Integrated Waste Solutions Group Holdings Limited

綜合環保集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock code 股份代號 ： 923

Interim Report 中期報告

2018/19

CONTENTS

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. Lee Chi Hin, Jacob[2]
Mr. To Chun Wai[3]

Independent non-executive directors
Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis
Mr. Chan Ting Bond, Michael[1]
Mr. Nguyen Van Tu, Peter[3]
Mr. Yeung Kwok Ki, Anthony[3]

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. Chow Shiu Wing, Joseph
Mr. Chan Ting Bond, Michael[1]
Mr. Nguyen Van Tu, Peter[3]
Mr. Yeung Kwok Ki, Anthony[3]

Remuneration Committee
Mr. Chan Ting Bond, Michael[1] *(Chairman)*
Mr. Tsang On Yip, Patrick
Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis
Mr. Lee Chi Hin, Jacob[2]
Mr. To Chun Wai[3]
Mr. Nguyen Van Tu, Peter[3]
Mr. Yeung Kwok Ki, Anthony[3]

Nomination Committee
Mr. Chow Shiu Wing, Joseph *(Chairman)*
Mr. Tsang On Yip, Patrick
Mr. Wong Man Chung, Francis
Mr. Lau Sai Cheong
Mr. Chan Ting Bond, Michael[1]
Mr. Nguyen Van Tu, Peter[3]
Mr. Yeung Kwok Ki, Anthony[3]

1 Appointed on 1 May 2018
2 Appointed on 1 September 2018
3. Retired on 27 August 2018

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

MANAGEMENT DISCUSSION AND ANALYSIS

The loss attributable to equity shareholders of Integrated Waste Solutions Group Holdings Limited (the "Company") for the six months ended 30 September 2018 (the "Current Period") amounted to HK$27.0 million, an improvement of HK$0.1 million when compared to the net loss of HK$27.1 million for the six months ended 30 September 2017 (the "Last Period").

	6 months ended 30.09.2018 HK$'000	6 months ended 30.09.2017 HK$'000	Fav./(Unfav.) Change HK$'000	%
Results of Operating Segments	**(2,895)**	(4,495)	**1,600**	**35.6%**
Net Corporate expenses	**(21,901)**	(19,646)	**(2,255)**	**(11.5%)**
	(24,796)	(24,141)	**(655)**	**(2.7%)**
Share of results of joint venture	**(2,251)**	(2,924)	**673**	**23.0%**
Loss attributable to equity shareholders of the Company	**(27,047)**	(27,065)	**18**	**0.1%**

The results of the operating segments of the Company and its subsidiaries (the "Group") have improved with a decrease in loss of HK$1.6 million when compared to the Last Period. Net corporate expenses have increased by HK$2.3 million or 11.5% mainly due to the recognition of an exchange loss of HK$2.1 million as a result of depreciation of RMB in recent months. 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$2.3 million was recognised during the Current Period.

Performance of Business Segments

Revenue Analysis	6 months ended 30.09.2018 HK$'000	6 months ended 30.09.2017 HK$'000	Fav./(Unfav.) Change HK$'000	%
Sales of Recovered Paper	**75,752**	84,590	**(8,838)**	**(10.4%)**
CMDS service income	**10,212**	9,751	**461**	**4.7%**
Sales of Recycled Plastic Pellets	**5,176**	2,346	**2,830**	**120.6%**
Logistics service income	**184**	104	**80**	**76.9%**
Other revenue	**213**	584	**(371)**	**(63.5%)**
	91,537	97,375	**(5,838)**	**(6.0%)**

MANAGEMENT DISCUSSION AND ANALYSIS

The revenue of **Recovered Paper** has reduced to approximately HK$75.8 million, a drop of approximately HK$8.8 million or 10.4% when compared to the Last Period. Since the implementation of import restrictions on waste materials to the PRC in January 2018, the sales volume of recovered paper continued to be hard hit and has decreased by 14.6%. On the other hand, the PRC government's strict control on the quota and quality of imported recovered paper has boosted a higher demand for domestic recovered paper, resulting in extreme volatility in prices. The average selling price per ton has increased by 4.9%. Overall, the gross profit margin of recovered paper trading remained stable at 19.4% in both periods.

Sales on recovered office paper generated from our CMDS services maintained at the same level of the Last Period. 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 have not been affected by the environmental regulations of the PRC. Moreover, the Group has also expanded to the Southeast Asian market where the demand for office paper is relatively strong.

Confidential Material Destruction Services ("CMDS") service income increased by 4.7% or HK$0.5 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. Our customer base continues to grow at a satisfactory pace in paper and non-paper destruction customer accounts over the Last Period. We expect to see further growth in contribution of this segment.

Recycled Plastic Pellets Project is our new solid waste recycling business which came into operation in October 2017. Plastic wastes 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. Production and sales were gearing up during the Current Period and we believe that the plastic segment has potential in expanding and thus bringing a positive contribution to our revenue. The Group is also seeking to increase production efficiency of its existing plant and look for other potential projects to accommodate the surging demand in recycled plastic pellets.

The joint venture with ALBA Group operating in recycling of **waste electrical and electronic equipment ("WEEE")** has become operational in October 2017. The WEEE project is still operating at a loss during its early stage of commercial operation, however, the processing volume of WEEE is expected to rise when the Waste Disposal Ordinance and other relevant regulations proposed by the Hong Kong government are scheduled to become effective by the end of 2018. We are confident that the WEEE operation could gain its momentum over time.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The Gross Profit percentage of the Group for the Current Period has increased slightly from 19.1% to 19.6% when compared to the Last Period. The increase in gross profit margin was mainly due to an on-going cost efficiency exercise to reduce the direct cost of sales. However, a slight decrease in gross profit of HK$0.7 million was noted due to a decrease in revenue.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK$45.6 million, representing a reduction of HK$4.1 million when compared to the Last Period. The reduction in these expenditures was due to the cost control measures adopted by the management throughout the year.

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

LBITDA for the period has slightly increased by approximately HK$1.0 million as a result of the decrease in gross profit and recognition of HK$2.2 million in exchange loss.

Liquidity and Financial Resources

As at 30 September 2018, the Group had unrestricted bank deposits and cash of approximately HK$185.4 million (31 March 2018: HK$218.9 million). The Group had no bank loans and overdrafts as at 30 September 2018 (31 March 2018: Nil).

As at 30 September 2018, the Group had net current assets of approximately HK$235.5 million, as compared to net current assets of approximately HK$270.4 million as at 31 March 2018. The current ratio of the Group was 9.8 as at 30 September 2018 as compared to 11.8 as at 31 March 2018.

The Group will continue to monitor its cash position and explore all possible financing options as and when required.

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 Hong Kong dollars, United States dollars and Renminbi.

For the six months ended 30 September 2018, the Group recorded a net foreign exchange loss of HK$2.2 million (six months ended 30 September 2017: gain of HK$1.6 million) as a result of the depreciation of Renminbi during the period. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Major Capital Expenditure and Commitments

During the Current Period, the Group incurred HK$0.9 million for the construction expenditure and I.T. infrastructure in respect of the headquarter of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 30 September 2018, the Group has capital commitments of HK$1.0 million, which are mainly related to the leasehold improvements of depots.

Pledge of Assets

As at 30 September 2018, the Group had restricted bank deposits amounted to HK$2.0 million (31 March 2018: HK$0.2 million) which were pledged with banks for issuing guarantees to suppliers to secure supply.

Capital Structure

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

Contingent Liabilities

At 30 September 2018, the Group has, upon legal advice, lodged certain claims against its former directors and employees and the outcomes of which remain to be seen.

Employees and Remuneration Policies

The Group employed approximately 182 employees in Hong Kong as at 30 September 2018. Employee costs, including directors' emoluments, amounted to HK$25.8 million for the six months ended 30 September 2018 (six months ended 30 September 2017: HK$28.8 million). All of the Group companies are equal opportunity employers, with the selection and promotion of employees based on suitability for the position offered. The Group believes that, with proper training and guidance, people with intellectual disabilities can be capable, loyal and conscientious workers to contribute to society. In this respect, the Group has recruited several employees through Hong Chi On-the-Job Training Program. By providing job opportunities to people with intellectual disabilities, we can enhance their social integration and assist them in seeking open employment.

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Since the implementation of the PRC's new environmental policy to restrict import of waste materials at the start of 2018, the demand for recycled plastic pellets importing to the PRC has been surging that benefits our Recycled Plastic Pellets Project with improving sales trend recorded during the Current Period. To capture this market opportunity and to increase our income base, the Group announced in October 2018 that it would invest in an Engineering Recycled Plastic Pellets Project, the product of which is in heavy demand among the PRC's motor and domestic electrical appliance industries.

On the contrary, our recovered paper operation has been adversely impacted under the new policy. The PRC government's strict control on the quota and quality of imported recovered paper led to high volatility in prices. Nevertheless, the competition among local market players remains fierce and we shall continue to take measures to mitigate the risk by diversifying both our suppliers and customers bases on one hand and to improve cost efficiency in our operation on the other.

As the Removal Service Program was made effective from 1 August 2018, there has been a substantial growth of WEEE items collected over the period. With the disposal licensing control, import and export permit control and landfill disposal ban in respect of abandoned regulated electrical equipment will commence on 31 December 2018, the collection volume and treatment of WEEE items via our joint venture, ALBA Integrated Waste Solutions (Hong Kong) Limited, are expected to grow rapidly.

For the Municipal Solid Waste Charging Scheme to be launched by the Hong Kong government, the Group will strive to seize any opportunity brought by these policy changes in strengthening our existing and new businesses and contribute our effort to tackle the environmental issues in Hong Kong.

On the way forward, the business environment remains challenging. We shall remain focused on our core businesses and continue to identify new investment opportunities to enlarge our revenue base. With the improving performance on the WEEE and Recycled Plastic Pellets Project, together with the newly invested Engineering Recycled Plastic Pellets Project which is targeted to be operational in the second quarter of 2019, the Group is confident to deliver sustainable returns and enhance values for our stakeholders.

INTERIM DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of any interim dividend for the six months ended 30 September 2018 (2017 interim: HK$Nil).

SHARE OPTION SCHEME

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

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

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

The following table discloses movements of the Company's share Options held by directors of the Company ("Directors") and employees during the six months ended 30 September 2018 ("Current Period"):

Eligible participants	Outstanding as at 1 April 2018	Exercised during the Current Period	Cancelled/ lapsed during the Current Period	Outstanding as at 30 September 2018
Directors	112,800,000	–	(13,200,000)	**99,600,000***
Employees	18,500,000	–	(1,050,000)	**17,450,000**
Total	131,300,000	–	(14,250,000)	**117,050,000**

* Included 13,200,000 Options held by the ex-directors retired on 27 August 2018.

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

OTHER INFORMATION

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

As at 30 September 2018, the interests or short positions of the Directors and chief executive in the shares, underlying shares or debentures of the Company or any of, its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required pursuant to: (a) Divisions 7 to 8 of Part XV of the SFO, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

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

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

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

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

Name of Directors	Name of associated corporation	Capacity	Date of Grant	Exercisable period	Exercise Price per Share HK$	Interest in underlying shares pursuant to share options	Approximate percentage of shareholding
Tsang On Yip, Patrick	Greenheart Group Limited	Personal	17.07.2015	17.07.2015 – 16.07.2020	1.12	2,200,000	0.11%
			13.09.2016	13.09.2016 – 12.09.2021	0.71	3,300,000	0.16%
						5,500,000	0.27%
Wong Man Chung, Francis	Greenheart Group Limited	Personal	17.07.2015	17.07.2015 – 16.07.2020	1.12	1,100,000	0.05%
			13.09.2016	13.09.2016 – 12.09.2021	0.71	1,100,000	0.05%
						2,200,000	0.10%

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

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme adopted by the shareholders of the Company on 11 March 2010 (the "Share Option Scheme"), the Company has granted to Directors options to subscribe Shares. Details of which as at 30 September 2018 were as follows:

Name of Directors	Date of grant	Exercisable period	Exercise price per Share HK$	Number of share options: Outstanding as at 1 April 2018	Granted and accepted	Exercised	Cancelled/ Lapsed	Outstanding as at 30 September 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%
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%

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

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

Name of Shareholders	*Note*	Capacity	Number of Shares held*	% of the issued share capital of the Company
Cheng Yu Tung Family (Holdings) Limited	1	Interest in controlled corporations	2,742,514,028 (L)	56.86%
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 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 30 September 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 30 September 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.

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 conducted engagement exercise so as to learn more about their concern and feedback on our ESG initiatives including resources conservation, emissions reduction, health and safety, community involvement, etc.

In August 2018, the Company published its detailed ESG performances in the ESG Report on the websites of the Company and the Stock Exchange, in compliance with the ESG Reporting Guide set out in Appendix 27 to the Listing Rules. During the six months ended 30 September 2018, the Company remained focused on moving in the right direction to conserve energy and natural resources, recycle and reduce wastes, promote green issues in its neighbourhood, attend to employee welfare, improve working conditions, uphold intellectual property, ensure equal opportunity, and sponsor and support local community activities championed by different charitable and/or non-government organisations.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintain a high standard of corporate governance and has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules. The Company has complied with the code provisions set out in the CG Code throughout the six months ended 30 September 2018, other than CG Code provision E.1.2.

CG Code provision E.1.2 which requires the chairman of the board to attend the annual general meeting and he should also invite the chairmen of the board committees to attend. The Chairman was absent from the Company's annual general meeting held on 27 August 2018 ("2018 AGM") due to an unexpected business engagement. The then chairman of the Remuneration Committee was also absent from the 2018 AGM because of an oversea engagement. The Chief Executive Officer, the member of Remuneration Committee who was appointed as the chairman of the Remuneration Committee immediately after the conclusion of the 2018 AGM and other Directors, together with the chairmen of the Audit Committee, Nomination Committee and Executive Committee, were present during the 2018 AGM to answer the shareholders' questions regarding activities of the Company and the Board.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiries by the Company with the Directors, all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2018.

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

The Company has also adopted Code for Securities Transactions by Relevant Employees (the "Own Code") on no less exacting terms than the Model Code for governing securities transactions by relevant employees who are likely to be in possession of inside information of the Company or its securities. No incident of non-compliance of the Own Code by any relevant employee was noted by the Company during the six months ended 30 September 2018.

OTHER INFORMATION

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the Director's information since the date of the 2018 Annual Report is set out below:

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

Mr. Wong has resigned as an independent non-executive director of Kunming Dianchi Water Treatment Co., Ltd. (stock code: 3768) with effect from 17 August 2018.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee of the Company comprises three independent non-executive Directors, namely, Mr. Wong Man Chung, Francis (chairman of the Audit Committee), Mr. Chow Shiu Wing, Joseph, Mr. Chan Ting Bond, Michael and two non-executive Directors, namely Mr. Cheng Chi Ming, Brian and Mr. Tsang On Yip, Patrick.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim financial report of the Group for the six months ended 30 September 2018 with the management and the external auditor, KPMG. The unaudited interim financial report of the Group for the six months ended 30 September 2018 has been reviewed by the Company's external auditor, KPMG, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by International Auditing and Assurance Standards Board and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2018.

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

Hong Kong, 28 November 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2018 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2018	2017
	Note	**$'000**	$'000
Revenue	5	**91,537**	97,375
Cost of sales		**(73,619)**	(78,738)
Gross profit		**17,918**	18,637
Other revenue		**376**	788
Other net (loss)/gain		**(1,824)**	1,421
Selling and distribution expenses		**(11,566)**	(13,270)
Administrative and other operating expenses		**(33,989)**	(36,410)
Operating loss		**(29,085)**	(28,834)
Finance income	6	**4,289**	4,693
Share of loss of joint venture		**(2,251)**	(2,924)
Loss before taxation	6	**(27,047)**	(27,065)
Income tax	7	**–**	–
Loss and total comprehensive income for the period	8	**(27,047)**	(27,065)
Basic and diluted loss per share	8	**(0.6) cent**	(0.6) cent

The notes on pages 21 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2018 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 September 2018 $'000	At 31 March 2018 $'000
Non-current assets			
Property, plant and equipment	9	**678,430**	694,609
Land use rights		**31,346**	31,892
Interests in joint venture		**23,732**	–
Deposits and prepayments		**1,228**	193
		734,736	726,694
Current assets			
Inventories		**10,086**	4,499
Trade and bills receivables	10	**25,988**	21,478
Other receivables, deposits and prepayments		**16,810**	19,689
Amount due from a related company		**12**	12
Amount due from joint venture		**19,031**	27,715
Taxation recoverable		**2,976**	2,976
Restricted and pledged bank deposits		**2,041**	152
Bank deposits and cash		**185,353**	218,871
		262,297	295,392
Current liabilities			
Trade and bills payables	11	**6,799**	5,449
Other payables, accruals and contract liabilities		**19,994**	19,565
Amount due to a related company		**10**	10
		26,803	25,024
Net current assets		**235,494**	270,368
NET ASSETS		**970,230**	997,062

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2018 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 September 2018 $'000	At 31 March 2018 $'000
CAPITAL AND RESERVES			
Share capital	12	**482,301**	482,301
Reserves		**487,929**	514,761
TOTAL EQUITY		**970,230**	997,062

The notes on pages 21 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2018 – unaudited
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company					
	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Share-based capital reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 April 2017		482,234	3,092,881	(964,044)	3,280	(1,539,881)	1,074,470
Changes in equity for the six months ended 30 September 2017:							
Loss and total comprehensive income for the period		–	–	–	–	(27,065)	(27,065)
Equity settled share-based transactions	12(c)	–	–	–	2,575	–	2,575
Balance at 30 September 2017 and 1 October 2017		482,234	3,092,881	(964,044)	5,855	(1,566,946)	1,049,980
Changes in equity for the six months ended 31 March 2018:							
Loss and total comprehensive income for the period		–	–	–	–	(53,900)	(53,900)
Shares issued under share option scheme	12(b)	67	56	–	(38)	–	85
Equity settled share-based transactions		–	–	–	897	–	897
Share options lapsed and forfeited		–	–	–	(208)	208	–
Balance at 31 March 2018		482,301	3,092,937	(964,044)	6,506	(1,620,638)	997,062
Balance at 1 April 2018		482,301	3,092,937	(964,044)	6,506	(1,620,638)	997,062
Changes in equity for the six months ended 30 September 2018:							
Loss and total comprehensive income for the period		–	–	–	–	(27,047)	(27,047)
Equity settled share-based transactions	12(c)	–	–	–	215	–	215
Balance at 30 September 2018		482,301	3,092,937	(964,044)	6,721	(1,647,685)	970,230

The notes on pages 21 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2018 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2018	2017
	$'000	$'000
Operating activities		
Operating loss before working capital changes	**(11,402)**	(8,197)
(Increase)/decrease in trade and bills receivables	**(4,510)**	11,992
Other changes in working capital	**(929)**	179
Net cash (used in)/generated from operating activities	**(16,841)**	3,974
Investing activities		
Purchase of property, plant and equipment	**(1,331)**	(3,837)
Prepayments for purchase of property, plant and equipment	**(1,035)**	–
Proceeds from disposal of property, plant and equipment	**588**	117
New loan to joint venture	**(23,732)**	–
Loan repaid by joint venture	**8,732**	–
Increase in amount due from joint venture	**(7)**	(19,164)
Interest received	**1,997**	1,332
Net cash used in investing activities	**(14,788)**	(21,552)
Financing activity		
(Increase)/decrease in restricted and pledged bank deposits	**(1,889)**	17,521
Net cash (used in)/generated from financing activity	**(1,889)**	17,521
Net decrease in cash and cash equivalents	**(33,518)**	(57)
Cash and cash equivalents at the beginning of the period	**218,871**	219,102
Cash and cash equivalents at the end of the period	**185,353**	219,045

The notes on pages 21 to 38 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General information

Integrated Waste Solutions Group Holdings Limited ("the Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 11 November 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company and 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.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, promulgated by the International Accounting Standards Board ("IASB"). It was authorised for issue on 28 November 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

2 Basis of preparation (continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*" issued by the IASB. KPMG's independent review report to the Board of Directors is included on pages 39 to 40.

The financial information relating to the financial year ended 31 March 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

3 Changes in accounting policies

(a) Overview

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

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

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

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by IFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 3(b) for IFRS 9 and note 3(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated.

3 Changes in accounting policies (continued)

(b) IFRS 9, *Financial instruments*

Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables). Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of trade and other receivables are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

3 Changes in accounting policies (continued)

(b) IFRS 9, *Financial instruments* (continued)

Credit losses (continued)

Measurement of ECLs (continued)

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3 Changes in accounting policies (continued)

(b) IFRS 9, *Financial instruments* (continued)

Credit losses (continued)

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

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

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

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

There has been no impact on the Group as a result of this change in accounting policy.

3 Changes in accounting policies (continued)

(c) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three 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 is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

3 Changes in accounting policies (continued)

(c) IFRS 15, *Revenue from contracts with customers* (continued)

(ii) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

There has been no impact on the Group as a result of this change in policy.

(iii) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

There has been no significant impact on the Group as a result of this change in policy.

(d) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

4 Financial risk management

Financial risk factors

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

The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018. There have been no changes in the risk management policies since 31 March 2018.

Fair value measurement

At 30 September 2018, the fair values of financial assets and liabilities approximate their carrying amounts.

5 Revenue and 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, Mainland 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.

5 Revenue and segment information (continued)

Revenue from contracts with customers within the scope of IFRS 15

	Six months ended 30 September	
	2018	2017
	$'000	$'000
Disaggregated by major products or service lines		
– Sales of recovered paper and materials	**81,129**	87,216
– Sales of tissue paper products	**12**	304
– Provision of CMDS	**10,212**	9,751
– Provision of logistics services	**184**	104
	91,537	97,375

Revenue by geographic markets

	Six months ended 30 September	
	2018	2017
	$'000	$'000
Hong Kong	**55,946**	40,158
Mainland China	**24,586**	48,036
Others	**11,005**	9,181
	91,537	97,375

5 Revenue and segment information (continued)

The segment results and other segment items included in the loss for the six months ended 30 September 2018 are as follows:

	Six months ended 30 September 2018				
	Recovered paper and materials $'000	CMDS $'000	Logistics services $'000	Others $'000	Total $'000
Segment revenue:					
Sales to external customers	81,129	10,212	184	12	91,537
Inter-segment sales	–	–	8,338	–	8,338
Reportable segment revenue	81,129	10,212	8,522	12	99,875
Elimination of inter-segment revenue	–	–	(8,338)	–	(8,338)
	81,129	10,212	184	12	91,537
Segment results:					
Reportable segment profit	13,726	6,514	1,410	1	21,651
Elimination of inter-segment profit					(3,733)
Reportable segment profit derived from the Group's external customers					17,918
Unallocated operating costs					(47,003)
Finance income					4,289
Share of loss of joint venture					(2,251)
Loss for the period					(27,047)

5 Revenue and segment information (continued)

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

6 Loss before taxation

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

	Six months ended 30 September	
	2018	2017
	$'000	$'000
(a) Finance income		
Interest income from bank deposits	**(1,997)**	(1,332)
Interest income from loans to joint venture	**(2,292)**	(1,937)
Financial guarantee income from joint venture	**–**	(1,424)
	(4,289)	(4,693)
(b) Other items		
Cost of inventories sold	**50,820**	56,087
Amortisation of land use rights	**545**	545
Depreciation of property, plant and equipment	**17,301**	17,331
Reversal of impairment losses on trade and bills receivables *(note 10)*	**–**	(10)
Bad debts written off	**6**	3
Gain on disposal of property, plant and equipment	**(415)**	(23)
Write off of property, plant and equipment	**36**	209
Operating lease charges in respect of land and buildings	**2,500**	3,058
Equity settled share-based payment expenses (*note 12(c)*)	**215**	2,575
Foreign exchange loss/(gain), net	**2,203**	(1,607)

7 Income tax

No provision for Hong Kong Profits Tax for the six months ended 30 September 2018 and 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 period or the subsidiaries have no estimated assessable profits in Hong Kong.

8 Loss per share

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to equity shareholders of the Company of $27,047,000 (six months ended 30 September 2017: $27,065,000) and the weighted average of 4,823,009,000 (2017: 4,822,334,000) ordinary shares in issue during the interim period.

(b) Diluted loss per share

No adjustment had been made to the basic loss per share presented for the six months ended 30 September 2018 and 30 September 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.

9 Property, plant and equipment

During the six months ended 30 September 2018, the Group acquired items of property, plant and equipment with aggregate costs of $1,331,000 (2017: $25,829,000).

10 Trade and bills receivables

	At 30 September 2018 $'000	At 31 March 2018 $'000
Trade and bills receivables	**30,225**	25,715
Less: Allowance for doubtful debts	**(4,237)**	(4,237)
Trade and bills receivables, net	**25,988**	21,478

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

	At 30 September 2018 $'000	At 31 March 2018 $'000
0 – 30 days	**25,054**	16,726
31 – 60 days	**253**	3,314
61 – 90 days	**86**	509
91 – 120 days	**113**	315
Over 120 days	**482**	614
	25,988	21,478

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

11 Trade and bills payables

	At 30 September 2018 $'000	At 31 March 2018 $'000
Trade payables	**6,067**	5,449
Bill payables	**732**	–
	6,799	5,449

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

	At 30 September 2018 $'000	At 31 March 2018 $'000
Current	**5,346**	3,088
1 – 30 days	**504**	793
31 – 60 days	**143**	720
61 – 90 days	**38**	20
91 – 120 days	**17**	13
Over 120 days	**751**	815
	6,799	5,449

12 Share capital and reserves

(a) Authorised share capital of the Company

	At 30 September 2018 $'000	At 31 March 2018 $'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 2017	4,822,334	482,234
Shares issued under share option scheme	675	67
At 31 March 2018, 1 April 2018 and 30 September 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 sheet for the five business days immediately preceding the date on which such offer is made; and
- the nominal value of a share of the Company.

12 Share capital and reserves (continued)

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

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.

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

			Number of share options			
Date of grant	Initial exercise price $	Exercisable period	Outstanding at 1 April 2018 '000	Cancelled/ lapsed during the period '000	Outstanding at 30 September 2018 '000	Remaining contractual life
Directors						
7 September 2016	0.128	7 September 2017 to 6 September 2022	112,800	(13,200)	99,600	3.9 years
Employees						
7 September 2016	0.128	7 September 2017 to 6 September 2022	18,500	(1,050)	17,450	3.9 years
			131,300	(14,250)	117,050	

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

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

12 Share capital and reserves (continued)

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

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

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

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

The Group recognised expense of $215,000 (2017: $2,575,000) related to equity settled share-based payment transactions during the six months ended 30 September 2018.

(d) Dividends

No dividends had been paid or declared by the Company for the six months ended 30 September 2018 (2017: Nil).

13 Capital commitments

	At 30 September 2018 $'000	At 31 March 2018 $'000
Contracted but not provided for		
– Property, plant and equipment	**977**	79

14 Claims against former directors and employees

At 30 September 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.

15 Material related party transactions

Transactions with related parties

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

	Six months ended 30 September	
	2018	2017
	$'000	$'000
Financial guarantee income received from joint venture	**–**	1,424
Interest income received from joint venture	**2,292**	1,937
Logistics service income received from joint venture	**184**	104

16 Non-adjusting event after the reporting period

Subsequent to the end of the reporting period, the Group entered into an agreement to establish a project company for the purpose of developing the business in engineering recycled plastic pellets. The Group's total commitment to the investment in the project company is approximately $44,700,000, comprising capital contribution of $14,700,000 and shareholder's loan of $30,000,000. The Group's interest in the project company will be 49% upon completion of capital contribution.

17 Approval of interim financial report

The interim financial report was approved by the Board on 28 November 2018.

INDEPENDENT AUDITOR'S REVIEW REPORT

Review report to the Board of Directors of
Integrated Waste Solutions Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 16 to 38 which comprises the consolidated statement of financial position of Integrated Waste Solutions Group Holdings Limited as of 30 September 2018 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

INDEPENDENT AUDITOR'S REVIEW REPORT

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

28 November 2018

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

This Interim Report is printed on environmentally friendly paper
本中期報告採用環保紙印製