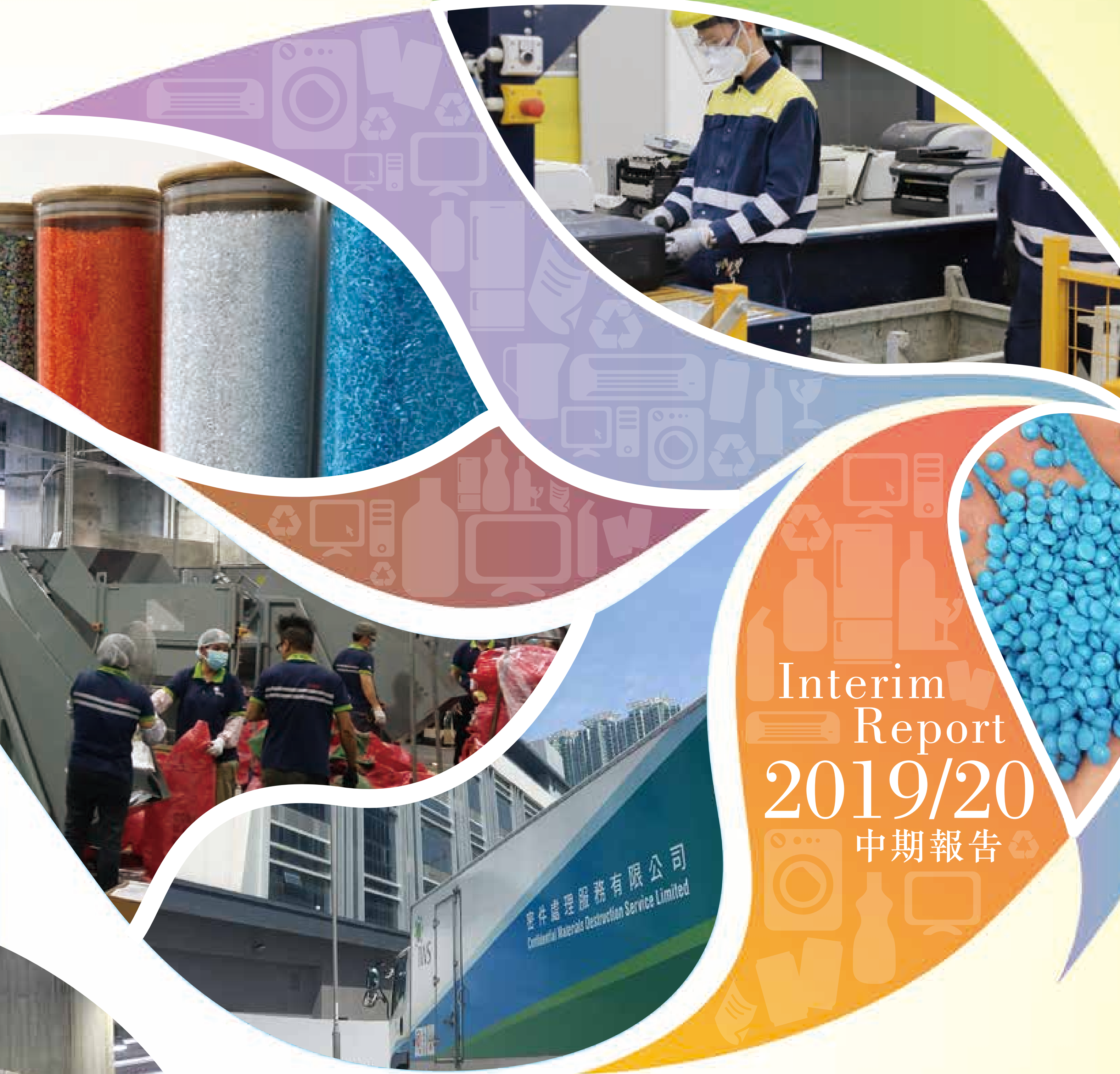
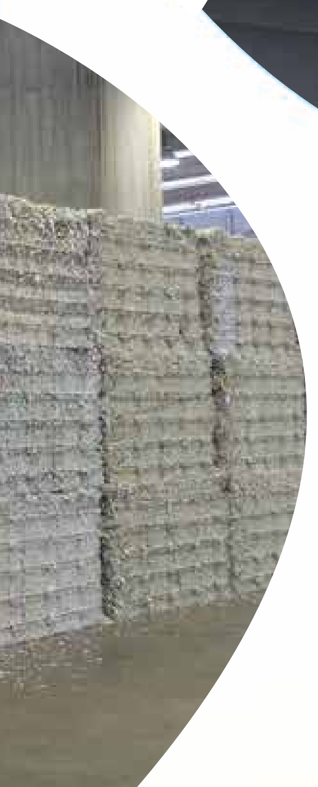


Interim Report 2019/20

中期報告



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

CONTENTS

CORPORATE INFORMATION

DIRECTORS

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

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

Independent non-executive directors
Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis
Mr. Chan Ting Bond, Michael

BOARD COMMITTEES

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

Audit Committee
Mr. Wong Man Chung, Francis *(Chairman)*
Mr. Cheng Chi Ming, Brian
Mr. Tsang On Yip, Patrick
Mr. Chow Shiu Wing, Joseph
Mr. Chan Ting Bond, Michael

Remuneration Committee
Mr. Chan Ting Bond, Michael *(Chairman)*
Mr. Tsang On Yip, Patrick
Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis
Mr. Lee Chi Hin, Jacob

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

During the six months ended 30 September 2019, the Group's business has been adversely affected by macro uncertainties which was mainly originated from the on-going Sino-US trade war on one hand and by the recent social and political unrest in Hong Kong on the other. The paper manufacturing businesses were generally under pressure which led to a decrease in demand for recovered paper. Moreover, further tightening of the import quota of recovered paper by the Mainland Government has resulted in unfavourable price volatility of recovered paper for our business.

FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the six months ended 30 September 2019 (the "Current Period") amounted to HK$32.8 million, an increase of approximately HK$5.8 million when compared to the net loss of HK$27.0 million for the six months ended 30 September 2018 (the "Last Period").

	6 months ended 30.09.2019 HK$'000	6 months ended 30.09.2018 HK$'000	**Fav./(Unfav.) Change HK$'000**	**%**
Results of Operating Segments	**(9,088)**	(2,895)	**(6,193)**	**(213.9%)**
Net Corporate expenses	**(21,179)**	(21,901)	**722**	**3.3%**
	(30,267)	(24,796)	**(5,471)**	**(22.1%)**
Share of results of joint ventures	**(2,507)**	(2,251)	**(256)**	**(11.4%)**
Loss attributable to equity shareholders of the Company	**(32,774)**	(27,047)	**(5,727)**	**(21.2%)**

The results of the operating segments of the Group has recorded an increase in loss of HK$6.2 million when compared to the Last Period. Net corporate expenses maintained at the same level as the Last Period. The Group's 25% investment in the Waste Electronic and Electrical Equipment ("WEEE") project commenced its commercial operation in October 2017 and provided positive contribution to the Group during the Current Period. RGF Environmental New Material Limited, the new joint venture set up in October 2018 in which the Group has 49% interests, is still in test and commissioning stage and expected to be in full commercial operation in the beginning of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue Analysis

	6 mths ended 30.09.2019 HK$'000	6 mths ended 30.09.2018 HK$'000	Fav./(Unfav.) Change HK$'000	%
Sales of Recovered Paper	**40,654**	75,752	**(35,098)**	**(46.3%)**
CMDS service income	**10,181**	10,212	**(31)**	**(0.3%)**
Sales of Recycled LDPE Pellets	**7,708**	5,176	**2,532**	**48.9%**
Logistics service income	**3,151**	184	**2,967**	**1,612.5%**
Sales of other waste materials and tissue paper	**294**	213	**81**	**38.0%**
	61,988	91,537	**(29,549)**	**(32.3%)**

The revenue of **Recovered Paper** has reduced to approximately HK$40.7 million, a drop of approximately HK$35.1 million or 46.3% when compared to the Last Period. Since the implementation of import restrictions on waste materials to the PRC in January 2018, the sales volume of recovered paper continued to be adversely affected which has decreased by 14.5%. Furthermore, the PRC Government's strict control on the quota and quality of imported recovered paper which has reduced the overall export of recovered paper from Hong Kong to the PRC. The gross profit margin of recovered paper trading has decreased from 19.4% to 14.0% due to reduction in average selling price of 37.2% during the Current Period.

Sales revenue of recovered office paper generated from our CMDS services has also reduced when compared to the Last Period due to the drop in selling prices of recovered paper in general. Sales volume has remained at the same level of the Last Period.

Confidential Material Destruction Services ("CMDS") service income maintained at HK$10.2 million which was similar to the Last Period. Our customer base continues to grow at a satisfactory pace in both paper and non-paper destruction customer accounts respectively over the Last Period. Although our business has been somehow disturbed by the recent social instability in Hong Kong, our CMDS division would endeavor its utmost to provide a speedy and professional service. We expect to see further growth in contribution of this segment.

Recycled Plastic Pellets Project had been negatively impacted by the on-going Sino-US trade war and the drop in crude oil prices. In result, the demand for recycled Low-density Polyethylene ("LDPE") plastic pellets from PRC market sharply reduced since May 2019 and hence a substantial price drop. Measures had been taken to mitigate the impact and the Group will closely follow on the market development and to monitor the performance of the project in this respect.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group had entered into a new joint venture in the production of high value-added engineering recycled plastic pellets in October 2018. Following the project's trial production since March 2019, its production capacity had been increasing. With the completion of the testing & commissioning and machinery adjustments process by the end of year, the production efficiency is expected to be further improved to generate higher revenue.

Joint venture with ALBA Group

The joint venture with ALBA Group operating in recycling of **Waste Electrical and Electronic Equipment ("WEEE")** has become operational in October 2017. The processing volume of WEEE has increased since the Waste Disposal Ordinance and other relevant regulations proposed by the Hong Kong government became effective at the end of 2018. We are confident that the WEEE operation could gain its momentum and continue to grow.

Gross Profit and Gross Profit Margin

The Gross Profit of the Group for the Current Period was HK$8.6 million, a decrease of HK$9.3 million or 52.0% when compared to the Last Period. The gross profit margin decrease from 19.6% to 13.8%. The decrease in both gross profit and gross profit margin was due to the significant decrease in the total revenue of the Group mainly as a result of the decrease in both sales volume and selling prices of recovered paper.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK$46.4 million, representing a slight increase of HK$0.8 million when compared to the Last Period.

Liquidity and Financial Resources

As at 30 September 2019, the Group had unrestricted bank deposits and cash of approximately HK$150.0 million (31 March 2019: HK$160.7 million). The Group had no bank loans and overdrafts as at 30 September 2019 (31 March 2019: Nil).

As at 30 September 2019, the Group had net current assets of approximately HK$215.3 million, as compared to net current assets of approximately HK$216.7 million as at 31 March 2019. The current ratio of the Group was 10.7 as at 30 September 2019 as compared to 10.7 as at 31 March 2019.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Exposure

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

For the six months ended 30 September 2019, the Group recorded a net foreign exchange loss of HK$0.8 million (six months ended 30 September 2018: loss of HK$2.2 million) as a result of the depreciation of Renminbi during the period. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Major Capital Expenditure and Commitments

During the Current Period, the Group incurred HK$0.1 million for capital expenditure and I.T. infrastructure in respect of the headquarters of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 30 September 2019, the Group had capital commitments of HK$0.1 million, which was mainly related to the leasehold improvement of depot for recovered paper business.

Capital Structure

Details of the capital structure of the Company are set out in Note 13.

Contingent Liabilities

At 30 September 2019, the Group has, upon legal advice, lodged certain claims against its former director and employee and the outcomes of which remain to be seen.

Employees and Remuneration Policies

The Group employed approximately 165 employees in Hong Kong as at 30 September 2019. Employee costs, including directors' emoluments, amounted to HK$26.9 million for the six months ended 30 September 2019 (six months ended 30 September 2018: HK$25.8 million). All of the Group companies are equal opportunity employers, with the selection and promotion of employees based on suitability for the position offered. The Group believes that, with proper training and guidance, people with intellectual disabilities can be capable, loyal and conscientious workers to contribute to society. In this respect, the Group has recruited several employees through Hong Chi On-the-Job Training Program. By providing job opportunities to people with intellectual disabilities, we can enhance their social integration and assist them in seeking open employment.

MANAGEMENT DISCUSSION AND ANALYSIS

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

OUTLOOK AND PROSPECT

Looking ahead, given the persistent poor social atmosphere and the uncertainties involved in the Sino-US trade war, the Group expects the operating environment would continue to be difficult in 2020. With the reduced production/collection of local waste paper quantity and the sluggish demand from PRC paper mill companies due to the tightening of import quota, Recovered Paper will be facing a challenge in its business operation. Likewise for CMDS, due to the worsening of local economy, the service demand from customers is likely to be affected. To mitigate these impacts, the management will continue to streamline the operation and curtail the operating and management costs to protect the bottom line.

Though faced with the above adverse business outlook, the Group will endeavor to identify new investment opportunities and enter into environmental project of higher value-added contribution to broaden its income sources.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2019 (2018 interim: HK$Nil).

OTHER INFORMATION

SHARE OPTION SCHEME

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

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

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

The following table discloses movements of the Company's share Options held by directors of the Company ("Directors") and employees during the six months ended 30 September 2019 ("Current Period"):

Eligible participants	Outstanding as at 1 April 2019	Exercised during the Current Period	Lapsed during the Current Period	Outstanding as at 30 September 2019
Directors	86,400,000	–	–	**86,400,000**
Employees	17,300,000	–	(900,000)	**16,400,000**
Total	103,700,000	–	(900,000)	**102,800,000**

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

OTHER INFORMATION

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

As at 30 September 2019, the interests or short positions of the Directors and chief executive in the shares, underlying shares or debentures of the Company or any of, its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required pursuant to: (a) Divisions 7 to 8 of Part XV of the SFO, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

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

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

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

OTHER INFORMATION

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

Name of Directors	Name of associated corporation	Capacity	Date of Grant	Exercisable period	Exercise Price per Share HK$	Interest in underlying shares pursuant to share options	Approximate percentage of shareholding
Tsang On Yip, Patrick	Greenheart Group Limited	Personal	17.07.2015	17.07.2015 – 16.07.2020	1.12	2,200,000	0.12%
			13.09.2016	13.09.2016 – 12.09.2021	0.71	3,300,000	0.18%
						5,500,000	0.30%
Wong Man Chung, Francis	Greenheart Group Limited	Personal	17.07.2015	17.07.2015 – 16.07.2020	1.12	1,100,000	0.06%
			13.09.2016	13.09.2016 – 12.09.2021	0.71	1,100,000	0.06%
						2,200,000	0.12%

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

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme adopted by the shareholders of the Company on 11 March 2010 (the "Share Option Scheme"), the Company has granted to Directors options to subscribe Shares. Details of which as at 30 September 2019 were as follows:

				Number of share options					
Name of Directors	Date of grant	Exercisable period	Exercise price per Share HK$	Outstanding as at 1 April 2019	Granted and accepted	Exercised	Cancelled/ Lapsed	Outstanding as at 30 September 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%

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

Save as disclosed above and in note 13 to the unaudited interim financial report about the Share Option Scheme, at no time during the six months ended 30 September 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.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

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

Name of Shareholders	*Note*	Capacity	Number of Shares held*	% of the issued share capital of the Company
Cheng Yu Tung Family (Holdings) Limited	1	Interest in controlled corporations	2,742,514,028 (L)	56.86%
Cheng Yu Tung Family (Holdings II) Limited	1	Interest in controlled corporations	2,742,514,028 (L)	56.86%
Chow Tai Fook Capital Limited	1	Interest in controlled corporations	2,742,514,028 (L)	56.86%
Chow Tai Fook (Holding) Limited	2	Interest in controlled corporations	2,742,514,028 (L)	56.86%
Chow Tai Fook Nominee Limited	3	Beneficial owner	1,530,601,835 (L)	31.74%
		Interest in controlled corporations	732,550,000 (L)	15.19%
Victory Day Investments Limited	3	Interest in controlled corporation	732,550,000 (L)	15.19%
Smart On Resources Ltd.	3	Beneficial owner	732,550,000 (L)	15.19%
Prestige Safe Limited	2	Beneficial owner	479,362,193 (L)	9.94%
City Legend International Limited	4	Beneficial owner	785,100,000 (L)	16.28%
Mr. Leung Kai Kuen	4	Interest in a controlled corporation	785,100,000 (L)	16.28%

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

OTHER INFORMATION

Notes:

1. As at 30 September 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 30 September 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.

OTHER INFORMATION

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 30 September 2019, the Group has provided financial assistance to its affiliated companies in aggregate amount of approximately HK$101.50 million, representing 11% 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 Integrated Waste Solutions (Hong Kong) Limited ("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$22.50 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$1.70 million relating to the provision of the financial assistance. The accrued interest and fees are unsecured, non-interest bearing and have no fixed terms of repayment.

2. Two term loans of HK$15.00 million each granted to RGF Environmental New Material Limited in which the Group held 49% interest, are unsecured, bearing interest at Hong Kong Interbank Offer Rate (HIBOR) plus 4% per annum. The first loan will be repaid by instalments, 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. The second loan will be repaid by instalments, of which HK$3.00 million is repayable on 2 May 2020, HK$4.50 million is repayable on 2 May 2021 and the remaining HK$7.50 million is repayable on 2 May 2022. In addition, there are accrued interest and fees of HK$1.97 million relating to the provision of the financial assistance, which are unsecured, non-interest bearing and have no fixed terms of repayment.

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 30 September 2019 are presented as follows:

	HK$'000
Combined statement of financial position	
Non-current assets	67,107
Current assets	159,472
Current liabilities	(274,515)
Non-current liabilities	(45,600)
	(93,536)
The Group's attributable interest	(20,764)

OTHER INFORMATION

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.

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. The Company published its detailed ESG performance in the 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 Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintain a high standard of corporate governance and has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules. The Company has complied with the code provisions set out in the CG Code throughout the six months ended 30 September 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. The Chairman was absent from the Company's annual general meeting held on 27 August 2019 ("2019 AGM") due to an overseas business engagement. All other Directors and the chairmen of Board committees were present during the 2019 AGM to answer the shareholders' questions regarding activities of the Company and the Board.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiries by the Company with the Directors, all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2019.

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

The Company has also adopted Code for Securities Transactions by Relevant Employees (the "Own Code") on no less exacting terms than the Model Code for governing securities transactions by relevant employees who are likely to be in possession of inside information of the Company or its securities. No incident of non-compliance of the Own Code by any relevant employee was noted by the Company during the six months ended 30 September 2019.

OTHER INFORMATION

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the Directors' information since the date of the 2019 Annual Report is set out below:

Mr. Tam Sui Kin, Chris (Executive Director)

Mr. Tam and the Company entered into a service agreement for a term of three years from 30 September 2019. Pursuant to the service agreement, Mr. Tam 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. Tam as well as the prevailing market conditions, and are subject to review by the Remuneration Committee of the Company from time to time.

Mr. Chow Shiu Wing, Joseph (Independent Non-executive Director)

On 10 October 2019, the Company renewed the letter of appointment with Mr. Chow as an Independent Non-executive Director for a term of three years from 10 October 2019. Pursuant to the letter of appointment, Mr. Chow is entitled to 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. Wong Man Chung, Francis (Independent Non-executive Director)

On 10 October 2019, the Company renewed the letter of appointment with Mr. Wong as an Independent Non-executive Director for a term of three years from 10 October 2019. Pursuant to the letter of appointment, Mr. Wong is entitled to 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. Wong has resigned as an independent non-executive director of China New Higher Education Group Limited (stock code: 2001) with effect from 6 December 2019.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim financial report of the Group for the six months ended 30 September 2019 with the management and the external auditor, KPMG. The unaudited interim financial report of the Group for the six months ended 30 September 2019 has been reviewed by the Company's external auditor, KPMG, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by International Auditing and Assurance Standards Board and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

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

Hong Kong, 28 November 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2019 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 September 2019 $'000	2018 (Note) $'000
Revenue	5	**61,988**	91,537
Cost of sales		**(53,423)**	(73,619)
Gross profit		**8,565**	17,918
Other revenue		**4,682**	376
Other net loss		**(1,383)**	(1,824)
Selling and distribution expenses		**(11,492)**	(11,566)
Administrative and other operating expenses		**(34,889)**	(33,989)
Operating loss		**(34,517)**	(29,085)
Finance income	6	**4,345**	4,289
Finance cost	6	**(95)**	–
Share of loss of joint ventures		**(2,507)**	(2,251)
Loss before taxation	6	**(32,774)**	(27,047)
Income tax	7	**–**	–
Loss and total comprehensive income for the period	8	**(32,774)**	(27,047)
Basic and diluted loss per share	8	**(0.7) cent**	(0.6) cent

Note:

The Group has initially applied IFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 22 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2019 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 September 2019 $'000	At 31 March 2019 (Note) $'000
Non-current assets			
Property, plant and equipment	9	**640,999**	659,169
Right-of-use assets	10	**33,113**	–
Land use rights		**–**	30,802
Interests in joint ventures		**24,836**	39,075
Deposits and prepayments		**–**	14
		698,948	729,060
Current assets			
Inventories		**4,955**	5,341
Trade and bills receivables	11	**11,659**	24,233
Other receivables, deposits and prepayments		**14,941**	15,112
Amount due from joint ventures		**55,897**	33,683
Amount due from a related company		**12**	12
Bank deposits and cash		**150,041**	160,665
		237,505	239,046
Current liabilities			
Trade payables	12	**2,391**	3,229
Other payables, accruals and contract liabilities		**18,099**	19,078
Lease liabilities	3(c)	**1,699**	–
Amount due to a related company		**10**	10
		22,199	22,317
Net current assets		**215,306**	216,729
Total assets less current liabilities		**914,254**	945,789
Non-current liabilities			
Lease liabilities	3(c)	**1,239**	–
NET ASSETS		**913,015**	945,789

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2019 – unaudited
(Expressed in Hong Kong dollars)

	Note	**At 30 September 2019 $'000**	At 31 March 2019 *(Note)* $'000
CAPITAL AND RESERVES			
Share capital	13	**482,301**	482,301
Reserves		**430,714**	463,488
TOTAL EQUITY		**913,015**	945,789

Note:

The Group has initially applied IFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 22 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2019 – unaudited
(Expressed in Hong Kong dollars)

	Note	Attributable to equity shareholders of the Company					
		Share capital $'000	Share premium $'000	Capital reserve $'000	Share-based capital reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 April 2018		482,301	3,092,937	(964,044)	6,506	(1,620,638)	997,062
Changes in equity for the six months ended 30 September 2018:							
Loss and total comprehensive income for the period		–	–	–	–	(27,047)	(27,047)
Equity settled share-based transactions	13(c)	–	–	–	215	–	215
Balance at 30 September 2018 and 1 October 2018		482,301	3,092,937	(964,044)	6,721	(1,647,685)	970,230
Changes in equity for the six months ended 31 March 2019:							
Loss and total comprehensive income for the period		–	–	–	–	(24,477)	(24,477)
Equity settled share-based transactions	13(c)	–	–	–	36	–	36
Share options lapsed	13(c)	–	–	–	(806)	806	–
Balance at 31 March 2019 *(Note)*		482,301	3,092,937	(964,044)	5,951	(1,671,356)	945,789
Balance at 1 April 2019		482,301	3,092,937	(964,044)	5,951	(1,671,356)	945,789
Changes in equity for the six months ended 30 September 2019:							
Loss and total comprehensive income for the period		–	–	–	–	(32,774)	(32,774)
Share options lapsed	13(c)	–	–	–	(50)	50	–
Balance at 30 September 2019		482,301	3,092,937	(964,044)	5,901	(1,704,080)	913,015

Note: The Group has initially applied IFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 22 to 45 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2019 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2019	2018
		(Note)
	$'000	$'000
Operating activities		
Operating loss before working capital changes	**(16,355)**	(11,402)
Decrease/(Increase) in trade and bills receivables	**12,574**	(4,510)
Other changes in working capital	**701**	(929)
Net cash used in operating activities	**(3,080)**	(16,841)
Investing activities		
Payment for purchase of property, plant and equipment	**(432)**	(1,331)
Prepayments for purchase of property, plant and equipment	**–**	(1,035)
Proceeds from disposal of property, plant and equipment	**1,502**	588
New loan to a joint venture	**(15,000)**	(23,732)
Loan repaid by a joint venture	**2,500**	8,732
Decrease/(Increase) in amount due from joint ventures	**3,611**	(7)
Interest received	**1,124**	1,997
Net cash used in investing activities	**(6,695)**	(14,788)
Financing activities		
Capital element of lease rentals paid	**(754)**	–
Interest element of lease rentals paid	**(95)**	–
Increase in restricted and pledged bank deposits	**–**	(1,889)
Net cash used in financing activities	**(849)**	(1,889)
Net decrease in cash and cash equivalents	**(10,624)**	(33,518)
Cash and cash equivalents at the beginning of the period	**160,665**	218,871
Cash and cash equivalents at the end of the period	**150,041**	185,353

Note:

The Group has initially applied IFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 22 to 45 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General information

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

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

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, promulgated by the International Accounting Standards Board ("IASB"). It was authorised for issue on 28 November 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Basis of preparation (continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*" issued by the IASB. KPMG's independent review report to the Board of Directors is included on page 46.

The financial information relating to the financial year ended 31 March 2019 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

3 Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

IFRS 16 replaced IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC *27, Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use assets and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Changes in accounting policies (continued)

IFRS 16, *Leases (continued)*

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to land and buildings.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Changes in accounting policies (continued)

IFRS 16, *Leases (continued)*

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Changes in accounting policies (continued)

IFRS 16, *Leases (continued)*

(b) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.125%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 March 2020; and

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Changes in accounting policies (continued)

IFRS 16, *Leases (continued)*

(b) Transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 14(b) as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	At 1 April 2019
	$'000
Operating lease commitments at 31 March 2019	4,082
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(74)
	4,008
Less: total future interest expenses	(316)
Total lease liabilities recognised at 1 April 2019	3,692

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Changes in accounting policies (continued)

IFRS 16, *Leases (continued)*

(b) Transitional impact (continued)

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019	Reclassification	Capitalisation of operating lease contracts	Carrying amount at 1 April 2019
	$'000	$'000	$'000	$'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:				
Right-of-use assets	–	30,802	3,692	34,494
Land use rights	30,802	(30,802)	–	–
Total non-current assets	729,060	–	3,692	732,752
Lease liabilities (current)	–	–	1,583	1,583
Current liabilities	22,317	–	1,583	23,900
Net current assets	216,729	–	(1,583)	215,146
Total assets less current liabilities	945,789	–	2,109	947,898
Lease liabilities (non-current)	–	–	2,109	2,109
Total non-current liabilities	–	–	2,109	2,109
Net assets	945,789	–	–	945,789

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Changes in accounting policies (continued)

IFRS 16, *Leases (continued)*

(b) Transitional impact (continued)

The analysis of the net book value of the Group's right-of-use assets at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 September 2019 $'000	At 1 April 2019 $'000
Ownership interests in leasehold land held for own use, carried at depreciated cost	**30,256**	30,802
Other properties leased for own use, carried at depreciated cost	**2,857**	3,692
	33,113	34,494

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 September 2019		At 1 April 2019	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**1,699**	**1,848**	1,583	1,772
After 1 year but within 2 years	**1,239**	**1,311**	1,740	1,848
After 2 years but within 5 years	**–**	**–**	369	388
	1,239	**1,311**	2,109	2,236
	2,938	**3,159**	3,692	4,008
Less: total future interest expenses		**(221)**		(316)
Present value of lease liabilities		**2,938**		3,692

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Changes in accounting policies (continued)

IFRS 16, *Leases (continued)*

(d) Impact on the financial results, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expenses accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported loss in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if IAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the consolidated statement of cash flows.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Changes in accounting policies (continued)

IFRS 16, *Leases (continued)*

(d) Impact on the financial results, segment results and cash flows of the Group (continued)

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial results, segment results and cash flows for the six months ended 30 September 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A) $'000	**Add back: IFRS 16 depreciation and interest expenses (B) $'000**	**Deduct: Estimated amounts related to operating leases as if under IAS 17** *(note (i))* **(C) $'000**	**Hypothetical amounts for 2019 as if under IAS 17 (D=A+B+C) $'000**	Compared to amounts reported for 2018 under IAS 17 $'000
Financial results for the six months ended 30 September 2019 impacted by the adoption of IFRS 16:					
Operating loss	**(34,517)**	**834**	**(849)**	**(34,532)**	(29,085)
Finance cost	**(95)**	**95**	**–**	**–**	–
Loss before taxation	**(32,774)**	**929**	**(849)**	**(32,694)**	(27,047)
Loss for the period	**(32,774)**	**929**	**(849)**	**(32,694)**	(27,047)
Reportable segment profit for the six months ended 30 September 2019 (note 5) impacted by the adoption of IFRS 16:					
– Recovered paper and materials	**1,840**	**405**	**(380)**	**1,865**	13,726
– Total	**1,840**	**405**	**(380)**	**1,865**	13,726

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Changes in accounting policies (continued)

IFRS 16, *Leases (continued)*

(d) Impact on the financial results, segment results and cash flows of the Group (continued)

	2019			2018
	Amounts reported under IFRS 16 (A) $'000	**Estimated amounts related to operating leases as if under IAS 17** *(notes (i) & (ii))* **(B) $'000**	**Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) $'000**	Compared to amounts reported for 2018 under IAS 17 $'000
Line items in the condensed consolidated statement of cash flows for the six months ended 30 September 2019 impacted by the adoption of IFRS 16:				
Cash used in operations	**(3,080)**	**(849)**	**(3,929)**	(16,841)
Net cash used in operating activities	**(3,080)**	**(849)**	**(3,929)**	(16,841)
Capital element of lease rentals paid	**(754)**	**754**	**–**	–
Interest element of lease rentals paid	**(95)**	**95**	**–**	–
Net cash used in financing activities	**(849)**	**849**	**–**	(1,889)

Note (i): The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note (ii): In this impact table, these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

4 Financial risk management

Financial risk factors

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

The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2019. There have been no changes in the risk management policies since 31 March 2019.

Fair value measurement

At 30 September 2019, the fair values of financial assets and liabilities approximate their carrying amounts.

5 Revenue and segment information

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

– Recovered paper and materials: sales of recovered paper and materials

– Confidential materials destruction service ("CMDS"): provision of confidential materials destruction services

– Logistics services: provision of logistics services

– Tissue paper products: sales of tissue paper products

Although the Group's products and services are sold/rendered to Hong Kong, Mainland China and overseas markets, the chief operating decision maker of the Group regularly reviews the financial information by business segments to assess performance and make resources allocation decisions. It assesses the performance of the operating segments based on a measure of segment gross profits.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Revenue and segment information (continued)

Revenue from contracts with customers within the scope of IFRS 15

	Six months ended 30 September	
	2019	2018
	$'000	$'000
Disaggregated by major products or service lines		
– Sales of recovered paper and materials	**48,644**	81,129
– Provision of CMDS	**10,181**	10,212
– Provision of logistics services	**3,151**	184
– Sales of tissue paper products	**12**	12
	61,988	91,537

Revenue by geographic markets

	Six months ended 30 September	
	2019	2018
	$'000	$'000
Hong Kong	**34,210**	55,946
Mainland China	**19,035**	24,586
South Korea	**8,743**	9,247
Others	**–**	1,758
	61,988	91,537

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Revenue and segment information (continued)

The segment results and other segment items included in the loss for the six months ended 30 September 2019 are as follows:

	Six months ended 30 September 2019				
	Recovered paper and materials $'000	CMDS $'000	Logistics services $'000	Tissue paper products $'000	Total $'000
Segment revenue:					
Sales to external customers	48,644	10,181	3,151	12	61,988
Inter-segment sales	–	–	6,609	–	6,609
Reportable segment revenue	48,644	10,181	9,760	12	68,597
Elimination of inter-segment revenue	–	–	(6,609)	–	(6,609)
	48,644	10,181	3,151	12	61,988
Segment results:					
Reportable segment profit	1,840	6,240	2,391	–	10,471
Elimination of inter-segment profit					(1,906)
Reportable segment profit derived from the Group's external customers					8,565
Other revenue					4,682
Unallocated operating costs					(47,764)
Finance income					4,345
Finance cost					(95)
Share of loss of joint ventures					(2,507)
Loss for the period					(32,774)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Revenue and segment information (continued)

	Six months ended 30 September 2018 *(Note)*				
	Recovered paper and materials $'000	CMDS $'000	Logistics services $'000	Tissue paper products $'000	Total $'000
Segment revenue:					
Sales to external customers	81,129	10,212	184	12	91,537
Inter-segment sales	–	–	8,338	–	8,338
Reportable segment revenue	81,129	10,212	8,522	12	99,875
Elimination of inter-segment revenue	–	–	(8,338)	–	(8,338)
	81,129	10,212	184	12	91,537
Segment results:					
Reportable segment profit	13,726	6,514	1,410	1	21,651
Elimination of inter-segment profit					(3,733)
Reportable segment profit derived from the Group's external customers					17,918
Other revenue					376
Unallocated operating costs					(47,379)
Finance income					4,289
Share of loss of a joint venture					(2,251)
Loss for the period					(27,047)

Note: The Group has initially applied IFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Loss before taxation

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

	Six months ended 30 September	
	2019	2018
		(Note)
	$'000	$'000
(a) Finance income		
Interest income from bank deposits	**(1,124)**	(1,997)
Interest income from loans to joint ventures	**(3,221)**	(2,292)
	(4,345)	(4,289)
(b) Finance cost		
Interest on lease liabilities	**95**	–
(c) Other items		
Cost of inventories sold	**27,343**	50,820
Amortisation of land use rights	**–**	545
Depreciation charge:		
– owned property, plant and equipment	**16,163**	17,301
– right-of-use assets	**1,381**	–
Loss/(Gain) on disposal of property, plant and equipment	**617**	(415)
Write down of inventories	**2,700**	–
Operating lease charges in respect of land and buildings	**1,945**	2,500
Equity settled share-based payment expenses *(note 13(c))*	**–**	215
Foreign exchange loss, net	**765**	2,203

Note:

The Group has initially applied IFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Income tax

No provision for Hong Kong Profits Tax for the six months ended 30 September 2019 and 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 period or the subsidiaries have no estimated assessable profits in Hong Kong.

8 Loss per share

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to equity shareholders of the Company of $32,774,000 (six months ended 30 September 2018: $27,047,000) and the weighted average of 4,823,009,000 (2018: 4,823,009,000) ordinary shares in issue during the interim period.

(b) Diluted loss per share

No adjustment had been made to the basic loss per share presented for the six months ended 30 September 2019 and 30 September 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.

9 Property, plant and equipment

During the six months ended 30 September 2019, the Group disposed items of plant and equipment with aggregate net book value of $2,207,000 (2018: $173,000).

10 Right-of-use assets

As discussed in note 3, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. In addition, the depreciated carrying amount of the land use rights which were previously presented separately in the consolidated statement of financial position is also identified as right-of-use assets. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 3.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

11 Trade and bills receivables

	At 30 September 2019 $'000	At 31 March 2019 $'000
Trade and bills receivables	**15,537**	28,470
Less: Loss allowance	**(3,878)**	(4,237)
Trade and bills receivables, net	**11,659**	24,233

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

	At 30 September 2019 $'000	At 31 March 2019 $'000
0 – 30 days	**9,535**	22,577
31 – 60 days	**1,566**	1,462
61 – 90 days	**373**	171
Over 90 days	**185**	23
	11,659	24,233

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Trade payables

	At 30 September 2019 $'000	At 31 March 2019 $'000
Trade payables	**2,391**	3,229

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

	At 30 September 2019 $'000	At 31 March 2019 $'000
Current	**1,467**	2,231
1 – 30 days	**103**	165
31 – 60 days	**26**	30
61 – 90 days	**24**	24
91 – 120 days	**9**	4
Over 120 days	**762**	775
	2,391	3,229

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Share capital and reserves

(a) Authorised share capital of the Company

	At 30 September 2019 $'000	At 31 March 2019 $'000
Authorised:		
5,000,000,000 ordinary shares of $0.10 each	**500,000**	500,000

(b) Issued share capital of the Company

	Number of ordinary shares '000	Amount $'000
Issued and fully paid:		
At 1 April 2018, 30 September 2018, 31 March 2019, 1 April 2019 and 30 September 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 sheet for the five business days immediately preceding the date on which such offer is made; and
- the nominal value of a share of the Company.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Share capital and reserves (continued)

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

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

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

			Number of share options			
Date of grant	Initial exercise price $	Exercisable period	Outstanding at 1 April 2019	Lapsed during the period	Outstanding at 30 September 2019	Remaining contractual life
Directors						
7 September 2016	0.128	7 September 2017 to 6 September 2022	86,400,000	–	86,400,000	2.9 years
Employees						
7 September 2016	0.128	7 September 2017 to 6 September 2022	17,300,000	(900,000)	16,400,000	2.9 years
			103,700,000	(900,000)	102,800,000	

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Share capital and reserves (continued)

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

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

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

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

The Group recognised expense of $nil (2018: $215,000) related to equity settled share-based payment transactions during the six months ended 30 September 2019.

(d) Dividends

No dividends had been paid or declared by the Company for the six months ended 30 September 2019 (2018: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Commitments

(a) Capital commitments outstanding at 30 September 2019 not provided for in the interim financial report

	At 30 September 2019 $'000	At 31 March 2019 $'000
Contracted but not provided for		
– Property, plant and equipment	**70**	–

(b) At 31 March 2019, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	$'000
Within 1 year	1,846
After 1 year but within 5 years	2,236
	4,082

The Group is the lessee in respect of land and buildings held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Claims against former directors and employees

At 30 September 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.

16 Material related party transactions

Transactions with related parties

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

	Six months ended 30 September	
	2019	2018
	$'000	$'000
Interest income received from joint ventures	**3,221**	2,292
Logistics service income received from a joint venture	**3,151**	184
Licence fee income received from a joint venture	**4,200**	–

17 Comparative figures

The Group has initially applied IFRS 16 at 1 April 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

18 Approval of interim financial report

The interim financial report was approved by the Board on 28 November 2019.

INDEPENDENT AUDITOR'S REVIEW REPORT

KPMG

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

Introduction

We have reviewed the interim financial report set out on pages 17 to 45 which comprises the consolidated statement of financial position of Integrated Waste Solutions Group Holdings Limited as of 30 September 2019 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

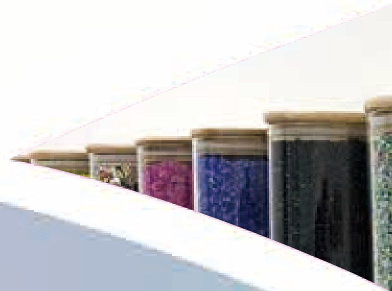
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

28 November 2019



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

This Interim Report is printed on environmentally friendly paper
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