidiaries	27(a)	**1,433,498**	1,577,342
Current assets			
Receivables and prepayments		**1,343**	1,393
Bank deposits and cash		**191,528**	202,068
Taxation recoverable		**1**	1
		192,872	203,462
Current liabilities			
Payables and accruals		**870**	2,928
Amounts due to subsidiaries	27(a)	**38,548**	195,255
		39,418	198,183
Net current assets		**153,454**	5,279
NET ASSETS		**1,586,952**	1,582,621
CAPITAL AND RESERVES			
Share capital	22	**482,301**	482,234
Reserves	23	**1,104,651**	1,100,387
TOTAL EQUITY		**1,586,952**	1,582,621

Approved and authorised for issue by the Board of Directors on 27 June 2018.

Cheng Chi Ming, Brian
Chairman

Lam King Sang
Director

27 Company-level statement of financial position (continued)

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

	Company	
	2018	2017
	$'000	$'000
Consolidated subsidiaries		
Investments at cost, unlisted shares	**967,944**	967,944
Less: Provision for impairment	**(815,712)**	(815,712)
	152,232	152,232
Amounts due from subsidiaries	**1,281,266**	1,425,110
	1,433,498	1,577,342
Amounts due to subsidiaries	**38,548**	195,255

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.

(Expressed in Hong Kong dollars)

27 Company-level statement of financial position (continued)

(b) Principal subsidiaries held by the Group

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

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	US$50,030	100%	Investment holding/ Hong Kong
Indirectly held				
IWS Waste Management (Global) Company Limited	BVI/ 23 March 2009	US$1	100%	Investment holding/ Hong Kong
IWS Assorted Paper (Global) Company Limited	BVI/ 23 March 2009	US$1	100%	Investment holding/ Hong Kong
IWS Environmental Technologies (Global) Company Limited	BVI/ 23 March 2009	US$1	100%	Investment holding/ Hong Kong
CMDS (Global) Company Limited	BVI/ 23 March 2009	US$1	100%	Investment holding/ Hong Kong
IWS Waste Management Company Limited	Hong Kong/ 28 September 1993	HK$1,000,000	100%	Trading of recovered paper and materials/Hong Kong
IWS Assorted Paper Company Limited	Hong Kong/ 15 December 1997	HK$1,000,000	100%	Trading of tissue paper products/Hong Kong
Confidential Materials Destruction Service Limited	Hong Kong/ 22 June 1979	HK$10,000	100%	Provision of confidential materials destruction service and trading of recovered paper and materials/Hong Kong

(Expressed in Hong Kong dollars)

27 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	HK$1,000,000	100%	Procurement of waste paper/ Hong Kong
IWS Promotion Limited	Hong Kong/ 17 September 2010	HK$1	100%	Development of recycling facilities at Tseung Kwan O/ Hong Kong
IWS Paper Agency (Global) Company Limited	BVI/ 28 November 2011	US$1	100%	Investment holding/ Hong Kong
IWS Logistics Limited	Hong Kong/ 26 February 2013	HK$1	100%	Provision of logistics services/ Hong Kong
IWS Waste Management (Asia) Limited	Hong Kong/ 25 November 2014	HK$10,000	100%	Manufacturing of plastic products/ Hong Kong

28 Immediate and ultimate controlling party

At 31 March 2018, 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.

(Expressed in Hong Kong dollars)

29 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 March 2018

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2018 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
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
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations 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. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 September 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

29 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 March 2018 (continued)

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI, then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

29 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 March 2018 (continued)

IFRS 9, Financial instruments (continued)

(a) Classification and measurement (continued)

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. Based on a preliminary assessment, the Group does not expect that the application of the expected credit loss model will result in earlier recognition of credit losses.

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.

Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(q). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

29 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 March 2018 (continued)

IFRS 15, Revenue from contracts with customers (continued)

Timing of revenue recognition (continued)

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.

The Group has assessed that the new revenue standard unlikely to have significant impact on how it recognises revenue for sales of goods.

IFRS 16, Leases

As disclosed in note 2(h), currently the Group entered into several operating leases as lessee and accounts for the lease arrangements accordingly.

Once IFRS 16 is adopted, 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.

29 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 March 2018 (continued)

IFRS 16, Leases (continued)

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for land and building, 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 24(b), at 31 March 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to $5,973,000, the majority of which is payable 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.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

FIVE YEAR FINANCIAL SUMMARY

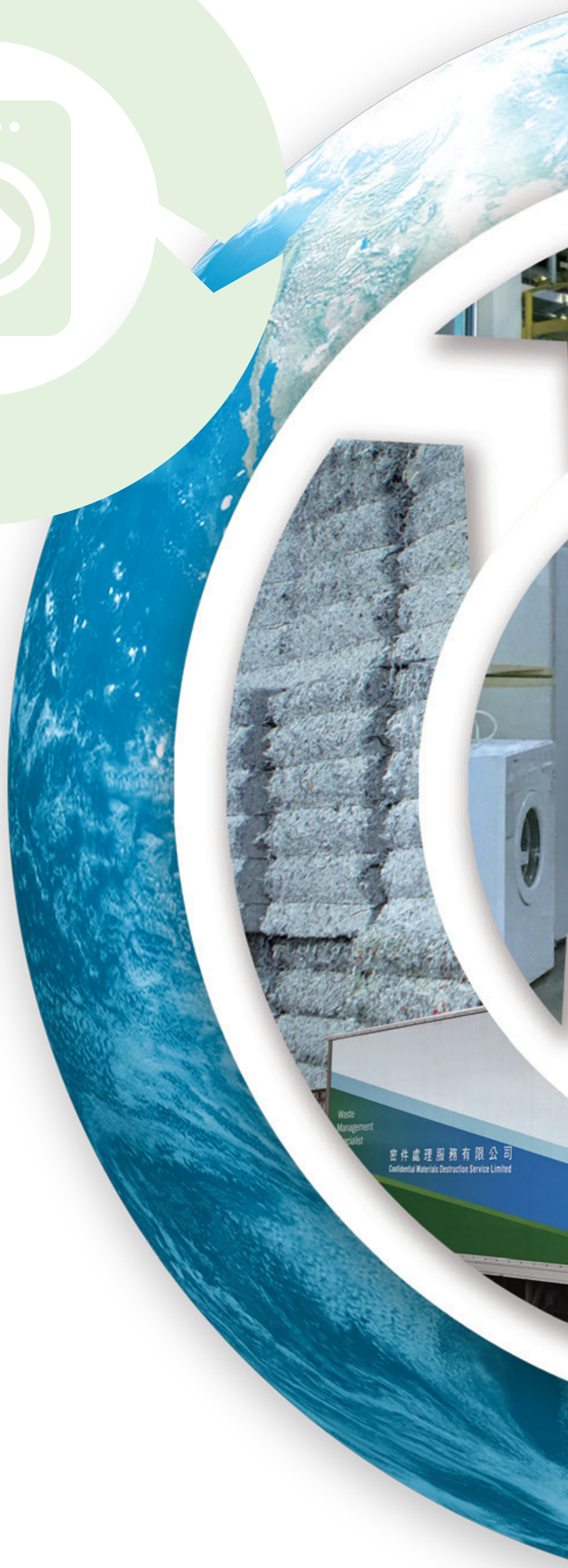
RESULTS

	Year ended 31 March				
	2014	2015	2016	2017	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	480,587	443,542	273,131	206,940	**175,461**
Gross profit	40,858	24,335	22,510	37,877	**31,020**
Loss before taxation	(52,026)	(127,264)	(109,451)	(81,206)	**(80,965)**
Income tax	(1,224)	1,113	–	–	**–**
Loss from continuing operations	(53,250)	(113,080)	(109,451)	(81,206)	**(80,965)**
Impairment loss on amounts due from De-consolidated Subsidiaries	(431,638)	(36,572)	–	–	**–**
Loss and total comprehensive income for the year	(484,888)	(149,652)	(109,451)	(81,206)	**(80,965)**
Attributable to:					
Equity shareholders of the Company	(484,888)	(149,607)	(104,078)	(81,201)	**(80,965)**
Non-controlling interests	–	(45)	(5,373)	(5)	**–**
	(484,888)	(149,652)	(109,451)	(81,206)	**(80,965)**

ASSETS AND LIABILITIES

	As at 31 March				
	2014	2015	2016	2017	**2018**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,062,116	1,332,934	1,217,268	1,101,574	**1,022,086**
Total liabilities	133,334	74,630	65,972	27,104	**25,024**
Total equity	928,782	1,258,304	1,151,296	1,074,470	**997,062**

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



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