Annual Report 2019 年報

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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock code 股份代號：923

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CORPORATE INFORMATION

DIRECTORS

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

Non-executive directors
Mr. Cheng Chi Ming, Brian *(Chairman)*
Mr. Tsang On Yip, Patrick
Mr. Lau Sai Cheong
Mr. 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 54, 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 2019.

During the year, the Group continued to transform its business to move towards more sustainable growth. The positive impact of such changes has gradually started getting reflected in our financial performance. We are seeing improvement in each of our business segments. Despite challenges posed by the external economic environment, we remain optimistic about growth and development as existing projects mature further.

Individual business segments are making steady progress and have begun to contribute increasingly to our bottom line. Production efficiency of the recycled plastic pellets project has been enhanced. The joint venture business of treatment of waste electrical and electronic equipment ("WEEE") has also gradually become a steady operation and it is growing into a steady revenue stream, attributed to the enforcement of producer responsibility scheme on waste electrical and electronic equipment ("WPRS") on 1 August 2018 and Waste Disposal Ordinance effective from 31 December 2018.

CHAIRMAN'S STATEMENT

In spite of relatively upbeat development of our business in the past year, we remain vigilant about external factors, including reform of environmental policies of the People's Republic of China (the "PRC" or "China"). Policy measures have started directly affecting our recovered paper exports. However, the Sino-US trade war poses some threats to the stability of our business. The Group will continue to ensure all related risks are closely monitored and is prepared to respond with appropriate adaptation measures. We are confident that with a capable board and management team, we shall be able to lead the Group towards continuous improvement and stable business development.

During the year, the Group continued to explore ways to enhance its production capacity and efficiency, including better utilisation of its fleet and operations of production of recycled plastic pellets. In line with our strategy to explore opportunities with strong potential for expanding sources of income, we have formed a joint venture during the year which engages in the production of engineering recycled plastic pellets. This is a significant step towards developing high value-added recycled products.

Looking ahead, we remain committed to seek the best collaboration opportunities by identifying projects with upside potential, eventually bringing sustainable returns to shareholders. The Group has also started exploring opportunities for new waste management projects.

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

Cheng Chi Ming, Brian
Chairman

Hong Kong, 26 June 2019

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Chief Executive Officer

Mr. Lam King Sang, aged 58, is an Executive Director, Chief Executive Officer and the chairman of the Executive Committee of the Company. Joined the Company on 1 March 2016, Mr. Lam holds directorship in certain subsidiaries and associated companies of the Group. He 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 54, 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 and associated company of the Group. 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 36, 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) and Wai Kee Holdings Limited (stock code: 610), all of which are listed on the main board of the Stock Exchange. Mr. Cheng is also the chairman of Goshawk Aviation Limited, and a director of SUEZ NWS Limited, PBA International Pte. Ltd., Prestige Safe Limited and a number of companies in Mainland China. He was a non-executive director of Newton Resources Ltd (stock code: 1231), Beijing Capital International Airport Company Limited (stock code: 694) and Leyou Technologies Holdings Limited (stock code: 1089), all being listed public companies in Hong Kong, and a non-executive director of Tharisas plc, whose shares are listed on the Johannesburg Stock Exchange Limited and the London Stock Exchange plc. Mr. Cheng is currently a member of the Thirteenth Shanghai Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. 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 47, 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), i-Cable Communications Limited (stock code: 1097) and SJM Holdings Limited (stock code: 880), 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 62, 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 (Corporate Support) 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. Lee Chi Hin, Jacob, aged 36, is a Non-executive Director and a member of the Remuneration Committee of the Company. Joined the Company on 1 September 2018, Mr. Lee is currently a senior vice president of Chow Tai Fook Enterprises Limited ("CTFE") with responsibilities in making strategic and private equity investments globally. CTFE is an indirect subsidiary of Chow Tai Fook Capital Limited which is a controlling shareholder of the Company. Mr. Lee joined CTFE in March 2013 and has over 10 years of professional experience in corporate finance, investment, international capital markets and asset management. He previously worked at the investment banking department of The Hongkong and Shanghai Banking Corporation Limited and Deutsche Bank AG in Hong Kong. Mr. Lee is currently a non-executive director of New Times Energy Corporation Limited (stock code: 166), a company listed on the main board of the Stock Exchange. Mr. Lee holds a Master of Science degree in Accounting and Finance from the London School of Economics and Political Science in London, United Kingdom and a Bachelor of Business Administration degree from the University of Michigan in Ann Arbor, USA. He is also a CFA Charterholder.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Shiu Wing, Joseph, aged 47, 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 54, 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, the Hong Kong Institute of Certified Public Accountants and the Society of Chinese Accountants and Auditors, and a Certified Tax Adviser of the Taxation Institute of Hong Kong. He is a Certified Public Accountant (Practising) and has over 29 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) and Greenheart Group Limited (stock code: 94); 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); 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 as well as the audit committee of GCL-Poly Energy Holdings Limited (stock code: 3800); 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. He was an independent non-executive director of Kunming Dianchi Water Treatment Co., Ltd. (stock code: 3768).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Ting Bond, Michael, aged 38, is an Independent Non-executive Director, chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee of the Company. He joined the Company on 1 May 2018.

Mr. Chan is currently serving as Director, Strategy & Distribution in Inchcape Hong Kong Limited, a subsidiary of Inchcape Plc. (stock code: INCH), a company listed on the London Stock Exchange. 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 in August 2007, and served as Vice President in Global Business Development until 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. Mr. Chan was subsequently appointed to Zung Fu Group in April 2014, where he served as General Manager, Strategy & Operations until April 2019.

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 related to waste paper and plastic waste, confidential material destruction services ("CMDS") and other recyclable waste to a broad range of customers in both public and private sectors. Wastes are treated in environmentally friendly ways by our technologically advanced treatment plants. Products handled include recovered paper and plastic pellets, which are sorted, packed and exported to the PRC or other overseas destinations.

We are committed to maintaining stable and efficient services, managing and developing our business in a professional manner. Recognising the importance of our business in becoming a part of the solutions to municipal waste management, we will continue to strive to make a difference by dedicating resources to create shared economic, social and environmental values. We are 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, disposal of municipal solid waste in landfills has been increasing rapidly year-on-year. With domestic landfills reaching saturation point, Hong Kong has to start taking action for reducing and recycling waste. The recycling rate has remained low since majority of the recyclable waste is exported. However, stringent controls on waste imports by the PRC since January 2018 has made it imperative for Hong Kong to process its recyclable wastes locally, which has resulted in radical changes in the landscape of the waste management services market.

New laws and regulations 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") are bringing new opportunities for providers of waste treatment and recycling services. The Group's waste management operations, recovered paper, WEEE, plastics, etc., are part of the long term solutions to the municipal waste problems.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the year ended 31 March 2019 ("FY2019") amounted to HK$51.5 million, an improvement of HK$29.5 million compared to the net loss of HK$81.0 million for the year ended 31 March 2018 ("FY2018").

	FY2019 HK$'000	FY2018 HK$'000	Fav./(Unfav.) Change HK$'000	%
Results of Operating Segments	**(8,235)**	(14,639)	**6,404**	**43.7%**
Net Corporate expenses	**(40,183)**	(37,958)	**(2,225)**	**(5.9%)**
	(48,418)	(52,597)	**4,179**	**7.9%**
Share of results of joint ventures	**170**	(28,368)	**28,538**	**100.6%**
Non-operating item:				
Impairment loss of property, plant and equipment	**(3,276)**	–	**(3,276)**	**N/A**
Loss attributable to equity shareholders of the Company	**(51,524)**	(80,965)	**29,441**	**36.4%**

The results of the operating segments of the Group has improved with a decrease in loss of HK$6.4 million or 43.7% when compared to FY2018, while the net corporate expenses has increased by HK$2.2 million or 5.9% which was mainly caused by the recognition of net foreign exchange loss of HK$2.8 million (FY2018: gain of HK$4.3 million) as a result of the gradual devaluation of Renminbi during the year. 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 in FY2018.

Revenue Analysis	FY2019 HK$'000	FY2018 HK$'000	Change HK$'000	%
Sales of recovered paper and materials				
– Sales of recovered paper	**158,864**	148,386	**10,478**	**7.1%**
– Sales of recycled plastic pellets	**15,289**	7,461	**7,828**	**104.9%**
– Sales of other waste materials	**660**	532	**128**	**24.1%**
	174,813	156,379	**18,434**	**11.8%**
CMDS service income	**20,134**	18,508	**1,626**	**8.8%**
Sales of tissue paper products	**17**	410	**(393)**	**(95.9%)**
Logistics service income	**1,376**	164	**1,212**	**739.0%**
	196,340	175,461	**20,879**	**11.9%**

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of recovered paper and materials

Revenue from **Recovered Paper** has increased to approximately HK$158.9 million, a rise of approximately HK$10.5 million or 7.1% compared to FY2018. The gross profit of recovered paper trading has increased by HK$6.9 million or 25.0% when compared to FY2018, and the gross profit margin has improved from 18.6% to 21.8%.

The ban on imports of unsorted waste paper by the PRC since January 2018 has led to a drop in sales volume by 5.8%. However, the trade war between the US and China has shifted demand for recovered paper to Hong Kong during the end of 2018 which led to an increase in the average selling price per tonne by 13.7% when compared to FY2018.

In view of the uncertainties exists within this business segment, the Group continues to take measures to ensure additional manpower is available in the event of a sudden increase in demand. With a rather difficult outlook in this segment, the Group is looking for ways of adapting to the changing external environment.

Sales of recovered office paper generated from the provision of CMDS have recorded an increase of 4.2%. Due to the difference in usage of recovered office paper as compared to other types of recovered paper, the price and export volume of office paper has not been affected by environmental regulations of the PRC. Moreover, the Group has expanded in the Southeast Asian market where the demand for recovered office paper remains strong and there has been significant increase in sales in these markets.

Plastic Recycling is our new solid waste recycling business which commenced operations in October 2017. Low-density Polyethylene ("LDPE") plastic waste are recycled and processed into plastic pellets. These LDPE pellets can be used for both rigid containers and plastic film applications such as plastic bags and film wrap. Sales revenue generated from plastic pellets has increased by HK$7.8 million or 104.9%. The ban imposed by the PRC government on the import of plastic scrap has had a positive impact on this business. The Group has also been working to boost production capacity and efficiency through rectifications. Despite factors such as oil price and Sino-US trade war which have impacted the competitiveness of our products, we expect this business to bring greater contributions to our revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

In October 2018, the Group has tapped into the business of engineering recycled plastic pellets, which facilitates the production of high value-added recycled plastic pellets. The project is under trial run since March 2019 and is expected to become a new revenue stream in the next financial year.

CMDS service income

Confidential Materials Destruction Service ("CMDS") service income increased by HK$1.6 million or 8.8%. The growing awareness and concerns about data privacy and intellectual property rights is the main reason attributable to a stable performance of the CMDS business. We made efforts to keep up our service quality and improve efficiency of our fleet. Despite emergence of other competitors, we have maintained our market share with professional expertise and services, which bring us new customers. We expect to see further growth of contribution from this segment in the long term.

Joint venture with ALBA Group

The joint venture with ALBA Group operating in treatment and recycling of **WEEE** has been in operation since October 2017. As the producer responsibility scheme on waste electrical and electronic equipment ("WPRS") was fully implemented in August 2018, the volume in WEEE business has been growing. Production capacity has also been stabilised. We expect positive and stable contributions to the financial performance as it gains momentum over time.

Gross Profit

Compared to FY2018, the gross profit of the Group has increased by HK$11.0 million or 35.4%, and the gross profit margin has improved from 17.7% to 21.4% in FY2019. The increase in gross profit margin is attributable to an on-going cost efficiency exercise to reduce direct cost of sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK$98.1 million, representing a slight increase of HK$0.7 million compared to FY2018.

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

With the increase in total revenue and the improvement in gross profit, LBITDA for the year has improved by approximately HK$26.4 million to HK$25.0 million compared to HK$51.4 million in FY2018.

Liquidity and Financial Resources

The Group recognises the need to achieve an adequate profit margin and considers it 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. The Group also acknowledges that it will encounter difficulty in raising funds from financial institutions by way of debt financing in light of its recent financial performance and positions. During the current financial year, the Group had no financing exercise undertaken and all capital expenditure incurred was financed by internal resources.

As at 31 March 2019, the Group had unrestricted bank deposits and cash of approximately HK$160.7 million (2018: HK$218.9 million). The Group had no bank loans and overdrafts as at 31 March 2019 (2018: HK$Nil).

As at 31 March 2019, the Group had net current assets of approximately HK$216.7 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 10.7 as at 31 March 2019 as compared to 11.8 as at 31 March 2018.

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 raw material purchases are denominated in Hong Kong dollars and United States 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 2019, the Group recorded a net foreign exchange loss of HK$3.0 million (2018: gain of HK$4.6 million) as a result of the gradual devaluation of Renminbi during the year. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Major Capital Expenditure and Commitments

During the current financial year, the Group incurred HK$1.6 million for the leasehold improvements of depots, and incurred HK$1.1 million for the capital expenditure in respect of the headquarter of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2019, the Group has no material capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 31 March 2018, the restricted and pledged bank deposits were pledged with banks for issuing guarantees to suppliers to secure supply. As at 31 March 2019, the Group had no restricted and pledged bank deposits.

Capital Structure

Details of the capital structure of the Company are set out in Note 21.

Contingent Liabilities

At 31 March 2019, the Group has, upon legal advice, lodged certain claims against its former directors and employees and the outcomes of which remain to be seen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group pledges to shoulder its responsibility to protect the environment and contribute to the community as a major waste treatment and management services provider in Hong Kong. Environmental, social and governance ("ESG") factors are an integral part of our operations. To contribute to waste management solutions in Hong Kong, we actively listen and respond to feedback of stakeholders including customers, employees, investors, government agencies, suppliers, environmental NGOs, etc., on our ESG performance. We continued to maintain regular communication with stakeholder groups on topics such as environmental compliance, occupational health and safety as well as customer privacy protection. During the year, we have reviewed our materiality topics and aligned them with the United Nations Sustainable Development Goals (SDGs), responding to global sustainability issues.

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 optimised in conjunction with its business growth. While detailed ESG performance will be published in our ESG Report in August 2019 on the websites of the Stock Exchange and the Company, 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 of Hong Kong Limited (the "Listing Rules"), this section explains the Group's environmental policy and performance, and its relationships with key stakeholder groups.

MANAGEMENT DISCUSSION AND ANALYSIS

Environmental Policy and Compliance

The Group demonstrates its environmental stewardship through adopting ISO 14001:2015-certified environmental management system. We have defined quantitative environmental control objectives of resorting to all viable means to reduce pollution, optimising resources utilisation and disposing waste in a responsible manner. The Group strictly complies with relevant environmental laws and regulations, including the Waste Disposal Ordinance, Water Pollution Control Ordinance and Air Pollution Control Ordinance. We closely monitor the trends and changes in regional and local environmental policies to keep our management system updated.

The Group adopts a four-step process for managing environmental impacts of its business, including identifying environmental factors, identifying potential direct and indirect impacts, evaluating the significance of those impacts, and controlling those environmental factors through establishing related procedures. We implement on-going energy conservation measures, water recycling system and green office practices to reduce resources consumption. Solar panels are being installed at our building in preparation for generating renewable energy next year. To leverage our role as a waste solutions provider and facilitating sustainable development in Hong Kong, we also participate in environmental initiatives and collaborate with external green organisations.

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.

Engagement with Stakeholders

Building close and smooth relations with our stakeholders is crucial for the Group's long-term development. The Group has established procedures for managing communications with internal and external stakeholders from different sectors and backgrounds. We have established and maintained appropriate communication platforms and channels such as regular meetings and grievance resolution system, to consult them on material topics and any issues concerned. The management strives to listen and respond to the feedback so as to improve our sustainability performance and meet their expectations.

Employees

As of 31 March 2019, the Group had a workforce of 182 employees. Employee costs, including directors' emoluments, amounted to HK$62.9 million for FY2019 (FY2018: HK$65.9 million). The Group adheres to fair employment practices and provides equal opportunities to employees. We respect every individual employee and prohibit discriminatory practices on all related matters including recruitment, appraisal procedures and provision of welfare and benefits. We maintain effective two-way communication channels and a grievance system to address any concerns employees may have.

MANAGEMENT DISCUSSION AND ANALYSIS

Health and safety of employees is always a top priority in our operations. Occupational health and safety policies are established and reviewed by the Safety Management Committee which scrutinises implementation and facilitates communication within the Group on safety issues. The safety management system also includes regular training for managing different types of safety hazards. Procedures for identifying potential safety risks and drawing emergency plans are also in place. The Group has complied with Occupational Safety and Health Ordinance and all relevant laws and regulations on occupational safety.

Believing that training is the key to strengthen the competitiveness of the Group and it also benefits the employees themselves, the Group offers opportunities for employees to enhance skills and knowledge. We invest on internal and external training of various types according to different training needs. Industry-related training is provided to update employees with the latest developments in the industry.

Customers

We highly value opinions and feedback from customers as they are a crucial part of our continuous improvement process. The Group maintains effective communications with customers through daily engagement and regular meetings, understanding their needs and expectations of our products and services. The Group conducts a consumer satisfaction survey on an annual basis. Feedback provided by customers through our complaints handling mechanism also allows us to rectify and improve product and service quality. Actions taken and its results are promptly communicated to the complainants.

Suppliers

The Group communicates regularly with suppliers and subcontractors about fulfillment of ESG requirements, striving to work towards a sustainable supply chain. Suppliers selection criteria are drawn to ensure they reach our environmental, social and quality standards. Sample assessment is conducted annually on existing suppliers. We evaluate their performance based on price, product and service quality, cooperation, on-time delivery and environmental requirements. Environmentally-friendly suppliers and contractors are given priority. Unqualified suppliers are removed from our supplier list if the performance remains unsatisfactory after follow-up.

Community

As one of the key players in the waste management industry, the Group is committed to promoting environmental education. The environmental education centre built by the Group is open to the public, in order to raise awareness of the need for waste reduction and recycling. We also actively participate in the Green Hero Alliance Program, led by a non-governmental organisation, spreading environmental knowledge within the Group and the community through workshops and volunteering.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Committed to its promise to deliver ever higher value to its shareholders and investors, the Group will continue to work towards sustainable growth, maintaining existing business segments and grasping opportunities for developing new businesses.

Looking forward, the Group will work on stabilising and maturing the newly commenced businesses including recycled plastic pellets and WEEE. Collaborating closely with our partner, we will also ensure smooth launch of engineering recycled plastic pellets project. The Group will also carry on with professional CMDS services and recovered paper business.

While some segments face risks from environmental policies of the PRC and the Sino-US trade war, such factors also imply opportunities in other segments. We will not give up on seeking new opportunities to broaden our income sources. We are confident that with the continuous efforts made in improving our operations, the Group will be able to further transform itself into a higher value-added business.

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 2019.

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 26(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

The business review of the Group for the year ended 31 March 2019 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.

Descriptions of the principal business risks and uncertainties facing the Group are delineated in the Management Discussion and Analysis of this Annual Report. Details about the Group's financial risk management are set out in note 3 to the financial statements.

To the best knowledge of the Board, throughout the financial year ended 31 March 2019, 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 Group's environmental policies and performance, and relationships with key shareholders are delineated in the Management Discussion and Analysis of this Annual Report on pages 10 to 18.

The above discussion forms part of this report of the Directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019 ("ESG REPORT")

A separate ESG Report in electronic version will be published on the Company's website and the designated website of the Stock Exchange in August 2019.

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 59.

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2019 (2018: HK$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 62 and in note 22(a) to the financial statements respectively.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$81,000 (2018: HK$80,000).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 21(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 2019, the reserves of the Company available for distribution to the shareholders of the Company (the "Shareholders") amounted to approximately HK$1,095,411,000 (2018: HK$1,098,145,000).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 22 August 2019 to Tuesday, 27 August 2019, 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 2019 annual general meeting of the Company (the "2019 AGM") to be held on Tuesday, 27 August 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 21 August 2019.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

FIVE YEAR FINANCIAL SUMMARY

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2019.

DIRECTORS

The Directors since 1 April 2018 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. Lee Chi Hin, Jacob *(Appointed on 1 September 2018)*
Mr. To Chun Wai *(Retired on 27 August 2018)*

Independent non-executive Directors
Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis
Mr. Chan Ting Bond, Michael *(Appointed on 1 May 2018)*
Mr. Nguyen Van Tu, Peter *(Retired on 27 August 2018)*
Mr. Yeung Kwok Ki, Anthony *(Retired on 27 August 2018)*

REPORT OF THE DIRECTORS

Pursuant to Article 108 of the Articles of Association, Messrs. Lam King Sang, Lau Sai Cheong and Wong Man Chung, Francis shall retire by rotation at the 2019 AGM. Further, Mr. Lee Chi Hin, Jacob, who was newly appointed by the Board on 1 September 2018, will also retire from his office as Director in accordance with Article 112 of the Articles of Association. All the retiring Directors, being eligible, offer themselves for re-election at the 2019 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 2019, 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 2018/19 Interim Report are set out below:

Executive Director's Emoluments

With effect from 1 January 2019, the annual salaries of Mr. Lam King Sang and Mr. Tam Sui Kin, Chris have been adjusted to HK$2,451,840 each. Their annual director's fees remained unchanged at HK$360,000 each.

Mr. Lam King Sang (Executive Director)

Mr. Lam and the Company entered into a service agreement for a term of three years from 1 March 2019. Pursuant to the service agreement, Mr. Lam is entitled to an annual director's fee of HK$360,000 and an annual salary of HK$2,451,840, which were determined with reference to the experience of Mr. Lam as well as the prevailing market conditions, and are subject to review by the Remuneration Committee of the Company from time to time.

REPORT OF THE DIRECTORS

Mr. Cheng Chi Ming, Brian (Non-executive Director)
Mr. Cheng resigned as a non-executive director of Leyou Technologies Holdings Limited (stock code: 1089) on 5 June 2019.

Mr. Tsang On Yip, Patrick (Non-executive Director)
The Company has renewed the letter of appointment with Mr. Tsang as a Non-executive Director for a term of three years from 1 November 2018. Pursuant to the letter of appointment, Mr. Tsang 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. Tsang has been appointed as non-executive director of SJM Holdings Limited (stock code: 880) with effect from 11 June 2019.

Mr. Lee Chi Hin, Jacob (Non-executive Director)
Mr. Lee has been appointed as a non-executive director of New Times Energy Corporation Limited (stock code: 166) with effect from 1 April 2019.

REMUNERATION POLICY

During the year ended 31 March 2019, 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.

REPORT OF THE DIRECTORS

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

As at 31 March 2019, 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%
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 in the section headed "Directors' Rights to Acquire Shares or Debentures" below.

REPORT OF THE DIRECTORS

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

Under the share option scheme of Greenheart Group Limited, a fellow subsidiary of the Company, the following Directors have personal interests in share options to subscribe for ordinary shares of Greenheart Group Limited. Details of the share options of Greenheart Group Limited held by the relevant Directors were as follows:

				Number of share options						
Name of Directors	Date of grant	Exercisable period	Exercise Price per Share (Note) HK$	Outstanding as at 01.04.2018	Granted and accepted	Exercised	Cancelled/ Lapsed	Adjustments (Note)	Outstanding as at 31.03.2019	Approximate percentage of shareholding
Tsang On Yip, Patrick	17.07.2015	17.07.2015 – 16.07.2020	1.12	2,000,000	–	–	–	200,000	2,200,000	0.12%
	13.09.2016	13.09.2016 - 12.09.2021	0.71	3,000,000	–	–	–	300,000	3,300,000	0.18%
								500,000	5,500,000	0.30%
Wong Man Chung, Francis	17.07.2015	17.07.2015 – 16.07.2020	1.12	1,000,000	–	–	–	100,000	1,100,000	0.06%
	13.09.2016	13.09.2016 - 12.09.2021	0.71	1,000,000	–	–	–	100,000	1,100,000	0.06%
								200,000	2,200,000	0.12%

Note: The exercise prices and the numbers of the outstanding share options were adjusted after the completion of the bonus issue on the basis of one bonus share for every ten existing shares of Greenheart Group Limited on 15 June 2018.

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or recorded in the register required to be maintained by the Company under Section 352 of the SFO, or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme adopted by the shareholders of the Company on 11 March 2010 (the "Share Option Scheme"), the Company has granted to Directors options to subscribe for the Shares and details of which as at 31 March 2019 were as follows:

				Number of share options					
Name of Directors	Date of grant	Exercisable period	Exercise price per Share HK$	Outstanding as at 01.04.2018	Granted and accepted	Exercised	Cancelled/ Lapsed	Outstanding as at 31.03.2019	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%

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

Save as disclosed in this report and in note 21(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 2019 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.

REPORT OF THE DIRECTORS

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.

REPORT OF THE DIRECTORS

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 27,961,329 Shares which represent approximately 0.58% 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 21(c) to the financial statements.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2019, 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 Interest in controlled corporations	1,530,601,835 (L) 732,550,000 (L)	31.74% 15.19%
Victory Day Investments Limited	3	Interest in a controlled corporation	732,550,000 (L)	15.19%
Smart On Resources Ltd.	3	Beneficial owner	732,550,000 (L)	15.19%
Prestige Safe Limited	2	Beneficial owner	479,362,193 (L)	9.94%
City Legend International Limited	4	Beneficial owner	785,100,000 (L)	16.28%
Mr. Leung Kai Kuen	4	Interest in a controlled corporation	785,100,000 (L)	16.28%

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

REPORT OF THE DIRECTORS

Notes:

1. As at 31 March 2019, 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. The disclosure of the interest of City Legend International Limited, and the deemed interest of Mr. Leung Kai Kuen, in the shares of the Company is based on historical records of the Company. The Company has not received any further notification with respect to any change in the interest of City Legend International Limited, and the deemed interest of Mr. Leung Kai Kuen, in the shares of the Company.

Save as disclosed above, as at 31 March 2019, 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 2019 are set out in note 25 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. RGF Environmental New Material Limited ("RGF") is indirectly owned as to 49% by the Company and 51% by an independent third party. The related party transactions between the Group and each of ALBA IWS and RGF (as disclosed in note 25(b) to the financial statements) did not constitute connected transactions under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 March 2019, the Group has provided financial assistance to its affiliated companies in aggregate amount of approximately HK$91.01 million, representing 9% of the total assets of the Group, exceeding 8% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules. Details of which are set out as follows:

1. The financial assistance given to ALBA IWS, in which the Group held 25% interest, included: (a) a term loan facility of HK$23.73 million which is unsecured, interest-bearing at 7% per annum and repayable in cash on or before 23 May 2020; (b) a loan facility of HK$25.00 million which is unsecured, interest-bearing at 7% per annum and repayable within 12 months; (c) a loan of $21.60 million as a security of bank deposits placed by ALBA IWS 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 7% per annum and has no fixed terms of repayment; and (d) accrued interest and fees of HK$5.68 million relating to the provision of the financial assistance. The accrued interest and fees are unsecured, non-interest bearing and has no fixed terms of repayment.

2. A term loan of HK$15.00 million granted to RGF in which the Group held 49% interest, is unsecured, bearing interest at Hong Kong Interbank Offer Rate (HIBOR) plus 4% per annum. The loan will be repaid by installments, of which HK$3.00 million is repayable on 19 February 2020, HK$4.50 million is repayable on 19 February 2021 and the remaining HK$7.50 million is repayable on 19 February 2022.

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of these affiliated companies with financial assistance from the Group and the Group's attributable interest in these affiliated companies as at 31 March 2019 are presented as follows:

	HK$'000
Combined statement of financial position	
Non-current assets	66,583
Current assets	135,530
Current liabilities	(206,908)
Non-current liabilities	(93,879)
	(98,674)
The Group's attributable interest	(18,257)

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

–	the largest supplier	8%
–	five largest suppliers in aggregate	27%

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

–	the largest customer	17%
–	five largest customers in aggregate	51%

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

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors was in force as of the date of this report and during the financial year ended 31 March 2019. 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 three 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 2019.

AUDITOR

The consolidated financial statements for the year ended 31 March 2019 have been audited by KPMG, which will retire and, being eligible, offer itself for re-appointment at the 2019 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 2019 AGM.

On behalf of the Board

Cheng Chi Ming, Brian
Chairman
Hong Kong, 26 June 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

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 financial year ended 31 March 2019, 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 Board 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 overseas 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 other Board committees, were present during the 2018 AGM to answer the shareholders' questions regarding the activities of the Company and the Board.

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, dividend policy and other significant financial and operational matters.

CORPORATE GOVERNANCE REPORT

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 advice from various Board committees in respect of the delegated governance matters.

The Board currently comprises nine directors, including two executive Directors, four non-executive Directors and three 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. Lee Chi Hin, Jacob *(Appointed on 1 September 2018)*

Independent Non-executive Directors
Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis
Mr. Chan Ting Bond, Michael *(Appointed on 1 May 2018)*

CORPORATE GOVERNANCE REPORT

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. Lee Chi Hin, Jacob			Member	
Mr. Chow Shiu Wing, Joseph		Member	Member	Chairman
Mr. Wong Man Chung, Francis		Chairman	Member	Member
Mr. Chan Ting Bond, Michael		Member	Chairman	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.

CORPORATE GOVERNANCE REPORT

The Board has received a written annual confirmation of independence from each existing independent non-executive Director. The Nomination Committee has reviewed and assessed the annual confirmation of each independent non-executive Director based on the independence criteria as set out in Rule 3.13 of the Listing Rules and formed the view that all of them remain independent.

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, providing valuable perspectives to the Board discussions, 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. Independent non-executive Directors have also confirmed that they are able to make sufficient time available to discharge their duties and responsibilities for the benefit of the Company. The Chairman at least annually holds meetings with the independent non-executive Directors without the presence of other Directors.

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 2019, 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.

CORPORATE GOVERNANCE REPORT

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. Lam King Sang, Lau Sai Cheong and Wong Man Chung, Francis shall retire from their office as Director by rotation at the 2019 AGM. Further, Mr. Lee Chi Hin, Jacob, who was newly appointed by the Board on 1 September 2018, will also retire from his office as Director in accordance with Article 112 of the Articles of Association. All the retiring Directors, being eligible, offer themselves for re-election at the 2019 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 and governed by the Nomination Policy of the Company. 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					
	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	13/13	0/0	0/0	0/0	1/1
Mr. Tam Sui Kin, Chris	4/4	13/13	0/0	0/0	0/0	1/1
Non-executive Directors						
Mr. Cheng Chi Ming, Brian	4/4	0/0	3/3	0/0	0/0	0/1
Mr. Tsang On Yip, Patrick	2/4	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. Lee Chi Hin, Jacob[2]	2/2	0/0	0/0	0/1	0/0	0/0
Mr. To Chun Wai[3]	0/1	0/0	0/0	0/0	0/0	0/1
Independent Non-executive Directors						
Mr. Chow Shiu Wing, Joseph	3/4	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. Chan Ting Bond, Michael[1]	4/4	0/0	3/3	1/1	1/1	1/1
Mr. Nguyen Van Tu, Peter[3]	1/1	0/0	1/1	0/0	1/1	0/1
Mr. Yeung Kwok Ki, Anthony[3]	1/1	0/0	1/1	0/0	0/1	0/1

1 Mr. Chan Ting Bond, Michael has been appointed as Director effective from 1 May 2018.
2 Mr. Lee Chi Hin, Jacob has been appointed as Director effective from 1 September 2018.
3 Messrs. To Chun Wai, Nguyen Van Tu, Peter and Yeung Kwok Ki, Anthony retired from their office as Director at the conclusion of the annual general meeting on 27 August 2018.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

For the year ended 31 March 2019, 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 advice 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 five members, namely, Mr. Wong Man Chung, Francis, Mr. Chow Shiu Wing, Joseph 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 who possesses relevant accounting and financial management expertise is the chairman of the Audit Committee. Mr. Wong is a Certified Public Accountant (Practising) and has over 29 years of experience in auditing, taxation, corporate internal control and governance, acquisition and financial advisory.

CORPORATE GOVERNANCE REPORT

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 2019, 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;

CORPORATE GOVERNANCE REPORT

- Review and discussion of the adequacy and effectiveness of the risk management and internal control systems of the Group and the associated action plans; and

- Review of the corporate governance practices of the Group.

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

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 2019, 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 five members, namely, Mr. Chan Ting Bond, Michael, Mr. Chow Shiu Wing, Joseph and Mr. Wong Man Chung, Francis, being independent non-executive Directors, Mr. Tsang On Yip, Patrick and Mr. Lee Chi Hin, Jacob, being non-executive Directors. Mr. Chan Ting Bond, Michael 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 2019 are set out in note 10(a) to the financial statements contained in this Annual Report.

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2019, the Remuneration Committee performed the following tasks:

- Review and discussion of the remuneration policy and structure of Directors and senior management of the Company;
- Review and recommendation 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;
- Recommendation of the remuneration packages of the newly appointed Directors;
- Recommendation of the remuneration package of an executive Director on renewal of his service agreement; and
- Recommendation of the Director's fees of a non-executive Director on renewal of his appointment.

NOMINATION COMMITTEE

The Company established the Nomination Committee in accordance with the provisions set out in CG Code. The Nomination Committee comprises five members, Mr. Chow Shiu Wing, Joseph, Mr. Wong Man Chung, Francis 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 2019, the Nomination Committee has performed the following works:

- Review and discussion of the existing structure, size, diversity and composition of the Board and its committees to ensure it has a balance of expertise, skills, experience and diversity of perspectives appropriate to the requirements the Group's business;
- Discussion and recommendation of the proposals on appointment of the new Directors;
- Recommendation of the appointment of Directors to the Board committees;

CORPORATE GOVERNANCE REPORT

- 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 and the service agreement of an executive Director on maturity;
- Review and assessment of the independence of the independent non-executive Directors upon appointment and annually; and
- Monitoring the implementation of board diversity policy of the Company.

Nomination Policy

The Company has the policy for appointment and re-appointment of directors to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company's business. In assessing the suitability of a candidate for directorship, the Nomination Committee will consider, among other things, the candidate's qualifications, experience, skills, qualities, characters, the potential contribution the candidates can bring to the Company, the ability to devote sufficient time and attention to the Board, and the factors set out in the Board diversity policy. In the case of the appointment or re-appointment of independent non-executive Directors, the Nomination Committee will assess the independence of the appointees having regard to the criteria set out in the relevant Listing Rules.

The Nomination Committee will evaluate each proposed new appointment or re-appointment of a Director against the above criteria before making a recommendation to the Board for consideration and, as the case may be, approval. The Nomination Committee will make recommendations as appropriate to the Board with respect to election and re-election of Directors by the shareholders of the Company at general meetings. Where the shareholders of the Company are required to vote on electing or re-electing a Director, the circular to the shareholders of the Company accompanying the notice of the relevant general meeting will contain information on such Director as required under the Listing Rules and the Board's recommendation.

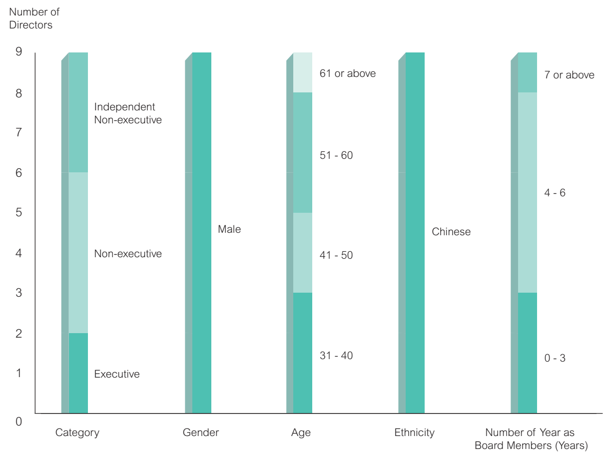
Board Diversity Policy

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 and Mr. Lee Chi Hin, Jacob as non-executive Director in April 2018 and August 2018 respectively. The different professional background of the two new Directors, coupled with the extensive experience in their respective areas of expertise, would add value to the Board, thereby enhancing diversity and effectiveness of the Board.

CORPORATE GOVERNANCE REPORT

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 current Directors during the year from 1 April 2018 to 31 March 2019 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. Lee Chi Hin, Jacob	✓	✓	✓	✓
Independent Non-executive Directors				
Mr. Chow Shiu Wing, Joseph			✓	✓
Mr. Wong Man Chung, Francis	✓	✓	✓	✓
Mr. Chan Ting Bond, Michael	✓			✓

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

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

COMPANY SECRETARY

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

According to the requirements of Rule 3.29 of the Listing Rules, the company secretary has taken not less than 15 hours of relevant professional training during the financial year ended 31 March 2019.

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 2019.

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 2019.

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 2019 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 2019.

CORPORATE GOVERNANCE REPORT

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 2019. 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.

A total remuneration of HK$2,110,000 and HK$498,000 was paid/is payable to KPMG for their annual audit and non-audit services respectively by the Company 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 Rule.

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

CORPORATE GOVERNANCE REPORT

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 includes 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, each core business is required to formally identify and report the principal current and emerging risks from macro environment, whilst the top management provides input after taking a holistic assessment of all risks arising from the growth of business scale, extent, complexity and constantly changing business environment. At functional level, a bottom-up approach with involvement of all key business units is adopted to identify operational risks in daily operations. Management maintains an open and effective communication channel to enable the timely reporting of material risk and adequate supervision of risk mitigation.

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. The analyses of existing and emerging risks form a basis for determining how the risks should be managed and mitigated. 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 prioritised by comparing the result of the risk assessment, and risk management strategies and internal control processes are determined to prevent, avoid or mitigate the risks. Moreover, staff members are encouraged to report problems of operations and monitoring to identify non-compliance with the corporate policies, standards, practices and procedures.

Internal Controls

To assure achievement of the Company's governance objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws and regulations, 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 policies and guidelines 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

CORPORATE GOVERNANCE REPORT

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 assessing the Group's financial reporting controls, the internal control system relating to the sales and procurement of recovered paper, the operating efficiency of the solid waste recycling business, and the Group's control and governance over human resources compliance. 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 2019 was efficient and adequate, and was in compliance with the risk management and internal control provisions under the Corporate Governance Code.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Board has adopted a dividend policy, setting out the guidelines for determining whether dividends are to be declared and paid, and the level of profits to be distributed to the shareholders of the Company. It is the policy of the Company, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst retaining adequate reserves to meet the working capital requirements and to finance the future growth of the Group.

The Board will consider the following factors before declaring or recommending dividends:

a. the actual and expected financial performance of the Group;

b. the retained earnings and distributable reserves of the Company;

c. the current and future operations, liquidity position and capital requirements of the Group;

d. the Group's business strategies, including future cash commitments and investment needs to sustain the long-term growth of the Group;

e. return on equity and any relevant financial covenants;

f. economic conditions and other internal or external factors that may have an impact on the Group's business, financial performance and position; and

g. any other factors that the Board deems appropriate.

The Board will review the dividend policy as appropriate to ensure its effectiveness.

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 Tuesday, 27 August 2019 (the "2019 AGM"). Details of the 2019 AGM are set out in the notice of the 2019 AGM which constitutes part of the circular to shareholders sent together with this Annual Report. Notice of the 2019 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.

CORPORATE GOVERNANCE REPORT

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 to info@iwsgh.com.

CORPORATE GOVERNANCE REPORT

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 2019, there was no alteration to the Company's constitutional documents.

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Integrated Waste Solutions Group Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 59 to 127, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT

Key audit matters (continued)

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

Refer to note 12 to the financial statements and the accounting policies on pages 78 to 79.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 March 2019, the carrying values of the Group's PP&E amounted to HK$659,169,000. 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 as at 31 March 2019, management considered that indicators of impairment of the Group's PP&E existed at the reporting date. Assets were allocated to four cash-generating units ("CGUs"), which comprised (i) the recovered paper and materials business, (ii) the tissue paper products business, (iii) the recycled plastic pellets business and (iv) the confidential materials destruction services business, for the purpose of assessing 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 whether the impairment recognised in prior years should be reversed or whether additional impairment was required.	Our audit procedures to assess the impairment of PP&E included the following: • evaluating management's process and procedures for the identification of indicators of 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 our knowledge of the business of the Group;

INDEPENDENT AUDITOR'S REPORT

Key audit matters (continued)

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

Refer to note 12 to the financial statements and the accounting policies on pages 78 to 79.

The Key Audit Matter	How the matter was addressed in our audit
The estimation of value-in-use requires management to exercise significant judgement in preparing discounted cash flow forecasts, particularly in estimating the 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 2019. 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.	• comparing the forecast revenue and forecast cost of sales and other operating expenses included in discounted cash flow forecasts prepared in the prior year with the current year's performance of the relevant CGUs to assess how accurate the prior year's discounted cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified; • engaging our internal valuation specialists to assess whether the discount rates applied in the discounted cash flow forecasts were within the range adopted by other companies in the same industry and/or comparable to external market data; • performing sensitivity analyses of the key assumptions, including the discount rates, adopted in the discounted cash flow forecasts prepared by management and assessing the impact of changes in the key assumptions on the conclusions reached in the impairment assessments and whether there were any indicators of management bias;

INDEPENDENT AUDITOR'S REPORT

Key audit matters (continued)

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

Refer to note 12 to the financial statements and the accounting policies on pages 78 to 79.

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 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 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, particularly in estimating the building costs applied in determining the surrender value of the Group's land and buildings under the land lease agreement, with available market data; and • considering the Group's disclosures in the consolidated financial statements in respect of impairment testing including the key assumptions, with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR'S REPORT

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 *(Note)* $'000
Revenue	5	**196,340**	175,461
Cost of sales		**(154,338)**	(144,441)
Gross profit		**42,002**	31,020
Other revenue	6	**2,377**	2,318
Other net (loss)/gain	7	**(3,349)**	3,232
Selling and distribution expenses		**(26,914)**	(25,299)
Administrative and other operating expenses		**(71,151)**	(72,150)
Impairment loss of property, plant and equipment	12	**(3,276)**	–
Operating loss		**(60,311)**	(60,879)
Finance income	8(b)	**8,382**	8,282
Share of profit/(loss) of joint ventures	14(d)	**170**	(28,368)
Loss before taxation	8	**(51,759)**	(80,965)
Income tax credit	9(a)	**235**	–
Loss and total comprehensive income for the year		**(51,524)**	(80,965)
Basic and diluted loss per share	11	**(1.1) cents**	(1.7) cents

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 64 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Non-current assets			
Property, plant and equipment	12	**659,169**	694,609
Land use rights	13	**30,802**	31,892
Interests in joint ventures	14	**39,075**	–
Deposits and prepayments	17	**14**	193
		729,060	726,694
Current assets			
Inventories	15	**5,341**	4,499
Trade and bills receivables	16	**24,233**	21,478
Other receivables, deposits and prepayments	17	**15,112**	19,689
Taxation recoverable	20(a)	**–**	2,976
Amounts due from joint ventures	14	**33,683**	27,715
Amount due from a related company	25(c)	**12**	12
Restricted and pledged bank deposits	18(a)	**–**	152
Bank deposits and cash	18(a)	**160,665**	218,871
		239,046	295,392
Current liabilities			
Trade payables	19	**3,229**	5,449
Other payables, accruals and contract liabilities	19	**19,078**	19,565
Amount due to a related company	25(c)	**10**	10
		22,317	25,024
Net current assets		**216,729**	270,368
NET ASSETS		**945,789**	997,062

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
CAPITAL AND RESERVES			
Share capital	21	**482,301**	482,301
Reserves	22	**463,488**	514,761
TOTAL EQUITY		**945,789**	997,062

Approved and authorised for issue by the Board of Directors on 26 June 2019

Cheng Chi Ming, Brian
Chairman

Lam King Sang
Director

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 64 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company					
		Share capital	Share premium	Capital reserve	Share-based capital reserve	Accumulated losses	Total equity
		(Note 21)	*(Note 22(b)(i))*	*(Note 22(b)(ii))*	*(Note 22(b)(iii))*		
	Note	$'000	$'000	$'000	$'000	$'000	$'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 2018:							
Loss and total comprehensive income for the year		–	–	–	–	(80,965)	(80,965)
Shares issued under share option scheme	22(a)	67	56	–	(38)	–	85
Equity settled share-based transactions	21(c)(ii)	–	–	–	3,472	–	3,472
Share options lapsed	21(c)(ii)	–	–	–	(208)	208	–
Balance at 31 March 2018 and 1 April 2018 *(Note)*		482,301	3,092,937	(964,044)	6,506	(1,620,638)	997,062
Changes in equity for 2019:							
Loss and total comprehensive income for the year		–	–	–	–	(51,524)	(51,524)
Equity settled share-based transactions	21(c)(ii)	–	–	–	251	–	251
Share options lapsed	21(c)(ii)	–	–	–	(806)	806	–
Balance at 31 March 2019		482,301	3,092,937	(964,044)	5,951	(1,671,356)	945,789

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 64 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2019
(Expressed in Hong Kong dollars)

	Note	2019 $'000	2018 (Note) $'000
Operating activities			
Cash (used in)/generated from operations	18(b)	**(22,879)**	24,651
Hong Kong Profits Tax recovered		**3,211**	–
Net cash (used in)/generated from operating activities		**(19,668)**	24,651
Investing activities			
Payment for purchase of property, plant and equipment		**(4,278)**	(27,590)
Repayment from joint venture		**4,581**	3,236
New loans to joint ventures		**(38,732)**	(25,000)
Investment in a joint venture		**(14,700)**	–
Loans repaid by a joint venture		**8,732**	2,500
Proceeds from disposal of property, plant and equipment		**2,079**	1,178
Interest received		**3,628**	2,985
Net cash used in investing activities		**(38,690)**	(42,691)
Financing activities			
Proceeds from restricted and pledged bank deposits		**152**	17,724
Proceeds from shares issued under share option scheme		**–**	85
Net cash generated from financing activities		**152**	17,809
Net decrease in cash and cash equivalents		**(58,206)**	(231)
Cash and cash equivalents at the beginning of the year		**218,871**	219,102
Cash and cash equivalents at the end of the year	18(a)	**160,665**	218,871

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

The notes on pages 64 to 127 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 General information

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

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2 Summary of significant accounting policies

(a) Statement of compliance

These 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures.

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

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

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

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

(c) Changes in accounting policies

The IASB has issued a number of 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 consolidated financial statements:

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

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout the consolidated financial statements has not been restated to reflect the requirements of the new standards, except for the separate presentation of contract liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) IFRS 9, *Financial instruments*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The cumulative effect of initial application, if any, was recognised as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under IAS 39.

The Group has assessed that the transition to IFRS 9 does not have a material impact on the Group's financial position at 1 April 2018.

Further details of the nature and effects of the changes to previous accounting policies relevant to the Group are set out below:

A. *Classification of financial assets and financial liabilities*

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS 9, see respective accounting policy notes in notes 2(i)(i), (l) and (m). The classification and measurement of the Group's financial assets at 1 April 2018 have not been impacted by the initial application of IFRS 9.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contract, which is not relevant to the Group. The carrying amounts of the Group's financial liabilities at 1 April 2018 have not been impacted by the initial application of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(c) Changes in accounting policies (continued)

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

B. Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("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, trade and other receivables, amounts due from joint venture and a related company). There is no significant change in the amount of loss allowances recognised as at 1 April 2018 as a result of the adoption of the ECL model under IFRS 9.

For further details on the Group's accounting policy for accounting for credit losses, see note 2(i)(i).

C. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for the year ended and as at 31 March 2018 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced 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.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) IFRS 15, *Revenue from Contracts with Customers* (continued)

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

A. *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 goods or services in the contract, which may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised goods or service is regarded as being transferred over time:

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

(ii) 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;

(iii) 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 goods 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) IFRS 15, *Revenue from Contracts with Customers* (continued)

B. 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.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers. Changes on this area under IFRS 15 does not have a significant impact to the Group.

C. Presentation of contract assets and contract liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the revenue (see note 2(r)) before being unconditionally entitled to the consideration for the promised goods and services 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 new 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 (see note 2(k)).

The Group has elected to use the cumulative effect transition method. Therefore, comparative information has not been restated and continues to be reported under IAS 18, *Revenue*.

To reflect these changes in presentation under IFRS 15, the Group has reclassified receipt in advance from customers amounting to HK$1,043,000 from "Receipts in advance from customers" in Other payables and accruals to "Contract liabilities" in Other payables and accruals (note 19).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(c) Changes in accounting policies (continued)

(iii) 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.

(d) Subsidiaries

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.

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)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(e) Joint ventures

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

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that 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). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. 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 any other 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.

If an investment in a joint venture becomes an associate, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment

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

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	29 – 33 years
– Leasehold improvements	5 years or unexpired lease term, whichever is shorter
– Plant and machinery	3 – 15 years
– Furniture, fixtures and equipment	3 – 5 years
– Motor vehicles	3 – 15 years

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

(g) Land use rights

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

(A) Policy applicable from 1 April 2018

The Group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (including cash and cash equivalents, trade and bills receivables, other receivables and amount due from a related company).

Financial assets measured at fair value, if any, 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).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

(A) Policy applicable from 1 April 2018 (continued)

Measurement of ECLs (continued)

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 and contract assets 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.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) 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. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 365 days past due. 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

(A) Policy applicable from 1 April 2018 (continued)

Significant increases in credit risk (continued)

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, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

(A) Policy applicable from 1 April 2018 (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(r)(iv) 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;

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

(B) Policy applicable prior to 1 April 2018

Prior to 1 April 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– 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 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.

If any such evidence existed, an impairment loss was determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was 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, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(i) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

(B) Policy applicable prior to 1 April 2018 (continued)

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

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

(ii) Impairment of other non-current 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;

– investments in joint ventures; and

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(i) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– *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.

(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)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(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) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

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.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(r)).

Policy prior to 1 April 2018

In the comparative period, amounts received before the related work was performed were presented as "Receipts in advance from customers" under "Other payables and accruals". These balances have been reclassified on 1 April 2018 as shown in note 19 (see note 2(c)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(k)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(i)(i).

(n) Trade and other payables

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

(o) Employee benefits

(i) Short-term employee benefits 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(ii) Share-based payments (continued)

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.

(p) Income tax

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(p) Income tax (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(q) 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.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

The Group's revenue from sale of goods is attributable to sales of recovered paper, materials and tissue paper products. Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services. Then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract on a relative stand-alone selling price basis.

Revenue from sale of goods was recognised on a similar basis in the comparative period under IAS 18.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(r) Revenue and other income (continued)

(ii) Rendering of services

The Group's revenue from rendering of services is attributable to provision of confidential material destruction services and logistics services. Revenue from rendering of services is recognised at a point in time when control of these services is transferred to the customer.

Revenue from rendering of services was recognised on a similar basis in the comparative period under IAS 18.

(iii) Subsidy income

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

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

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see 2(i)(i)).

(v) Licence fee income from operating leases

Licence fee income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(s) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Summary of significant accounting policies (continued)

(t) 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.

(u) 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. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. 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, 18 and 19.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 2019, 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 $2,135,000 lower/higher (2018: $2,226,000 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to its trade and bills receivables 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.

Trade and bills receivables

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 bills receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different loss customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

Trade and bills receivables (continued)

The Group assessed there is no significant loss allowance recognised in accordance with IFRS 9 as at 31 March 2019, except for individual customers who were in default in payments that the Group applied an expected credit loss rate of 100%.

Comparative information under IAS 39

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(i)(i) – policy applicable prior to 1 April 2018). At 31 March 2018, trade receivables of $4,237,000 were determined to be impaired.

The movement in the loss allowance account in respect of trade and bills receivables during the year and ageing analysis of trade and bills receivables that were not considered to be impaired are disclosed in note 16(b) and 16(c) respectively.

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.

(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.

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its bank deposits.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Financial risk management (continued)

(b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends 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 2019 and 31 March 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Critical accounting estimates and judgements (continued)

(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.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Revenue and segment information (continued)

Revenue from contracts with customers within the scope of IFRS 15

	2019	2018
		(Note)
	$'000	$'000
Disaggregated by major products or service lines		
– Sales of recovered paper and materials	174,813	156,379
– Sales of tissue paper products	17	410
– Provision of CMDS	20,134	18,508
– Provision of logistics services	1,376	164
	196,340	175,461

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 (see note 2(c)(ii)).

Revenue by geographic markets

	2019	2018
	$'000	$'000
Hong Kong	95,294	73,373
Mainland China	78,688	81,298
South Korea	20,600	19,953
Others	1,758	837
	196,340	175,461

The geographical location is based on the location at which goods were delivered or service was rendered.

For the year ended 31 March 2019, revenue of approximately $55,116,000 (2018: $58,392,000) is derived from two (2018: two) 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 2019 and 31 March 2018 are located in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Revenue and segment information (continued)

The segment results and other segment items included in the loss for the year ended 31 March 2019 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	174,813	17	20,134	1,376	196,340
Inter-segment sales	–	–	–	16,105	16,105
Reportable segment revenue	174,813	17	20,134	17,481	212,445
Elimination of inter-segment revenue	–	–	–	(16,105)	(16,105)
	174,813	17	20,134	1,376	196,340
Segment results:					
Reportable segment profit	32,760	2	12,987	3,191	48,940
Elimination of inter-segment profit					(6,938)
Reportable segment profit derived from the Group's external customers					42,002
Unallocated operating costs					(102,313)
Finance income					8,382
Share of profit of joint ventures					170
Loss before taxation					(51,759)
Income tax credit					235
Loss for the year					(51,524)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Revenue and segment information (continued)

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 profit/(loss)	24,879	(633)	11,520	3,588	39,354
Elimination of inter-segment profit					(8,334)
Reportable segment profit 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 before taxation					(80,965)
Income tax expense					–
Loss for the year					(80,965)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 Other revenue

	2019	2018
	$'000	$'000
Licence fee income	1,400	–
Service income	441	882
Others	536	1,436
	2,377	2,318

7 Other net (loss)/gain

	2019	2018
	$'000	$'000
Gain on disposals of property, plant and equipment, net	415	28
Write off of property, plant and equipment	(770)	(1,356)
Foreign exchange (loss)/gain, net	(2,994)	4,560
	(3,349)	3,232

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 Loss before taxation

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

		2019	2018
			(Note)
		$'000	$'000
(a)	**Staff costs (including directors' emoluments)**		
	Salaries, wages and other benefits	**60,685**	60,440
	Contributions to defined contribution retirement plan	**1,996**	2,004
	Equity settled share-based payment expenses	**251**	3,472
		62,932	65,916
	Staff costs included in:		
	– Cost of sales	**20,921**	20,665
	– Selling and distribution expenses	**15,105**	15,002
	– Administrative and other operating expenses	**26,906**	30,249
		62,932	65,916
(b)	**Finance income**		
	Interest income from banks deposits	**(3,543)**	(2,985)
	Interest income from loans to joint ventures	**(4,839)**	(3,873)
	Financial guarantee income from a joint venture	**–**	(1,424)
		(8,382)	(8,282)
(c)	**Other items**		
	Cost of inventories sold *(note 15)*	**107,874**	99,170
	Amortisation of land use rights *(note 13)*	**1,090**	1,090
	Depreciation of property, plant and equipment *(note 12)*	**34,008**	35,346
	Impairment losses recognised/(reversal of impairment losses):		
	– Trade and bills receivables *(note 16(b))*	**–**	(10)
	– Property, plant and equipment *(note 12)*	**3,276**	–
	Bad debts written off	**7**	13
	Operating lease charges in respect of land and buildings	**5,322**	5,340
	Auditor's remuneration:		
	– Audit services	**2,110**	2,020
	– Other services	**498**	524

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 April 2018. Under the transition method chosen, comparative information is not restated. See note 2(c).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

9 Income tax

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

	2019 $'000	2018 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Over-provision in prior years	**(235)**	–
Income tax credit	**(235)**	–

No provision for Hong Kong Profits Tax for the years ended 31 March 2019 and 31 March 2018 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 credit and loss before taxation at applicable tax rates:

	2019 $'000	2018 $'000
Loss before taxation	**(51,759)**	(80,965)
Tax calculated at tax rates of 16.5% (2018: 16.5%)	**(8,540)**	(13,359)
Tax effects of non-taxable income	**(891)**	(577)
Tax effects of non-deductible expenses	**1,154**	5,573
Tax effects of tax losses not recognised	**10,136**	11,271
Tax effects of utilisation of tax losses previously not recognised	**(1,615)**	(2,665)
Over-provision in prior years	**(235)**	–
Others	**(244)**	(243)
Income tax credit	**(235)**	–

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 2019					
	Fees $'000	Salaries, allowance and benefits in kind $'000	Discretionary bonus $'000	Retirement schemes contributions $'000	Share-based payments *(note (e))* $'000	Total $'000
Executive directors						
Mr. Lam King Sang	360	2,373	782	18	95	3,628
Mr. Tam Sui Kin, Chris	360	2,373	782	18	95	3,628
Non-executive directors						
Mr. Cheng Chi Ming, Brian	720	–	–	–	95	815
Mr. Tsang On Yip, Patrick	360	–	–	–	95	455
Mr. Lau Sai Cheong	360	–	–	–	56	416
Mr. Lee Chi Hin, Jacob[(a)]	210	–	–	–	–	210
Mr. To Chun Wai[(b)]	146	–	–	–	(198)	(52)
Independent non-executive directors						
Mr. Chow Shiu Wing, Joseph	360	–	–	–	56	416
Mr. Wong Man Chung, Francis	360	–	–	–	56	416
Mr. Chan Ting Bond, Michael[(c)]	330	–	–	–	–	330
Mr. Nguyen Van Tu, Peter[(d)]	146	–	–	–	(198)	(52)
Mr. Yeung Kwok Ki, Anthony[(d)]	146	–	–	–	(198)	(52)
	3,858	4,746	1,564	36	(46)	10,158

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

(a) Directors' emoluments (continued)

	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 (e))* $'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
Independent non-executive directors						
Mr. Chow Shiu Wing, Joseph	360	–	–	–	238	598
Mr. Wong Man Chung, Francis	360	–	–	–	238	598
Mr. Chan Ting Bond, Michael[c]	–	–	–	–	–	–
Mr. Nguyen Van Tu, Peter	360	–	–	–	238	598
Mr. Yeung Kwok Ki, Anthony	360	–	–	–	238	598
	3,960	4,558	1,504	36	3,052	13,110

Notes:

(a) Appointed on 1 September 2018.

(b) Resigned as non-executive director on 27 August 2018.

(c) Appointed on 1 May 2018.

(d) Resigned as independent non-executive directors on 27 August 2018.

(e) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(o)(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 2019 and 31 March 2018, no director received any emoluments from the Group as an inducement to join or leave the Group or as compensation for loss of office. No director waived or has agreed to waive any emoluments.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, two (2018: three) are directors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2019	2018
	$'000	$'000
Salaries, allowance and benefits in kind	**2,452**	1,745
Discretionary bonus	**384**	272
Retirement schemes contributions	**54**	36
Share-based payments *(note)*	**21**	58
	2,911	2,111

Note: These represent the estimated value of share options granted to the remaining individuals under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(o)(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 emoluments of the above individuals are within the following bands:

	2019	2018
	Number of individuals	Number of individuals
$		
Nil – 1,000,000	**2**	1
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).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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 $51,524,000 (2018: $80,965,000) and the weighted average number of 4,823,009,000 (2018: 4,822,597,000) ordinary shares in issue during the year.

(a) Basic loss per share

Weighted average number of ordinary shares

	2019	2018
	’000	’000
Issued ordinary shares at 1 April	**4,823,009**	4,822,334
Effect of share options exercised *(note 21(c))*	**–**	263
Weighted average number of ordinary shares at 31 March	**4,823,009**	4,822,597

(b) Diluted loss per share

No adjustment had been made to the basic loss per share presented for the years ended 31 March 2019 and 31 March 2018 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	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	$’000	$’000	$’000	$’000	$’000	$’000
Year ended 31 March 2019						
Net book amount						
At 1 April 2018	629,837	1,728	34,062	8,159	20,823	694,609
Additions	877	1,591	159	900	751	4,278
Disposals	–	–	(69)	(1)	(1,594)	(1,664)
Write off	(627)	–	–	(143)	–	(770)
Impairment	–	–	(3,276)	–	–	(3,276)
Depreciation	(21,493)	(692)	(6,061)	(2,327)	(3,435)	(34,008)
At 31 March 2019	608,594	2,627	24,815	6,588	16,545	659,169
At 31 March 2019						
Cost	697,862	7,270	73,035	18,756	36,076	832,999
Accumulated depreciation and impairment	(89,268)	(4,643)	(48,220)	(12,168)	(19,531)	(173,830)
Net book amount	608,594	2,627	24,815	6,588	16,545	659,169

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Property, plant and equipment (continued)

	Buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Total $'000
Year ended 31 March 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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Property, plant and equipment (continued)

Impairment loss

During the year ended 31 March 2019, the Group recognised an impairment loss of $3,276,000 to property, plant and equipment of the tissue paper operation to reduce their carrying amount to their recoverable amount of $nil. The impairment arose primarily due to the decline in profitability of the tissue paper operation, 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:

	2019	2018
Long-term sales growth rate	**3.00%**	3.00%
Pre-tax discount rate	**15.30%**	14.00%

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:

	2019	2018
	$'000	$'000
In Hong Kong, held on medium term	**30,802**	31,892

The movements of land use rights are as follows:

	2019	2018
	$'000	$'000
At the beginning of the year	**31,892**	32,982
Amortisation	**(1,090)**	(1,090)
At the end of the year	**30,802**	31,892

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.

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars)

14 Interests in joint ventures

	2019 $'000	2018 $'000
Share of net liabilities	**(18,257)**	(33,127)
Loans to joint ventures *(note 14(b))*	**85,332**	55,332
Amount due from a joint venture *(note 14(c))*	**5,683**	5,510
	72,758	27,715
Represented by:-		
Non-current portion	**39,075**	–
Current portion	**33,683**	27,715
	72,758	27,715

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

				Proportion of ownership interest			
Name of joint ventures	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
RGF Environmental New Material Limited ("RGF")	Incorporated	Hong Kong	$30,000,000	49%	–	49%	Manufacturing of plastic products

During the year ended 31 March 2019, the Group entered into an agreement with a third party to establish RGF for the purpose of developing the business in manufacturing of plastic products. As at 31 March 2019, the Group's total commitment to the investment in RGF is $29,700,000, comprising capital contribution of $14,700,000 and shareholder's loan of $15,000,000. After the end of the reporting period, a $15,000,000 shareholder's loan was fully advanced to RGF and is repayable by installments on 2 May 2020, 2021 and 2022 respectively.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Interests in joint ventures (continued)

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

The Group is entitled to share 25% and 49% of the financial results of ALBA IWS and RGF respectively. Notwithstanding the 25% and 49% of paid up capital and the profit sharing arrangements of ALBA IWS and RGF, the Group accounts for the investment in ALBA IWS and RGF as joint ventures as the Group has joint control over the financial and operating decisions of ALBA IWS and RGF.

(b) Loans to joint ventures

At 31 March 2019, loans to joint ventures of $85,332,000 (2018: $55,332,000) comprised of:

(i) loan of $21,600,000 (2018: $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 (2018: $25,000,000) 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 within 12 months;

(iii) loan of $23,732,000 (2018: $8,732,000) which is unsecured, interest bearing at the rate of 7% per annum (2018: 7%) and repayable on 23 May 2020; and

(iv) loan of $15,000,000 (2018: $Nil) which is unsecured, interest bearing at the rate of HIBOR plus 4% per annum. The loan will be repaid by installments, of which $3,000,000 is repayable on 19 February 2020, $4,500,000 is repayable on 19 February 2021 and the remaining $7,500,000 is repayable on 19 February 2022.

(c) Amount due from a joint venture

The amount due from a joint venture at 31 March 2019 is unsecured, interest-free and has no fixed terms of repayment (31 March 2018: unsecured, interest-free and has no fixed terms of repayment).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Interests in joint ventures (continued)

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

	2019	2018
	$'000	$'000
Gross amounts of ALBA IWS:		
Current assets	**117,145**	80,824
Non-current assets	**42,139**	43,912
Current liabilities	**(202,795)**	(257,245)
Non-current liabilities	**(81,879)**	–
Net liabilities	**(125,390)**	(132,509)
Included in the above assets and liabilities:		
Cash and cash equivalents	**57,764**	39,987
Current financial liabilities (excluding trade and other payables and provisions)	**(153,172)**	(213,882)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(81,879)**	–
Revenue	**209,129**	269,409
Profit/(loss) for the year	**7,119**	(113,472)
Total comprehensive income for the year	**7,119**	(113,472)
Group's effective interest	**25%**	25%
Group's share of profit/(loss) of ALBA IWS	**1,780**	(28,368)
Included in the above profit/(loss):		
Depreciation and amortisation	**(7,611)**	(1,698)
Interest income	**201**	85
Interest expense	**(18,921)**	(16,818)
Income tax expense	**–**	–
Reconciled to the Group's interest in ALBA IWS:		
Gross amounts of net liabilities of ALBA IWS	**(125,390)**	(132,509)
Group's effective interest	**25%**	25%
Group's share of net liabilities of ALBA IWS	**(31,347)**	(33,127)
Loans to ALBA IWS *(note 14(b)(i) to (iii))*	**70,332**	55,332
Amount due from ALBA IWS *(note 14(c))*	**5,683**	5,510
Carrying amount in the consolidated financial statements	**44,668**	27,715

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Interests in joint ventures (continued)

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

	2019 $'000
Gross amounts of RGF:	
Current assets	18,385
Non-current assets	24,444
Current liabilities	(4,113)
Non-current liabilities	(12,000)
Net assets	26,716
Included in the above assets and liabilities:	
Cash and cash equivalents	8,847
Current financial liabilities (excluding trade and other payables and provisions)	(3,000)
Non-current financial liabilities (excluding trade and other payables and provisions)	(12,000)
Revenue	–
Loss for the year	(3,285)
Total comprehensive income for the year	(3,285)
Group's effective interest	49%
Group's share of loss of RGF	(1,610)
Included in the above loss:	
Depreciation	(53)
Interest income	–
Interest expense	(85)
Income tax expense	–
Reconciled to the Group's interest in RGF:	
Gross amounts of net assets of RGF	26,716
Group's effective interest	49%
Group's share of net assets of RGF	13,090
Loans to RGF *(note 14(b)(iv))*	15,000
Carrying amount in the consolidated financial statements	28,090

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15 Inventories

	2019 $'000	2018 $'000
Raw materials	**2,377**	1,788
Finished goods	**2,964**	2,711
	5,341	4,499

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately $107,874,000 (2018: $99,170,000) for the year ended 31 March 2019.

16 Trade and bills receivables

	2019 $'000	2018 $'000
Trade and bills receivables	**28,470**	25,715
Less: Allowance for doubtful debts *(note 16(b))*	**(4,237)**	(4,237)
Trade and bills receivables, net	**24,233**	21,478

(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:

	2019 $'000	2018 $'000
0 – 30 days	**22,577**	16,726
31 – 60 days	**1,462**	3,314
61 – 90 days	**171**	509
91 – 120 days	**28**	315
Over 120 days	**4,232**	4,851
	28,470	25,715
Less: Allowance for doubtful debts	**(4,237)**	(4,237)
	24,233	21,478

Note: Upon the adoption of IFRS 9, the Group assessed the adoption of ECL model did not have significant impact on opening balance.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16 Trade and bills receivables (continued)

(b) Movement in the loss allowance account during the year

Movement in the loss allowance account in respect of trade and bills receivables during the year is as follows:

	2019	2018
	$'000	$'000
Balance at 1 April under IAS 39	4,237	8,558
Impact on initial application of IFRS 9 *(note 2(c)(i))*	–	–
Adjusted balance at 1 April	4,237	8,558
Impairment loss reversed during the year	–	(10)
Uncollectible amounts written off	–	(4,311)
Balance at 31 March	4,237	4,237

(c) Ageing analysis of 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:

	2019	2018
	$'000	$'000
Neither past due nor impaired	22,095	14,273
1 – 30 days	1,837	4,287
31 – 60 days	164	2,074
61 – 90 days	111	197
91 – 120 days	26	78
Over 120 days	–	569
	2,138	7,205
	24,233	21,478

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16 Trade and bills receivables (continued)

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

	2019 $'000	2018 $'000
HK$	**23,114**	19,501
USD	**1,119**	1,977
	24,233	21,478

At 31 March 2019 and 31 March 2018, 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

	2019 $'000	2018 $'000
Non-current portion		
Prepayments for purchase of property, plant and equipment	**14**	193
Current portion		
Deposits placed with suppliers	**5,573**	7,013
Utility and other deposits	**5,910**	7,158
Prepayments	**2,114**	3,203
Other receivables	**1,515**	2,315
Total	**15,112**	19,689

At 31 March 2019 and 31 March 2018, the fair values of other receivables, deposits and prepayments approximate their carrying amounts. The maximum exposure to credit risk at the end of each reporting period is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	2019 $'000	2018 $'000
Deposits with banks	**112,053**	168,374
Cash at bank	**48,570**	50,438
Cash in hand	**42**	59
Cash and cash equivalents in the consolidated statement of cash flows	**160,665**	218,871
Restricted and pledged bank deposits	**–**	152
	160,665	219,023

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

	2019 $'000	2018 $'000
HK$	**106,956**	168,008
RMB	**42,709**	44,527
USD	**10,983**	6,470
EURO	**17**	18
	160,665	219,023

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

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

	Note	2019 $'000	2018 $'000
Loss before taxation		**(51,759)**	(80,965)
Adjustments for:			
Depreciation of property, plant and equipment	12	**34,008**	35,346
Amortisation of land use rights	13	**1,090**	1,090
Gain on disposals of property, plant and equipment, net	7	**(415)**	(28)
Write off of property, plant and equipment	7	**770**	1,356
Impairment of property, plant and equipment	12	**3,276**	–
Reversal of impairment of trade and bills receivables	16(b)	**–**	(10)
Reversal of other payables and accruals		**(309)**	–
Reversal of accounts payables		**–**	(1,991)
Finance income	8(b)	**(8,382)**	(8,282)
Share of (profit)/loss of joint ventures	14(d)	**(170)**	28,368
Share-based payments	21(c)	**251**	3,472
Operating loss before working capital changes		**(21,640)**	(21,644)
Inventories		**(842)**	51
Trade and bills receivables		**(2,755)**	20,189
Other receivables, deposits and prepayments		**4,756**	26,144
Payables and accruals		**(2,398)**	(89)
Cash (used in)/generated from operations		**(22,879)**	24,651

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

19 Payables and accruals

	Note	31 March 2019 $'000	1 April 2018 $'000	31 March 2018 $'000
Trade payables	(a) & (b)	3,229	5,449	5,449
Other payables and accruals				
– Construction costs payable		6,446	6,910	6,910
– Accrued expenses		7,765	7,897	7,897
– Receipts in advance from customers *(Note)*		–	–	1,043
– Contract liabilities *(Note)*	(c)	806	1,043	–
– Others		4,061	3,715	3,715
		19,078	19,565	19,565
		22,307	25,014	25,014

Note: Upon the adoption of IFRS 15, amounts previously included as "Receipts in advance from customers" were reclassified to contract liabilities (see note 2(c)(ii)).

(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:

	2019 $'000	2018 $'000
Current	**2,231**	3,088
1 – 30 days	**165**	793
31 – 60 days	**30**	720
61 – 90 days	**24**	20
91 – 120 days	**4**	13
Over 120 days	**775**	815
	3,229	5,449

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

19 Payables and accruals (continued)

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

	2019	2018
	$'000	$'000
HK$	**22,272**	24,754
USD	**35**	260
	22,307	25,014

As at 31 March 2019 and 31 March 2018, the fair values of the payables and accruals approximate their carrying amounts.

(c) Movement in contract liabilities

Contract liabilities represent receipt in advance from customers and the movement during the year is as follows:

	2019
	$'000
Balance at 1 April	**1,043**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of period	**(237)**
Balance at 31 March	**806**

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 Income tax in the consolidated statement of financial position

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

	2019 $'000	2018 $'000
Balance of Hong Kong Profits Tax provision relating to prior years	–	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 $'000	Depreciation allowance in excess of the related depreciation $'000	Total $'000
At 1 April 2017	34,378	(34,378)	–
Credited/(charged) to profit or loss *(note 9(a))*	1,939	(1,939)	–
At 31 March 2018 and 1 April 2018	36,317	(36,317)	–
(Charged)/credited to profit or loss *(note 9(a))*	(691)	691	–
At 31 March 2019	35,626	(35,626)	–

(c) Deferred tax assets not recognised

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses of $504,892,000 (2018: $453,250,000) 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 2019. The tax losses do not expire under current tax legislation.

21 Share capital

(a) Authorised share capital of the Company

	2019 $'000	2018 $'000
Authorised:		
5,000,000,000 ordinary shares of $0.10 each	**500,000**	500,000

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

21 Share capital (continued)

(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 31 March 2019	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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

21 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:

Date of grant	Initial exercise price $	Exercisable period	Number of share options						Remaining contractual life
			Outstanding at 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 and 1 April 2018	Cancelled/ lapsed during the year ended 31 March 2019	Outstanding at 31 March 2019	
Directors									
7 September 2016	0.128	7 September 2017 to 6 September 2022	112,800,000	–	–	112,800,000	(26,400,000)	86,400,000	3.4 years
Employees									
7 September 2016	0.128	7 September 2017 to 6 September 2022	22,900,000	(3,725,000)	(675,000)	18,500,000	(1,200,000)	17,300,000	3.4 years
			135,700,000	(3,725,000)	(675,000)	131,300,000	(27,600,000)	103,700,000	

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)

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 $251,000 (2018: $3,472,000) related to equity settled share-based payment transactions during the year ended 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 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 2017		482,234	3,092,881	3,280	(1,995,774)	1,100,387	1,582,621
Equity settled share-based transactions	21(c)	–	–	3,472	–	3,472	3,472
Shares issued under share option scheme	21(c)	67	56	(38)	–	18	85
Share options lapsed	21(c)	–	–	(208)	208	–	–
Profit and total comprehensive income for the year		–	–	–	774	774	774
Balance at 31 March 2018 and 1 April 2018		482,301	3,092,937	6,506	(1,994,792)	1,104,651	1,586,952
Equity settled share-based transactions	21(c)	–	–	251	–	251	251
Share options lapsed	21(c)	–	–	(806)	806	–	–
Loss and total comprehensive income for the year		–	–	–	(3,540)	(3,540)	(3,540)
Balance at 31 March 2019		482,301	3,092,937	5,951	(1,997,526)	1,101,362	1,583,663

Note: The Group has initially applied IFRS 9 and IFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. See note 2(c).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 Reserves (continued)

(b) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

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

(iii) Share-based capital reserve

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

(c) Dividends

No dividends had been paid or declared by the Company for the year ended 31 March 2019 (2018: $Nil).

(d) Distributable reserves

The aggregate amounts of distributable reserves of the Company was $1,095,411,000 (2018: $1,098,145,000) as at 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Commitments

(a) Capital commitments outstanding at 31 March 2019 not provided for in the financial statements were as follows:

	2019	2018
	$'000	$'000
Contracted but not provided for		
– Property, plant and equipment	**–**	79

(b) At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2019	2018
	$'000	$'000
Within 1 year	**1,010**	2,387
After 1 year but within 5 years	**3,072**	3,586
	4,082	5,973

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.

24 Contingent liabilities

Litigation with former directors and employees

At 31 March 2019, 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25 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:

	2019	2018
	$'000	$'000
Interest income received from joint ventures	**4,839**	3,873
Financial guarantee income received from a joint venture	**–**	1,424
Logistics service income received from joint ventures	**1,376**	164
Licence fee income from a joint venture	**1,400**	–
Sale of property, plant and equipment to a joint venture	**83**	–

(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:

		2019	2018
Name	**Relationship**	**$'000**	$'000
ALBA IWS	Joint venture *(note 14(b)(i) to (iii) & (c))*	**76,015**	60,842
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
RGF	Joint venture (note 14(b)(iv))	**15,000**	–

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25 Material related party transactions (continued)

(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	**2019**	2018
	$'000	$'000
ALBA IWS	**76,015**	60,842
E&I	**12**	12
RGF	**15,000**	–

Amount due to a related company are disclosed as follows:

Name	**Relationship**	**2019**	2018
		$'000	$'000
Lai Wah Shipping Company	Sole proprietor is Mr. Leung Kai Kuen, one of the substantial shareholders of the Company	**10**	10

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

26 Company-level statement of financial position

	Note	2019 $'000	2018 $'000
Non-current asset			
Interests in subsidiaries	26(a)	**1,495,006**	1,433,498
Current assets			
Receivables and prepayments		**1,506**	1,343
Bank deposits and cash		**125,831**	191,528
Taxation recoverable		**–**	1
		127,337	192,872
Current liabilities			
Payables and accruals		**503**	870
Amounts due to subsidiaries	26(a)	**38,177**	38,548
		38,680	39,418
Net current assets		**88,657**	153,454
NET ASSETS		**1,583,663**	1,586,952
CAPITAL AND RESERVES			
Share capital	21	**482,301**	482,301
Reserves	22	**1,101,362**	1,104,651
TOTAL EQUITY		**1,583,663**	1,586,952

Approved and authorised for issue by the Board of Directors on 26 June 2019

Cheng Chi Ming, Brian
Chairman

Lam King Sang
Director

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

26 Company-level statement of financial position (continued)

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

	Company	
	2019	2018
	$'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	**1,342,774**	1,281,266
	1,495,006	1,433,498
Amounts due to subsidiaries	**38,177**	38,548

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

26 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
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 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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27 Comparative figures

The Group has initially applied IFRS 9 and IFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

28 Immediate and ultimate controlling party

At 31 March 2019, 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.

29 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 March 2019

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 2019 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 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 IFRS 16 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 16, 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 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

NOTES TO THE FINANCIAL STATEMENTS

(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 2019 (continued)

IFRS 16, Leases

As disclosed in note 2(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

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

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for land and buildings 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.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS 16, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets, to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019 and will not restate the comparative information. As disclosed in note 23(b), at 31 March 2019 the Group's future minimum lease payments under non-cancellable operating leases amount to $4,082,000 for land and buildings, which is payable either within 1 year or between 1 and 5 years after the reporting date. Upon the initial adoption of IFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to $3,769,000 and $3,769,000 respectively, after taking account the effects of discounting, as at 1 April 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from the next financial year onwards.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2015	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	443,542	273,131	206,940	175,461	**196,340**
Gross profit	24,335	22,510	37,877	31,020	**42,002**
Loss before taxation	(127,264)	(109,451)	(81,206)	(80,965)	**(51,759)**
Income tax credit	1,113	–	–	–	**235**
Loss from continuing operations	(113,080)	(109,451)	(81,206)	(80,965)	**(51,524)**
Impairment loss on amounts due from De-consolidated Subsidiaries	(36,572)	–	–	–	**–**
Loss and total comprehensive income for the year	(149,652)	(109,451)	(81,206)	(80,965)	**(51,524)**
Attributable to:					
Equity shareholders of the Company	(149,607)	(104,078)	(81,201)	(80,965)	**(51,524)**
Non-controlling interests	(45)	(5,373)	(5)	–	**–**
	(149,652)	(109,451)	(81,206)	(80,965)	**(51,524)**

ASSETS AND LIABILITIES

	As at 31 March				
	2015	2016	2017	2018	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,332,934	1,217,268	1,101,574	1,022,086	**968,106**
Total liabilities	74,630	65,972	27,104	25,024	**22,317**
Total equity	1,258,304	1,151,296	1,074,470	997,062	**945,789**

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

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