



IWS

Integrated Waste Solutions
Group Holdings Limited

綜合環保集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock code 股份代號 : 923



Interim Report
2020/21
中期報告

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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

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

Windward 3
Regatta Office Park
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.iwsggh.com

STOCK CODE

923

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
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 2020, the businesses of our Group were adversely affected by the developments in the global economy and the outbreak of COVID-19 pandemic. The on-going Sino-US trade war has resulted in fluctuations in product demand, and the outbreak of COVID-19 pandemic caused further uncertainties in the recycled products market. Suspension of production by the manufacturing industry and the social distancing regulations have directly caused a drop in the amount of waste collected, as well as the demand for our recycled products. These have negatively impacted on the revenue of some of our business segments such as recovered paper and recycled plastic pellets operations. Although the revenue of the Group has reduced substantially, the overall performance of the Group has been improved due to the continuous cost control measures and the positive contribution from new project.

FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the six months ended 30 September 2020 (the "Current Period") amounted to HK\$9.9 million, a decrease of approximately HK\$22.9 million when compared to the net loss of HK\$32.8 million for the six months ended 30 September 2019 (the "Last Period").

	6 months ended 30.09.2020 HK\$'000	6 months ended 30.09.2019 HK\$'000	Fav./(Unfav.) Change HK\$'000	%
Results of Operating Segments	7,554	(9,088)	16,642	183.1%
Net Corporate expenses	(22,318)	(21,179)	(1,139)	(5.4%)
	(14,764)	(30,267)	15,503	51.2%
Share of results of an associate	4,413	–	4,413	N/A
Share of results of joint ventures	418	(2,507)	2,925	116.7%
Loss attributable to equity shareholders of the Company	(9,933)	(32,774)	22,841	69.7%

The results of the operating segments of the Group have improved with a significant reduction in loss of HK\$16.6 million when compared to the Last Period. Net corporate expenses maintained at the same level as the Last Period. The share of results of joint ventures of the Group has been improved from a share of loss of HK\$2.5 million in the Last Period to a share of profit of HK\$0.4 million in the Current Period. During the Current Period, the Group has recognised a share of profit of HK\$4.4 million of its hazardous waste treatment project which was acquired in January 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue Analysis

	6 months ended 30.09.2020 HK\$'000	6 months ended 30.09.2019 HK\$'000	Fav./(Unfav.) Change	
			HK\$'000	%
Sales of Recovered Paper	9,810	40,654	(30,844)	(75.9%)
CMDS service income	9,931	10,181	(250)	(2.5%)
Logistics service income	6,743	3,151	3,592	114.0%
Sales of Recycled LPDE Pellets	1,893	7,708	(5,815)	(75.4%)
Sales of other waste materials and tissue paper	71	294	(223)	(75.9%)
	<u>28,448</u>	<u>61,988</u>	<u>(33,540)</u>	<u>(54.1%)</u>

The revenue of **Recovered Paper** declined to approximately HK\$9.8 million, a drop of approximately HK\$30.8 million or 75.9% when compared to the Last Period. The paper manufacturing business has been under substantial pressure owing to the intensification of Sino-US trade war during the second half of 2019 which continues to hinder the demand for recycled paper. The tightening of the import quota for waste paper by the Mainland Government has also undermined exports from Hong Kong to Mainland China. The outbreak of COVID-19 pandemic has further complicated the situation. Sales volume dropped by 79.4%. However, the gross profit margin of recovered paper trading has increased from 14.0% to 47.6% due to increase in average selling price of 17.3% during the Current Period.

Sales revenue of recovered office paper generated from the CMDS services has decreased by 12.8%, mainly due to a drop in selling price. The demand for office paper has been relatively less affected by external risks compared to other types of recovered paper, its sales volume recorded an increase of 3.9%.

Confidential Material Destruction Services ("CMDS") service income maintained at HK\$9.9 million which recorded a slight decrease of HK\$0.3 million or 2.5% when compared to the Last Period. The measures imposed by the HKSAR Government in response to the COVID-19 pandemic has hindered the collection volume of CMDS during the Current Period. The Group actively strives to bring in new long-term customers to increase its revenue base. We expect the services demand to stabilise after the pandemic subsides.

Recycled Plastic Pellets Project was adversely affected by the Sino-US trade war and the drop in crude oil prices. The demand for Low-density Polyethylene ("LDPE") plastic pellets shrank significantly, leading to a substantial drop in price. The Group decided to temporarily suspend production of LDPE pellets during the second half of 2019. The unprecedented standstill in the global manufacturing sector during the COVID-19 outbreak has undermined the sales of plastic pellets, which recorded a decline of 75.4%. We are constantly monitoring the external environment and shall take appropriate measures to resume production as and when the situation becomes more favourable.

MANAGEMENT DISCUSSION AND ANALYSIS

The joint venture for production of high value-added **recycled engineering plastic pellets** started trial production in March 2019. The business was affected by the unfavourable external environment to a smaller degree compared to the LDPE operation. The recycled engineering plastic pellets are high value-added products, demand for which remains relatively stable. With the COVID-19 pandemic being under control and resumption of business in the Mainland, we expect this segment to gradually pick up the pace. The Group will also implement measures for increasing its production capacity, enabling the business to bring greater contributions to our revenue.

ALBA Integrated Waste Solutions (Hong Kong) Limited (“ALBA IWS”), our joint venture with ALBA Group for treatment and recycling of WEEE in Hong Kong has been operational for three years. It has become a stable contributor to the Group since the producer responsibility scheme on waste electrical and electronic equipment and the relevant section of the Waste Disposal Ordinance became effective at the end of 2018. We are confident that the WEEE operation will gain further momentum and continue to grow over time. Our Logistics Division has worked with ALBA IWS and played a major role in the transportation service of WEEE items. Accordingly, its service income has increased significantly during the Current Period.

In January 2020, we completed the acquisition of 40% interests in Dugong IWS HAZ Limited. It represents not only a geographical expansion to Mainland China but also our investment in a new type of business, **treatment of hazardous waste**. The tightened environmental requirements in the Mainland had led to growing demand for hazardous waste treatment. The treatment projects in Lianyungang, Jiangsu and Kaifeng, Henan are showing potential for growth, given their mature and comprehensive treatment solutions and forthcoming expansion plans. We are optimistic on this investment and expect it to be a major profit contributor to the Group’s financial results.

Gross Profit and Gross Profit Margin

The Gross Profit of the Group for the Current Period was HK\$14.7 million, an increase of HK\$6.1 million or 70.9% when compared to the Last Period, and the gross profit margin has been significantly increased from 13.8% to 51.8%. The increase in both gross profit and gross profit margin were due to the increase in total service income and the decrease in the total revenue of Recovered Paper and Recycled LDPE Pellets which have lower profit margins.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK\$41.3 million, representing a reduction of HK\$5.1 million when compared to the Last Period. The reduction in these expenditures was due to the cost control measures initiated by the management throughout the Current Period.

Earnings/Loss Before Interest, Tax, Depreciation and Amortisation (“EBITDA/LBITDA”)

With the increase in total gross profit and share of profits from joint ventures and associate, together with the reduction in expenditures as a result of the cost control measures throughout the Current Period, EBITDA for the Current Period has been significantly improved by approximately HK\$21.6 million from LBITDA of HK\$19.5 million in Last Period to EBITDA of HK\$2.1 million in the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 30 September 2020, the Group had unrestricted bank deposits and cash of approximately HK\$85.0 million (31 March 2020: HK\$99.0 million). The Group had no bank loans and overdrafts as at 30 September 2020 (31 March 2020: Nil).

As at 30 September 2020, the Group had net current assets of approximately HK\$128.1 million, as compared to net current assets of approximately HK\$142.3 million as at 31 March 2020. The current ratio of the Group was 7.4 as at 30 September 2020 as compared to 7.1 as at 31 March 2020.

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

Foreign Exchange Exposure

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

For the six months ended 30 September 2020, the Group recorded a net foreign exchange loss of HK\$0.1 million (six months ended 30 September 2019: loss of HK\$0.8 million). 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 mainly for the capital expenditure in respect of the headquarters of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 30 September 2020, the Group has capital commitments of HK\$2.6 million, which are mainly related to the capital contribution in I-Talent Paper Product (HK) Limited ("I-Talent"), a company established with a third party on 24 September 2020 for the purpose of developing business in trading and manufacturing of assorted paper products. The Group will hold 51% equity interest in I-Talent upon the completion of capital injection. Details of the capital commitment of the Group are set out in note 15.

Capital Structure

Details of the capital structure of the Company are set out in note 14.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

At 30 September 2020, 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 121 employees in Hong Kong as at 30 September 2020. Employee costs, including directors' emoluments, amounted to HK\$21.4 million for the six months ended 30 September 2020 (six months ended 30 September 2019: HK\$29.2 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 also believes that, with proper training and guidance, people with intellectual disabilities can be capable, loyal and conscientious workers to contribute to society. By providing job opportunities to people with intellectual disabilities, we can enhance their social integration and assist them in seeking open employment.

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

OUTLOOK AND PROSPECT

Although our business will still be facing substantial difficulties until the COVID-19 pandemic subsides and the global economy recovers, we will not cease our efforts at maintaining our operations and services in a professional manner. The Group will continue to adopt a cautious approach in monitoring and managing risks, keeping the strong foundation of our businesses. We will take all necessary measures including tight cost control for ensuring a stable operational and financial status.

We will continue to consolidate existing businesses by constantly increasing cost efficiency of all our operations and maintaining high quality services in CMDS. We will work on ensuring smooth operations at our joint venture projects including the recycled engineering plastic pellets and the newly invested hazardous waste treatment business in Mainland China. At the same time, we remain open to new business opportunities for diversifying our sources of income, fulfilling our commitment to our shareholders and investors through bringing high value-added businesses that drive sustainable growth.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2020 (2019 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 2020 (“Current Period”):

	Outstanding as at 1 April 2020	Exercised during the Current Period	Lapsed during the Current Period	Outstanding as at 30 September 2020
Eligible participants				
Directors	86,400,000	–	–	86,400,000
Employees	15,100,000	–	(1,800,000)	13,300,000
Total	101,500,000	–	(1,800,000)	99,700,000

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 2020, 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	13.09.2016	13.09.2016 – 12.09.2021	0.71	3,300,000	0.18%
Wong Man Chung, Francis	Greenheart Group Limited	Personal	13.09.2016	13.09.2016 – 12.09.2021	0.71	1,100,000	0.06%

Save as disclosed above, as at 30 September 2020, 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 2020 were as follows:

Name of Directors	Date of grant	Exercisable period	Exercise price per Share HK\$	Number of share options				Outstanding as at 30 September 2020	Approximate percentage of shareholding
				Outstanding as at 1 April 2020	Granted and accepted	Exercised	Cancelled/ Lapsed		
Lam King Sang	07.09.2016	07.09.2017 – 06.09.2022	0.128	7,500,000	-	-	-	7,500,000	0.16%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	7,500,000	-	-	-	7,500,000	0.16%
Tam Sui Kin, Chris	07.09.2016	07.09.2017 – 06.09.2022	0.128	7,500,000	-	-	-	7,500,000	0.16%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	7,500,000	-	-	-	7,500,000	0.16%
Cheng Chi Ming, Brian	07.09.2016	07.09.2017 – 06.09.2022	0.128	7,500,000	-	-	-	7,500,000	0.16%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	7,500,000	-	-	-	7,500,000	0.16%
Tsang On Yip, Patrick	07.09.2016	07.09.2017 – 06.09.2022	0.128	7,500,000	-	-	-	7,500,000	0.16%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	7,500,000	-	-	-	7,500,000	0.16%
Lau Sai Cheong	07.09.2016	07.09.2017 – 06.09.2022	0.128	4,400,000	-	-	-	4,400,000	0.09%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	4,400,000	-	-	-	4,400,000	0.09%
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 14 to the unaudited interim financial report about the Share Option Scheme, at no time during the six months ended 30 September 2020 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 2020, 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 Interest in controlled corporations	1,530,601,835 (L) 732,550,000 (L)	31.74% 15.19%
Victory Day Investments Limited	3	Interest in controlled corporation	732,550,000 (L)	15.19%
Smart On Resources Ltd.	3	Beneficial owner	732,550,000 (L)	15.19%
Prestige Safe Limited	2	Beneficial owner	479,362,193 (L)	9.94%
City Legend International Limited	4	Beneficial owner	785,100,000 (L)	16.28%
Mr. Leung Kai Kuen	4	Interest in a controlled corporation	785,100,000 (L)	16.28%

* The letter “L” denotes the person’s long position in the Shares.

OTHER INFORMATION

Notes:

1. As at 30 September 2020, 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 2020, 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 2020, the Group has provided financial assistance to its affiliated companies in aggregate amount of approximately HK\$82.77 million, representing 9.42% 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 loan facility of an outstanding amount of HK\$19.98 million which is unsecured, interest-bearing at 7% per annum and repayable in cash on demand; and (b) accrued interest and fees of HK\$0.35 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. Two term loans of HK\$24.00 million in total 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 of remaining amount of HK\$12.00 million, of which HK\$4.50 million and HK\$7.50 million will be repayable on 19 February 2021 and 19 February 2022 respectively. The second loan of remaining amounts of HK\$12.00 million will be repaid by instalments, of which HK\$4.50 million and HK\$7.50 million will be repayable on 2 May 2021 and 2 May 2022 respectively. In addition, there are accrued interest and fees of HK\$4.86 million relating to the provision of the financial assistance, which are unsecured, non-interest bearing and have no fixed terms of repayment.
3. Pursuant to the Shareholder’s Loan Agreement as disclosed in the announcement and circular of the Company dated 11 December 2019 and 31 December 2019 respectively, the Group had agreed to make a shareholder’s loan of RMB28.80 million (equivalent to approximately HK\$33,120,000) to Dugong IWS HAZ Limited (“DIHL”), in which the Group held 40% interest. The shareholder’s loan was drawn in two tranches of RMB14.40 million (equivalent to approximately HK\$16,560,000) each on 16 March 2020 and 28 September 2020 respectively. Each tranche of the shareholder’s loan is due to be repaid as to RMB4.8 million (equivalent to approximately HK\$5,520,000) on each of the first, second and third anniversary of the respective dates of drawdown (i.e. 16 March 2021, 2022 and 2023 for the first tranche; and 28 September 2021, 2022 and 2023 for the second tranche). The shareholder’s loan is unsecured, bearing interest at 5% per annum, payable annually in arrears, subject to DIHL’s right to extend provided that all outstanding principal amount and interest shall be paid no later than the third anniversary of the date of drawdown of the respective tranche of loan. In addition, there are accrued interest and fees of approximately HK\$0.46 million relating to the provision of the financial assistance, which are unsecured, non-interest bearing and have no fixed terms of repayment.

OTHER INFORMATION

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 2020 are presented as follows:

	<i>HK\$'000</i>
Combined statement of financial position	
Non-current assets	573,082
Current assets	279,642
Current liabilities	(346,702)
Non-current liabilities	(185,960)
	<hr/> 320,062
The Group's attributable interest	<hr/> 58,867

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to shouldering its share of environmental and social responsibility in building a sustainable community for the next generation. As the effects of climate change and waste pollution are becoming more noticeable than ever before, we are striving to make greater contributions to tackling global environmental challenges. As a major waste treatment and management services provider in Hong Kong, we are gradually integrating the management of environmental, social and governance ("ESG") issues into our operations. We actively listen and respond to feedback from stakeholders including customers, employees, investors, government agencies, suppliers, environmental NGOs, etc., on our ESG performance. During the period under review, we continued to review our material topics and aligned them with the United Nations Sustainable Development Goals (SDGs), aiming to demonstrate how our actions contribute to global sustainability issues such as using clean energy and ensuring responsible production.

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 2020 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 2020.

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.

OTHER INFORMATION

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 2020.

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 2020.

UPDATE ON DIRECTOR’S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the Director’s information since the date of the 2020 Annual Report is set out below:

Mr. Chan Ting Bond, Michael (Independent Non-executive Director)

Mr. Chan has resigned as an independent non-executive director of Luk Hing Entertainment Group Holdings Limited (stock code: 8052) with effect from 1 July 2020.

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 2020 with the management and the external auditor, KPMG. The unaudited interim financial report of the Group for the six months ended 30 September 2020 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 2020.

By Order of the Board

Integrated Waste Solutions Group Holdings Limited

Cheng Chi Ming, Brian

Chairman

Hong Kong, 26 November 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2020 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended	
		30 September 2020 \$'000	2019 \$'000
Revenue	5	28,448	61,988
Cost of sales and services		(13,700)	(53,423)
Gross profit		14,748	8,565
Other revenue		10,236	4,682
Other net loss		(602)	(1,383)
Selling and distribution expenses		(8,321)	(11,492)
Administrative and other operating expenses		(32,950)	(34,889)
Operating loss		(16,889)	(34,517)
Finance income	6(a)	2,169	4,345
Finance cost	6(b)	(44)	(95)
Share of profit of an associate		4,413	–
Share of profit/(loss) of joint ventures		418	(2,507)
Loss before taxation	6	(9,933)	(32,774)
Income tax	7	–	–
Loss for the period	8	(9,933)	(32,774)
Other comprehensive income for the period (net of nil tax):			
Item that may be reclassified subsequently to profit or loss			
Exchange difference on translation of financial statements of:			
– a joint venture and an associate operating outside Hong Kong		327	–
Other comprehensive income for the period		327	–
Total comprehensive income for the period		(9,606)	(32,774)
Basic and diluted loss per share	8	(0.2) cent	(0.7) cent

The notes on pages 21 to 35 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2020 – unaudited
(Expressed in Hong Kong dollars)

		At 30 September 2020 \$'000	At 31 March 2020 \$'000
	Note		
Non-current assets			
Property, plant and equipment	9	595,471	610,279
Right-of-use assets		29,638	31,734
Interests in an associate	10	96,209	80,429
Interests in joint ventures	11	9,170	3,795
Deposits and prepayments		49	–
		730,537	726,237
Current assets			
Inventories		251	2,012
Trade receivables	12	4,630	6,980
Other receivables, deposits and prepayments		13,107	14,056
Amount due from an associate	10	11,498	5,556
Amounts due from joint ventures	11	33,684	38,278
Amount due from a related company		12	12
Bank deposits and cash		85,046	98,962
		148,228	165,856
Current liabilities			
Trade payables	13	898	2,411
Other payables, accruals and contract liabilities		18,747	19,351
Lease liabilities		504	1,740
Amount due to a related company		10	10
		20,159	23,512
Net current assets		128,069	142,344
Total assets less current liabilities		858,606	868,581
Non-current liability			
Lease liabilities		–	369
NET ASSETS		858,606	868,212
CAPITAL AND RESERVES			
Share capital	14	482,301	482,301
Reserves		376,305	385,911
TOTAL EQUITY		858,606	868,212

The notes on pages 21 to 35 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2020 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							
	Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Share-based capital reserve \$'000	Exchange reserve \$'000	Accumulated losses \$'000	Total equity \$'000
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 option lapsed	14(c)	–	–	–	(50)	–	50	–
Balance at 30 September 2019 and 1 October 2019		482,301	3,092,937	(964,044)	5,901	–	(1,704,080)	913,015
Changes in equity for the six months ended 31 March 2020:								
Loss for the period		–	–	–	–	–	(44,815)	(44,815)
Share of other comprehensive income of – a joint venture and an associate operating outside Hong Kong		–	–	–	–	12	–	12
Total comprehensive income for the period		–	–	–	–	12	(44,815)	(44,803)
Share option lapsed	14(c)	–	–	–	(73)	–	73	–
Balance at 31 March 2020		482,301	3,092,937	(964,044)	5,828	12	(1,748,822)	868,212
Balance at 1 April 2020		482,301	3,092,937	(964,044)	5,828	12	(1,748,822)	868,212
Changes in equity for the six months ended 30 September 2020:								
Loss for the period		–	–	–	–	–	(9,933)	(9,933)
Share of other comprehensive income of – a joint venture and an associate operating outside Hong Kong		–	–	–	–	327	–	327
Total comprehensive income for the period		–	–	–	–	327	(9,933)	(9,606)
Share option lapsed	14(c)	–	–	–	(101)	–	101	–
Balance at 30 September 2020		482,301	3,092,937	(964,044)	5,727	339	(1,758,654)	858,606

The notes on pages 21 to 35 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2020 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
Operating activities		
Operating loss before working capital changes	(2,264)	(16,355)
Decrease in trade receivables	2,350	12,574
Other changes in working capital	1,115	701
Net cash generated from/(used) in operating activities	1,201	(3,080)
Investing activities		
Payment for purchase of property, plant and equipment	(60)	(432)
Proceeds from disposal of property, plant and equipment	1,458	1,502
Loan to an associate	(16,560)	–
Loans to a joint venture	–	(15,000)
Loans repaid by a joint venture	3,000	2,500
(Increase)/decrease in amount due from joint ventures	(3,014)	3,611
Interest received	827	1,124
Net cash used in investing activities	(14,349)	(6,695)
Financing activities		
Capital element of lease rentals paid	(724)	(754)
Interest element of lease rentals paid	(44)	(95)
Net cash used in financing activities	(768)	(849)
Net decrease in cash and cash equivalents	(13,916)	(10,624)
Cash and cash equivalents at the beginning of the period	98,962	160,665
Cash and cash equivalents at the end of the period	85,046	150,041

The notes on pages 21 to 35 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, provision of logistics services and investment holding.

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 26 November 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 International Auditing and Assurance Standards Board. KPMG’s independent review report to the Board of Directors is included on page 36.

The financial information relating to the financial year ended 31 March 2020 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 the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Financial risk management

Financial risk factors

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

The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2020. There have been no changes in the risk management policies since 31 March 2020.

Fair value measurement

At 30 September 2020, the fair values of financial assets and liabilities approximate their carrying amounts.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 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:

- Confidential materials destruction service ("CMDS"): provision of confidential materials destruction services
- Logistics services: provision of logistics services
- Recovered paper and materials: sales of recovered paper and materials
- 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.

Revenue from contracts with customers within the scope of IFRS 15

	Six months ended 30 September	
	2020	2019
	\$'000	\$'000
Disaggregated by major products or service lines		
– Provision of CMDS	9,931	10,181
– Provision of logistics services	6,743	3,151
– Sales of recovered paper and materials	11,728	48,644
– Sales of tissue paper products	46	12
	28,448	61,988

Revenue by geographic markets

	Six months ended 30 September	
	2020	2019
	\$'000	\$'000
Hong Kong	18,233	34,210
South Korea	8,120	8,743
Mainland China	2,095	19,035
	28,448	61,988

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 2020 are as follows:

	Six months ended 30 September 2020				
	CMDS \$'000	Logistics services \$'000	Recovered paper and materials \$'000	Tissue paper products \$'000	Total \$'000
<i>Segment revenue:</i>					
Sales to external customers	9,931	6,743	11,728	46	28,448
Inter-segment sales	–	5,387	–	–	5,387
Reportable segment revenue	9,931	12,130	11,728	46	33,835
Elimination of inter-segment revenue	–	(5,387)	–	–	(5,387)
	9,931	6,743	11,728	46	28,448
<i>Segment results:</i>					
Reportable segment profit	6,793	3,154	4,941	–	14,888
Elimination of inter-segment profit					(140)
Reportable segment profit derived from the Group's external customers					14,748
Other revenue					10,236
Other net loss					(602)
Selling and distribution expenses					(8,321)
Administrative and other operating expenses					(32,950)
Finance income					2,169
Finance cost					(44)
Share of profit of an associate					4,413
Share of profit of joint ventures					418
Loss for the period					(9,933)

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				
	CMDS \$'000	Logistics services \$'000	Recovered paper and materials \$'000	Tissue paper products \$'000	Total \$'000
<i>Segment revenue:</i>					
Sales to external customers	10,181	3,151	48,644	12	61,988
Inter-segment sales	–	6,609	–	–	6,609
Reportable segment revenue	10,181	9,760	48,644	12	68,597
Elimination of inter-segment revenue	–	(6,609)	–	–	(6,609)
	10,181	3,151	48,644	12	61,988
<i>Segment results:</i>					
Reportable segment profit	6,240	2,391	1,840	–	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
Other net loss					(1,383)
Selling and distribution expenses					(11,492)
Administrative and other operating expenses					(34,889)
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)

6 Loss before taxation

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

	Six months ended	
	30 September	
	2020	2019
	\$'000	\$'000
(a) Finance income		
Interest income from bank deposits	(440)	(1,124)
Interest income from loans to joint ventures	(422)	(3,221)
Interest income from loans to an associate	(1,307)	–
	(2,169)	(4,345)
(b) Finance cost		
Interest on lease liabilities	44	95
(c) Other items		
Cost of inventories sold	6,824	46,816
Depreciation charge:		
– owned property, plant and equipment	12,878	16,163
– right-of-use assets	1,236	1,381
Loss on disposal of property, plant and equipment	342	617
Short-term lease payments not included in the measurement of lease liabilities	212	442
Write off of property, plant and equipment	190	1
Write down of inventories	–	2,700
Foreign exchange loss, net	91	765

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 2020 and 2019 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 \$9,933,000 (six months ended 30 September 2019: \$32,774,000) and the weighted average of 4,823,009,000 (2019: 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 2020 and 30 September 2019 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 2020, the Group disposed and wrote off items of plant and equipment with aggregate net book value of \$1,991,000 (2019: \$2,207,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

10 Interests in an associate

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Share of net assets	74,129	69,389
Loans to an associate (note 10(a))	33,120	16,560
Amount due from an associate (note 10(b))	458	36
	107,707	85,985

Represented by:

Non-current portion	96,209	80,429
Current portion	11,498	5,556
	107,707	85,985

(a) Loans to an associate

- (i) loan of RMB14,400,000 (equivalent to approximately \$16,560,000) at 30 September 2020 (31 March 2020: \$16,560,000) which is unsecured, interest-bearing at the rate of 5% per annum. The loan will be repaid by instalments of RMB4,800,000 each (equivalent to approximately \$5,520,000) on 16 March 2021, 16 March 2022 and 16 March 2023 respectively; and
- (ii) loan of RMB14,400,000 (equivalent to approximately \$16,560,000) at 30 September 2020 (31 March 2020: Nil) which is unsecured, interest-bearing at the rate of 5% per annum. The loan will be repaid by instalments of RMB4,800,000 each (equivalent to approximately \$5,520,000) on 28 September 2021, 28 September 2022 and 28 September 2023 respectively.

(b) Amount due from an associate

The amount due from an associate at 30 September 2020 and 31 March 2020 are unsecured, interest-free and has no fixed terms of repayment.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

11 Interests in joint ventures

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Share of net liabilities	(15,262)	(15,705)
Loans to joint ventures (note 11(a))	43,982	46,982
Amounts due from joint ventures (note 11(b))	14,134	10,796
	42,854	42,073

Represented by:

Non-current portion	9,170	3,795
Current portion	33,684	38,278
	42,854	42,073

On 26 March 2020, the Group entered into a shareholders' agreement with a third party to set up Smart City Logistics Hong Kong Limited ("Smart City"), a joint venture company at the consideration of \$25,000. On 13 May 2020, Smart City was incorporated in Hong Kong for the purpose of providing services for logistics of wastes in Hong Kong. The Group is entitled to share 25% of the financial results of Smart City.

(a) Loans to joint ventures

- (i) loan of \$19,982,000 (31 March 2020: \$19,982,000) which is unsecured, interest-bearing at the rate of 7% per annum (31 March 2020: 7% per annum) and repayable on demand;
- (ii) loan of \$12,000,000 (31 March 2020: \$12,000,000) which is unsecured, interest-bearing at the rate of HIBOR plus 4% per annum (31 March 2020: HIBOR plus 4% per annum). The loan will be repaid by instalments, of which \$4,500,000 is repayable on 19 February 2021 and the remaining \$7,500,000 is repayable on 19 February 2022; and
- (iii) loan of \$12,000,000 (31 March 2020: \$15,000,000) which is unsecured, interest-bearing at the rate of HIBOR plus 4% per annum (31 March 2020: HIBOR plus 4% per annum). The loan will be repaid by instalments, of which \$4,500,000 is repayable on 2 May 2021 and the remaining \$7,500,000 is repayable on 2 May 2022.

(b) Amounts due from joint ventures

The amounts due from joint ventures at 30 September 2020 and 31 March 2020 are unsecured, interest-free and has no fixed terms of repayment.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Trade receivables

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Trade receivables	8,507	10,857
Less: Loss allowance	(3,877)	(3,877)
Trade receivables, net	4,630	6,980

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

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
0 – 30 days	3,848	4,990
31 – 60 days	284	1,419
61 – 90 days	100	1
91 – 120 days	250	196
Over 120 days	148	374
	4,630	6,980

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

13 Trade payables

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Trade payables	898	2,411

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

13 Trade payables (continued)

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 2020 \$'000	At 31 March 2020 \$'000
Current	95	1,558
1 – 30 days	91	41
31 – 60 days	47	33
61 – 90 days	10	46
91 – 120 days	3	16
Over 120 days	652	717
	898	2,411

14 Share capital and reserves

(a) Authorised share capital of the Company

	At 30 September 2020 \$'000	At 31 March 2020 \$'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 2019, 30 September 2019, 31 March 2020, 1 April 2020 and 30 September 2020	4,823,009	482,301

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Share capital and reserves (continued)

(c) Equity settled share-based transactions

Pursuant to the resolutions in writing passed by all shareholders of the Company on 11 March 2010, the Company adopted a share option scheme on 11 March 2010 (“the Share Option Scheme”). The purpose of the Share Option Scheme is to provide incentives to the Group’s employees including the executive directors and non-executive directors and any advisers, consultants, suppliers, customers and agents (each “eligible participant”). The Board of Directors of the Company may, at any time within 10 years after the date of adoption of the Share Option Scheme, make an offer to any eligible participant. The subscription price for shares granted pursuant to the Share Option Scheme shall be determined by the Board of Directors of the Company in its absolute discretion but shall not be less than the highest of:

- the closing price of the shares of the Company stated in the Stock Exchange’s daily quotation sheet of the business day on which an offer is made to an eligible participant;
- the average of the closing prices of the shares stated in the Stock Exchange’s daily quotation sheet for the five business days immediately preceding the date on which such offer is made; and
- the nominal value of a share of the Company.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Share capital and reserves (continued)

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

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

Date of grant	Initial exercise price \$	Exercisable period	Number of share options			
			Outstanding at 1 April 2020	Lapsed during the period	Outstanding at 30 September 2020	Remaining contractual life
Directors						
7 September 2016	0.128	7 September 2017 to 6 September 2022	86,400,000	–	86,400,000	1.9 years
Employees						
7 September 2016	0.128	7 September 2017 to 6 September 2022	15,100,000	(1,800,000)	13,300,000	1.9 years
			101,500,000	(1,800,000)	99,700,000	

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%

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Share capital and reserves (continued)

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

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

The Group recognised expense of Nil (2019: Nil) related to equity settled share-based payment transactions during the six months ended 30 September 2020.

(d) Dividends

No dividends had been paid or declared by the Company for the six months ended 30 September 2020 (2019: Nil).

15 Commitments

Capital commitments outstanding at 30 September 2020 not provided for in the interim financial report

	At 30 September 2020 \$'000	At 31 March 2020 \$'000
Contracted but not provided for		
– Investment in I-Talent Paper Product (HK) Limited (“I-Talent”)	2,550	–

On 25 August 2020, the Group entered into a shareholders' agreement with a third party to establish I-Talent for the purpose of developing business in trading and manufacturing of assorted paper products. As at 30 September 2020, the Group's total commitment to the investment in I-Talent is \$2,550,000 for capital contribution. Upon completion of capital injection, the Group will hold 51% equity interest in I-Talent.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

16 Claims against former directors and employees

At 30 September 2020, 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.

17 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	
	2020	2019
	\$'000	\$'000
Interest income received from an associate	422	–
Interest income received from joint ventures	1,307	3,221
Logistics service income received from joint ventures	6,743	3,151
Licence fee income received from a joint venture	2,800	4,200
Management fee income received from joint ventures	627	–

18 Impacts of COVID-19 pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place necessary measures including tight cost control for ensuring a stable operational and financial position. The Group will continue to adopt a cautious approach in monitoring and managing risks, keeping the strong foundation of the businesses and take all contingency measures.

19 Approval of interim financial report

The interim financial report was approved by the Board on 26 November 2020.

INDEPENDENT AUDITOR'S REVIEW REPORT



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

Introduction

We have reviewed the interim financial report set out on pages 17 to 35 which comprises the consolidated statement of financial position of Integrated Waste Solutions Group Holdings Limited as of 30 September 2020 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 Auditing and Assurance 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 2020 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

26 November 2020



TWS

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



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