



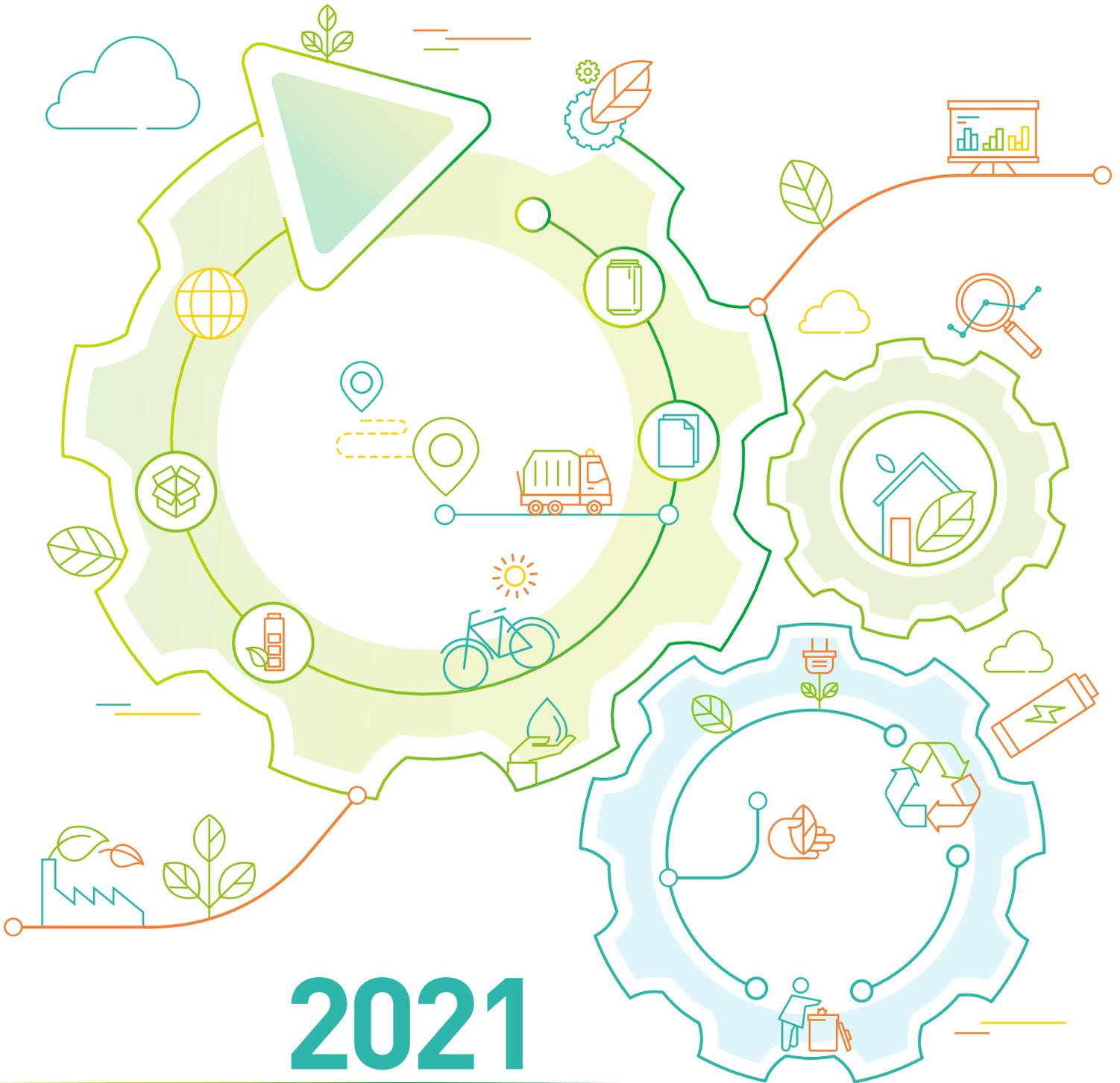
IWS

Integrated Waste Solutions
Group Holdings Limited

綜合環保集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 923



2021

ANNUAL REPORT

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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. Lee Chi Hin, Jacob
Mr. Lau Sai Cheong (Resigned on 1 February 2021)

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. Chan Ting Bond, Michael
Mr. Lau Sai Cheong (Resigned on 1 February 2021)

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.iwsg.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



CHAIRMAN'S STATEMENT



Cheng Chi Ming, Brian
Chairman

On behalf of the Board of Directors (the “Board”) of Integrated Waste Solutions Group Holdings Limited (the “Company”) together with its subsidiaries, hereinafter referred to as the “Group”), I present the results of the Group for the financial year ended 31 March 2021.

The global COVID-19 situation remains challenging and the Group continues to manage and control the impact of the pandemic as well as volatility in the economy. Certain business segments underwent adjustments during the year. Production volume of recycled engineering plastic pellets was affected by the stagnancy in the industrial sector globally because of the pandemic, as well as continued tightening of regulations on waste imports and exports. Nevertheless, the Hong Kong economy started recovering gradually during the year in the midst of social distancing norms and vaccination programmes, contributing to a relatively stable operation of the Confidential Materials Destruction Services (“CMDS”) and collection of waste electrical and electronic equipment (“WEEE”). We remain committed to taking necessary measures for boosting operation efficiency and controlling costs.

The Group is regularly on the lookout for new opportunities in the backdrop of Hong Kong’s waste recycling effort, undertaking appropriate strategic decisions to broaden our sources of income and achieve our business objectives. During the financial year, the Group has announced a partnership on assorted paper manufacturing under I-Talent Paper Product (HK) Limited, an indirect non-wholly owned subsidiary. The Group is also seeking opportunities to provide OEM recycling solutions for plastic waste and in the long-term, we aim to position ourselves as an OEM solution provider for recycled plastics, contributing to evolution of a circular economy with our technologies and professional expertise.



CHAIRMAN'S STATEMENT



Investment in hazardous waste treatment business in Mainland China has already made positive contribution and the swift recovery in China's post-pandemic economy would lead to a surge in waste treatment volume in the years to come. Waste treatment capacity is being expanded by construction of a new plant in Kaifeng, Henan, indicating that there is growth potential in this business.

Though the global economy is turning towards recovery, we remain vigilant on factors that can potentially have a significant impact on our business. By enhancing the utilisation of our assets and resources and identifying new business opportunities, we expect such efforts could bring stable and sustainable growth value to our shareholders.

On behalf of the Board, I would like to express my gratitude of the management team for its strong dedication to the Group. I would also like to place on record my sincere thanks to investors, shareholders, business partners and staff for the continuous support to the Group throughout the Year.

Cheng Chi Ming, Brian

Chairman

Hong Kong, 29 June 2021



DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Chief Executive Officer

Mr. Lam King Sang, aged 60, is an Executive Director, Chief Executive Officer and the chairman of the Executive Committee of the Company. Joined the Company on 1 March 2016, Mr. Lam holds directorship in certain subsidiaries and associated companies of the Group. He has over 20 years of experience in business development, investment and management in the infrastructure and water business in Mainland China. Joined the New World Group in 1993, Mr. Lam was the General Manager (Water) of NWS Infrastructure Management Limited, a wholly owned subsidiary of NWS Holdings Limited (stock code: 659), mainly responsible for managing the New World Group's water business. Mr. Lam was an executive director of Sino French Water Development Company Limited, a director of Sino-French Holdings (Hong Kong) Limited, The Macao Water Supply Company Limited, Far East Landfill Technologies Limited as well as a number of companies in Mainland China. Mr. Lam is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the United Kingdom.

Chief Financial Officer

Mr. Tam Sui Kin, Chris, aged 56, is an Executive Director, Chief Financial Officer and a member of the Executive Committee of the Company. Joined the Company in July 2013, Mr. Tam also holds directorships in certain subsidiaries and associated companies of the Group. He is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Tam is responsible for the financial management, accounting and treasury functions of the Group. He began his career and completed his professional training in the United Kingdom. He had worked as an audit manager in Ernst & Young, Hong Kong before he joined one of the listed subsidiaries of New World Development Company Limited (stock code: 17) in 1996. Prior to joining the Group, he was the financial controller (infrastructure/contracting) of NWS Holdings Limited (stock code: 659). Mr. Tam holds a bachelor of arts honours degree in Accounting and has over 30 years of experience in auditing, accounting, project financing and financial management.





DIRECTORS AND SENIOR MANAGEMENT



NON-EXECUTIVE DIRECTORS

Chairman

Mr. Cheng Chi Ming, Brian, aged 38, is the Chairman, Non-executive Director and member of the Audit Committee of the Company. He joined the Group in January 2011. Mr. Cheng obtained a bachelor of science degree from Babson College in Massachusetts, U.S.A. in 2005. Mr. Cheng is an executive director of NWS Holdings Limited (stock code: 659) and a non-executive director of Haitong International Securities Group Limited (stock code: 665) and Wai Kee Holdings Limited (stock code: 610), all of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Mr. Cheng is also the chairman of Goshawk Aviation Limited, and a director of SUEZ NWS Limited, PBA International Pte. Ltd., Prestige Safe Limited and a number of companies in Mainland China. He was a non-executive director of Leyou Technologies Holdings Limited (stock code: 1089), whose shares were listed on the Stock Exchange and was delisted on 24 December 2020. Mr. Cheng is currently a member of the Thirteenth Shanghai Municipal Committee of the Chinese People’s Political Consultative Conference of the People’s Republic of China. From 2005 to 2007, Mr. Cheng worked as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. He is the son of Dr. Cheng Kar Shun and the nephew of Mr. Cheng Kar Shing, Mrs. Sun Cheng Lai Ha, Cecilia and Mrs. Doo Cheng Sau Ha, Amy. Dr. Cheng Kar Shun, Mr. Cheng Kar Shing, Mrs. Sun Cheng Lai Ha, Cecilia and Mrs. Doo Cheng Sau Ha, Amy collectively hold controlling interests in each of Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, both of which are substantial shareholders of the Company.

Mr. Tsang On Yip, Patrick, aged 49, is a Non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He joined the Company in November 2012.

Mr. Tsang is the chief executive officer and a director of Chow Tai Fook Enterprises Limited. He is also an executive director of Melbourne Enterprises Limited (stock code: 158) and UMP Healthcare Holdings Limited (stock code: 722), a non-executive director of Greenheart Group Limited (stock code: 94), i-CABLE Communications Limited (stock code: 1097) and SJM Holdings Limited (stock code: 880), all being companies listed on the main board of the Stock Exchange. Mr. Tsang is a director of Cheng Yu Tung Foundation Limited, Chow Tai Fook (Holding) Limited and Prestige Safe Limited, a governor of Chow Tai Fook Charity Foundation Limited, a member of Hong Kong Chief Executive Election Committee, a General Committee member of the Employers’ Federation of Hong Kong and a member of the 12th Henan Provincial Committee of the Chinese People’s Political Consultative Conference. Mr. Tsang has over 20 years of international capital markets experience, and was a managing director and Head of Asia Fixed Income Capital Markets at Deutsche Bank AG, Hong Kong Branch before joining Chow Tai Fook Enterprises Limited.



DIRECTORS AND SENIOR MANAGEMENT

Mr. Tsang's spouse, the daughter of Mrs. Sun Cheng Lai Ha, Cecilia, is a cousin of Mr. Cheng Chi Ming, Brian, who is a Non-executive Director and Chairman of the Company, and niece of Dr. Cheng Kar Shun, Mr. Cheng Kar Shing and Mrs. Doo Cheng Sau Ha, Amy. Dr. Cheng Kar Shun, Mr. Cheng Kar Shing, Mrs. Sun Cheng Lai Ha, Cecilia and Mrs. Doo Cheng Sau Ha, Amy collectively hold controlling interests in each of Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited, both of which are substantial shareholders of the Company.

Mr. Tsang obtained a bachelor's degree in Economics from Columbia College of Columbia University in New York, USA in 1994.

Mr. Lee Chi Hin, Jacob, aged 38, is a Non-executive Director and a member of the Remuneration Committee of the Company. Joined the Company on 1 September 2018, Mr. Lee is currently a senior vice president of Chow Tai Fook Enterprises Limited ("CTFE") with responsibilities in making strategic and private equity investments globally. CTFE is an indirect subsidiary of Chow Tai Fook Capital Limited which is a controlling shareholder of the Company. Mr. Lee joined CTFE in March 2013 and has over 10 years of professional experience in corporate finance, investment, international capital markets and asset management. He previously worked at the investment banking department of The Hongkong and Shanghai Banking Corporation Limited and Deutsche Bank AG in Hong Kong. Mr. Lee is currently a non-executive director of New Times Energy Corporation Limited (stock code: 166), a company listed on the main board of the Stock Exchange. Mr. Lee holds a Master of Science degree in Accounting and Finance from the London School of Economics and Political Science in London, United Kingdom and a Bachelor of Business Administration degree from the University of Michigan in Ann Arbor, USA. He is also a CFA Charterholder.



DIRECTORS AND SENIOR MANAGEMENT



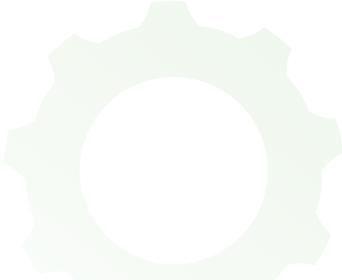
INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Shiu Wing, Joseph, aged 49, is an Independent Non-executive Director, chairman of the Nomination Committee, a member of the Audit Committee and the Remuneration Committee of the Company. He joined the Company in October 2013. He obtained a bachelor's degree in law from the City University of Hong Kong in 1996 and a Postgraduate Certificate in Laws from the University of Hong Kong in 1997. He was admitted as a solicitor of the High Court of Hong Kong in October 1999, and is now a partner of Wellington Legal and a consultant in Cheung and Yeung Solicitors. Mr. Chow holds a number of professional and honorary appointments including being the honorary legal adviser of the Hong Kong Brand Development Council.

Mr. Wong Man Chung, Francis, aged 56, is an Independent Non-executive Director, chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of the Company. He joined the Company in October 2013. He holds a Master Degree in Management conferred by Guangzhou Jinan University, the People's Republic of China. Mr. Wong is a fellow member of the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants of the United Kingdom, the Hong Kong Institute of Certified Public Accountants and the Society of Chinese Accountants and Auditors, and a Certified Tax Adviser of the Taxation Institute of Hong Kong. He is a Certified Public Accountant (Practising) and has over 30 years of experience in auditing, taxation, corporate internal control and governance, acquisition and financial advisory, corporate restructuring and liquidation, family trust and wealth management. Previously, Mr. Wong worked for KPMG, an international accounting firm, for 6 years and the Hong Kong Securities Clearing Company Limited for 2 years.

Mr. Wong is currently an independent non-executive director, the chairman of the audit committee and the remuneration committee as well as a member of the nomination committee of China Oriental Group Company Limited (stock code: 581) and Greenheart Group Limited (stock code: 94); an independent non-executive director, the chairman of the audit committee and a member of the nomination committee and the remuneration committee of Wai Kee Holdings Limited (stock code: 610); an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of Digital China Holdings Limited (stock code: 861), Hilong Holding Limited (stock code: 1623), Qeeka Home (Cayman) Inc. (stock code: 1739) and IntelliCentrics Global Holdings Ltd. (stock code: 6819); an independent non-executive director and a member of the strategy and investment committee as well as the audit committee of GCL-Poly Energy Holdings Limited (stock code: 3800); and an independent non-executive director, the chairman of the audit committee and the remuneration committee, and a member of the risk management committee of Shanghai Dongzheng Automotive Finance Co., Ltd (stock code: 2718). Mr. Wong is the non-executive chairman of Union Alpha C.P.A. Limited and a non-executive director of Union Alpha CAAP Certified Public Accountants Limited, both being professional accounting firms, and a founding director and member of Francis M C Wong Charitable Foundation Limited, a charitable institution. He was an independent non-executive director of Kunming Dianchi Water Treatment Co., Ltd. (stock code: 3768) and China New Higher Education Group Limited (stock code: 2001).





DIRECTORS AND SENIOR MANAGEMENT

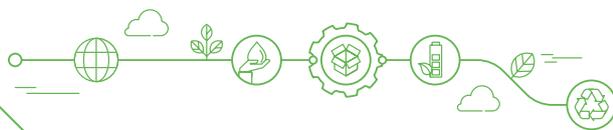


Mr. Chan Ting Bond, Michael, aged 40, is an Independent Non-executive Director, chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. He joined the Company on 1 May 2018.

Mr. Chan is the former managing director and chief operating officer of Inchcape Hong Kong Limited, a subsidiary of Inchcape Plc. (stock code: INCH), a company listed on the London Stock Exchange. He possesses extensive multi-industry experience in corporate strategy and planning, sales operation management, business development, corporate finance and change management. Mr. Chan commenced his career with PricewaterhouseCoopers in Sydney, Australia as a Senior Associate from February 2000 to February 2006, and then relocated to Hong Kong and joined KPMG as a manager from March 2006 to August 2007. He later joined Ping An of China Asset Management (Hong Kong) Company in August 2007, and served as Vice President in Global Business Development until March 2011. Joined Jardine Matheson Group in June 2011, Mr. Chan first served as the Corporate Finance Manager in Jardine Cycle & Carriage Limited in Singapore, followed by his appointment as the Corporate Planning Director in Dairy Farm Group from January 2012 to March 2014. Mr. Chan was subsequently appointed to Zung Fu Group in April 2014, where he served as General Manager, Strategy & Operations until April 2019.

Mr. Chan was an independent non-executive director of Luk Hing Entertainment Group Holdings Limited (stock code: 8052), a company listed on the Growth Enterprise Market of the Stock Exchange.

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





MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW



Integrated Waste Solutions Group Holdings Limited is one of the major solid-waste solutions providers in Hong Kong, specialised in waste collection, recycling and treatment businesses. The Group provides waste management services related to Confidential Materials Destruction Services (“CMDS”), Waste Electrical and Electronic Equipment (“WEEE”) and other recyclable waste to a broad range of customers in both public and private sectors.

The Group recognises the importance of its business in contributing to resolution of the waste handling and disposal problem in Hong Kong and Mainland China. We have been diversifying our waste management and recycling business. We expanded our business to cover Mainland China in 2020 through our investment in the hazardous waste treatment project located in Lianyungang, Jiangsu Province. The first phase of operations has been fully operational while the second phase is expected to commence operation in the second half of 2021. Another project in Kaifeng, Henan Province has undergone environmental impact assessment and approval was granted in December 2020. The facilities provide hazardous waste treatment solution services to respective cities.

MARKET REVIEW

Hong Kong has been facing the waste management problem as quantities of solid waste being disposed at landfills is high and the recycling rate is relatively low. Stringent global regulations related to waste have made it challenging for Hong Kong’s waste recycling industry. The complete ban on imports of waste in Mainland China and the embodiment of Basel Convention in 2021 has adversely affected the local recycling industry. The ongoing global outbreak of COVID-19 pandemic continues to impact the recycling performance. Anti-pandemic regulations and lockdown measures such as remote work are resulting in a drop in waste collection and recycling activities. However, as the impacts of COVID-19 subside, the recycling business is expected to gather pace, albeit slowly. Future policy initiatives by the Hong Kong SAR government on waste management and municipal solid waste, including the Producer Responsibility Scheme implemented for municipal solid waste, plastic bags and plastic beverage containers, are part of the solutions of waste management that lead to new opportunities for the recycling industry.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Loss attributable to equity shareholders of the Company for the year ended 31 March 2021 ("FY2021") amounted to HK\$23.9 million, a decrease of HK\$53.7 million compared to the year ended 31 March 2020 ("FY2020").

	FY2021 HK\$'000	FY2020 HK\$'000	Fav./Unfav.) Change HK\$'000	%
Results of Operating Segments	13,998	(14,704)	28,702	195.2
Net Corporate expenses	(43,766)	(45,948)	2,182	4.7
	(29,768)	(60,652)	30,884	50.9
Share of results of an associate	3,563	389	3,174	815.9
Share of results of joint ventures	6,460	(460)	6,920	1,504.3
Non-operating item:				
Impairment loss of property, plant and equipment	(4,148)*	(16,866)	12,718	75.4
Loss attributable to equity shareholders of the Company	(23,893)	(77,589)	53,696	69.2

* The amount was recognised in the share of results of joint ventures of the Group in FY2021.

	FY2021 HK\$'000	FY2020 HK\$'000	Fav./Unfav.) Change HK\$'000	%
Revenue Analysis				
Sales of recovered paper and materials				
– Sales of recovered paper	19,294	66,599	(47,305)	(71.0)
– Sales of recycled plastic pellets	1,893	9,790	(7,897)	(80.7)
– Sales of other waste materials	34	330	(296)	(89.7)
	21,221	76,719	(55,498)	(72.3)
CMDS service income	20,452	19,169	1,283	6.7
Sales of tissue paper products	224	35	189	540.0
Logistics service income	9,429	8,372	1,057	12.6
	51,326	104,295	(52,969)	(50.8)



MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from **Recovered Paper** business declined by HK\$47.3 million or 71.0%. The total ban on waste imports into Mainland China brought a significant impact to the business. The Group decided to cease the operation of outside recovered paper depots in May 2020, given the worsening of performance of the segment. We are constantly monitoring the external environment and shall take appropriate measures that are most beneficial to the Group's long-term development.



Revenue of **Confidential Materials Destruction Services ("CMDS")** increased to approximately HK\$ 20.4 million, representing a 6.7% increase. As economic activities in Hong Kong gradually resumed, the impact of COVID-19 towards the CMDS service was relatively low. We serve a wide range of customers from government authorities to financial and professional institutions and private corporations in Hong Kong. We expect the income from this service to rise steadily after home office arrangements due to COVID-19 pandemic are revoked.



MANAGEMENT DISCUSSION AND ANALYSIS



RGF Environmental New Material Limited, our joint venture for the production of **recycled engineering plastic pellets**, has been operating under difficult conditions due to tightening of restraints under the Basel Convention on import and export of wastes, while the global manufacturing sector was at a standstill for quite some time due to the pandemic lockdown which further undermined sales volume and profit margin. However, despite external challenges, we are actively seeking opportunities to transform the current business model into an OEM solution provider for plastic wastes. During the year ended 31 March 2021, an impairment loss on property, plant and equipment of HK\$8.5 million was provided by the joint venture due to the decline in profitability of the **recycled engineering plastic pellets** business. Accordingly, the Group has recognised its share of HK\$4.1 million in the share of results of joint ventures for the year.



The joint venture with ALBA Group for treatment and recycling of **waste electrical and electronic equipment** (“**WEEE**”) increased its income by 2.4% to HK\$15.7 million. Collection volume of WEEE increased by 7.0% compared to FY2020. We are confident that the WEEE operations will continue to grow and bring further revenue to the Group.





MANAGEMENT DISCUSSION AND ANALYSIS



The **Logistics** segment primarily focuses on providing support services to other business segments of the Group. Service income increased by HK\$1.1 million or 12.6%. The marked increase in income from logistics services was due to the expansion of logistics services and management for door-to-door collection services of WEEE.



The investment in Dugong IWS HAZ Limited (“DI”) in January 2020 constituted a new milestone of the Group in expansion of the **Hazardous Waste Treatment** business in Mainland China. Environmental policies in the Mainland China offer vast opportunities for waste treatment. The Sino-American trade war, COVID-19 pandemic and intense market competition are factors affecting profit performance and margin. However, the performance of this business improved during FY2021 as volume began to grow as China’s economy recovered swiftly. DI had completed the second phase expansion of its Lianyungang plant in Jiangsu and, its new project in Kaifeng, Henan is expected to commence operations in 2022. We expect to see growth in capacity and revenue after it begins operations.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit of HK\$29.1 million in FY2021, increased by HK\$9.9 million or 51.4% when compared to FY2020. The gross profit margin of the Group increased from 18.4% to 56.7% in FY2021 compared to FY2020. The increase in both gross profit and gross profit margin was due to the increase in total service income and the significant decrease in the total revenue of **Recovered Paper** and **Recycled LDPE Pellets** which have lower profit margins.



MANAGEMENT DISCUSSION AND ANALYSIS

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK\$81.2 million, representing a decrease of HK\$15.6 million compared to FY2020. The reduction in these expenditures was due to the cost control measures initiated by the management throughout the year.

Loss before Interest, Tax, Depreciation and Amortisation (“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 year, LBITDA for the year has been significantly improved by approximately HK\$51.2 million from HK\$52.2 million in FY2020 to HK\$1.0 million in FY2021.

Liquidity and Financial Resources

The Group operates a centralized treasury function to monitor its cash position, cashflow and its funding requirements. The Group recognises the need to achieve an adequate profit margin and considers it prudent to finance the Group's long-term growth by long-term financing, especially in the form of equity, which will not increase the Group's finance costs. The Group also acknowledges that it will encounter difficulty in raising funds from financial institutions by way of debt financing in light of its recent financial performance and positions. During the current financial year, the Group had no financing exercise undertaken and all capital expenditure incurred was financed by internal resources.

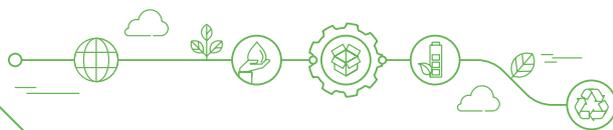
As at 31 March 2021, the Group had unrestricted bank deposits and cash of approximately HK\$78.3 million (2020: HK\$99.0 million). The Group had no bank loans and overdrafts as at 31 March 2021 (2020: Nil).

As at 31 March 2021, the Group had net current assets of approximately HK\$135.3 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 10.0 as at 31 March 2021 as compared to 7.1 as at 31 March 2020.

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. Certain associate/joint venture companies have local currency project loans in place and these are naturally hedged against the investments in the same local currency of the entity concerned.

For the year ended 31 March 2021, the Group recorded a net foreign exchange gain of HK\$1.2 million (2020: loss of HK\$0.9 million) as a result of the appreciation of Renminbi during the year. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.





MANAGEMENT DISCUSSION AND ANALYSIS

Major Capital Expenditure and Commitments

During the current financial year, the Group incurred HK\$0.3 million for the capital expenditure in respect of the headquarters of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2021, the Group has capital commitments of approximately HK\$0.5 million, which are mainly related to the capital contribution in I-Talent Paper Product (HK) Limited, 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 in which the Group holds 51% equity interest. Details of the capital commitment of the Group are set out in Note 15.

Pledge of Assets

As at 31 March 2021, the Group had no restricted and pledged bank deposits (2020: Nil).

Capital Structure

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

Contingent Liabilities

As at 31 March 2021, the Group has, upon legal advice, lodged certain claims against its former director and employee and the outcomes of which remain to be seen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group has been striving to become a trusted integrated waste solutions provider in Hong Kong and Mainland China. We are committed to bearing our share of environmental and social responsibility to ensure a sustainable future. We have been integrating environmental, social and governance (“ESG”) considerations into our daily business operations. By engaging our stakeholders actively through various channels, we continue to identify material topics and align them with the United Nation Sustainable Development Goals. We hope to contribute to resolution of sustainability issues by adopting environment-friendly measures and responsible operating practices.

Detailed ESG performance will be published in the Group’s ESG report in August 2021 on websites of the Stock Exchange and the Group, in compliance with the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the “Listing Rules”). This section explains the Group’s environmental policy and relationship with its key stakeholder groups.

Environmental Policy and Compliance

As an integrated waste solutions provider, we are committed to providing efficient waste management services and implementing effective practices to safeguard the environment. We have established quantitative environmental control objectives including water saving measures and wastewater reduction in accordance with our ISO 14001:2015 certified environmental management system.

The Group identifies environmental risks that its operations might entail and develops remedial initiatives. Control procedures and measures are implemented to minimise the environmental impacts of our business operations. Our logistics fleet ensures emission control through strategic route planning.



MANAGEMENT DISCUSSION AND ANALYSIS



We strictly adhere to all relevant environmental laws and regulations, including but not limited to the Waste Disposal Ordinance, Water Pollution Control Ordinance and Air Pollution Control Ordinance. During the year, one case of non-compliance of environmental laws and regulations was recorded. The case has been investigated internally and rectification measures implemented.

Engagement with Stakeholders

The Group spares no efforts to maintain a close relationship with its stakeholders. In order to ensure effective communication with internal and external stakeholders, we have established various communication channels to engage and consult stakeholders from different sectors and backgrounds including employees, customers, investors, NGOs, suppliers and subcontractors. By identifying material issues in sustainability related topics, we continue to address stakeholders' concerns and expectations.

Employees

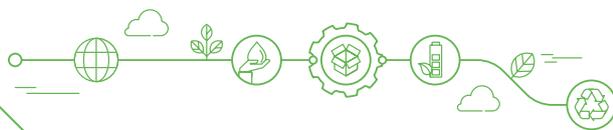
As of 31 March 2021, the Group had a total of 128 employees. Employee costs, including directors' emoluments, amounted to HK\$46.2 million for FY2021 (FY2020: HK\$58.8 million). In addition to compliance with relevant employment laws, we respect the rights of our employees and adhere to fair employment practices in recruitment, appraisal and provision of welfare and benefits. The Group respects each individual employee at every stage of employment and has zero tolerance to any form of discrimination. We maintain two-way communication via a grievance mechanism to address employees' concerns and needs.

The Group considers health and safety of employees as its first priority. We strictly comply with relevant laws and regulations related to occupational health and safety. A Safety Management Committee is in place to ensure occupational health and safety policies are up-to-date, by serving as a channel to facilitate actions related to safety issues within the Group.

We value the contribution of our employees to the Group and are committed to build an inclusive workforce and support employees' career development. A wide range of internal and external training schemes are offered to employees to enhance their professional skills.

Customers

The Group strives to exceed customers' expectations and ensure high quality products and services are delivered. We collect feedback and take corresponding rectification measures by facilitating communication with customers. A customer satisfaction survey is conducted annually to better understand their needs and expectations of our products and services. To handle complaints in an efficient and professional manner, a complaint mechanism has been established to examine complaints and to carry out improvement measures to maintain service quality.





MANAGEMENT DISCUSSION AND ANALYSIS

Suppliers

We collaborate with a broad network of suppliers and subcontractors who share environmental and social responsibilities related to our operations. We have developed a selection criterion to ensure the suppliers meet our standards on quality and ESG requirements. Every year, we conduct sample assessment of existing suppliers to evaluate their performance based on price, product and service quality, cooperation, on-time delivery and environmental requirements. Suppliers with environment-friendly measures are given priority. We remove unqualified suppliers from our supplier list if their performance remains unsatisfactory.

Community

The Group always seeks opportunities to contribute to the well-being of the community where it operates. In order to support the community on combating the COVID-19 pandemic, we donated tissue paper to nursing homes. We also encouraged employees to participate in Earth Hour so as to raise awareness on climate change and nature conservation.

PROSPECTS

The impacts of stringent global regulatory regimes and the COVID-19 pandemic continue to pose challenges to the recycling business. Despite a rather volatile business environment, we will continue to manage and monitor risks in a professional manner, while transforming ourselves into a high value-added business.

We expect to continue to maintain high-quality CMDS services and an efficient logistics fleet, optimization of the WEEE collection service and treatment and ensure smooth operations of the hazardous waste treatment facilities in China. The resumption of tissue paper manufacturing aims to cater for the growing domestic demand resulting from a change of living habits and the increase in health awareness and is expected to bring new sources of income to the Group.

With the Group's devotion and professionalism, we are moving towards the goal of becoming one of the most reputable integrated waste solutions providers in Hong Kong and the Greater China.



REPORT OF THE DIRECTORS

The Board hereby submits its annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the provision of solid waste management services as set out in note 27(a) to the financial statements.

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2021 is provided in the Chairman's Statement and the Management Discussion and Analysis of this Annual Report set out on pages 3 to 4 and pages 10 to 18 respectively.

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

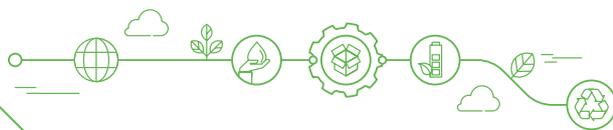
To the best knowledge of the Board, and save as disclosed in this Annual Report and the environmental, social and governance report 2021 ("ESG Report"), the Group complied with the relevant laws and regulations that have a significant impact on the Group's business throughout the financial year ended 31 March 2021. More disclosures in this respect are provided in the Management Discussion and Analysis of this Annual Report as well as the ESG Report.

Our vision is to make a difference in the environment. The Group delivers integrated waste solutions as a responsible enterprise through waste recovery, waste recycling and reuse and waste disposal treatment. Particulars of the Group's environmental policies and performance, and relationships with key shareholders are delineated in the Management Discussion and Analysis of this Annual Report on pages 10 to 18.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2021

A separate ESG Report in electronic version will be published on the Company's website (http://www.iwsg.com/irc_relations_financial.php?lang=en) and the designated website of the Stock Exchange (www.hkexnews.hk) in August 2021.





REPORT OF THE DIRECTORS



RESULTS AND DIVIDEND

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 59.

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2021 (2020: HK\$Nil).

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 63 and in note 24(a) to the financial statements respectively.

DONATIONS

During the year, the Group made charitable and other donations amounting to Nil (2020: HK\$42,000).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 23(b) to the financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution comprise the share premium account less accumulated losses. As at 31 March 2021, the reserves of the Company available for distribution to the shareholders of the Company (the "Shareholders") amounted to approximately HK\$421,412,000 (2020: HK\$1,090,466,000).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 August 2021 to Friday, 27 August 2021, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible for attending and voting at the 2021 annual general meeting of the Company (the "2021 AGM") to be held on Friday, 27 August 2021, all completed transfer documents, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 20 August 2021.





REPORT OF THE DIRECTORS



PRE-EMPTIVE RIGHTS

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 136.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2021.

DIRECTORS

The Directors since 1 April 2020 to the date of this report were:

Executive Directors

Mr. Lam King Sang
Mr. Tam Sui Kin, Chris

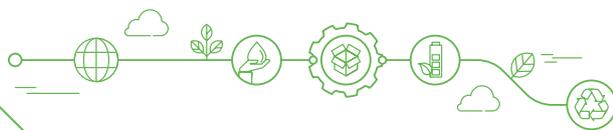
Non-executive Directors

Mr. Cheng Chi Ming, Brian (*Chairman*)
Mr. Tsang On Yip, Patrick
Mr. Lee Chi Hin, Jacob
Mr. Lau Sai Cheong (*Resigned on 1 February 2021*)

Independent non-executive Directors

Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis
Mr. Chan Ting Bond, Michael

Pursuant to Article 108 of the Articles of Association, Messrs. Cheng Chi Ming, Brian, Wong Man Chung, Francis and Chan Ting Bond, Michael shall retire by rotation at the 2021 AGM. All the retiring Directors, being eligible, offer themselves for re-election at the 2021 AGM.





REPORT OF THE DIRECTORS



The Directors being proposed for re-election at the forthcoming annual general meeting have no service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for a term of three years from their respective date of appointment, which may be terminated by serving not less than three to six months' notice in writing by either party as appropriate.

During the year ended 31 March 2021, Directors have no service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the existing Directors and senior management of the Company are set out on pages 5 to 9.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of the Director since the date of the 2020/21 Interim Report are set out below:

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

The Company has renewed the letter of appointment with Mr. Chan as an Independent Non-executive Director of the Company for a term of three years from 1 May 2021. Pursuant to the letter of appointment, Mr. Chan is entitled to an annual director's fee of HK\$348,000 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.

REMUNERATION POLICY

During the year ended 31 March 2021, the remuneration policy for the Directors and senior management members of the Group was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and merit payments were linked to the financial situation of the Group and the performance of each individual Director or senior management member of the Group. Details of the remuneration of the Directors and senior management member of the Group are set out in note 10 to the financial statements contained in this Annual Report.



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Related Party Transactions and Connected Transactions" below, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 March 2021, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required pursuant to (a) Divisions 7 to 8 of Part XV of the SFO, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

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

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

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



REPORT OF THE DIRECTORS



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

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

Name of Directors	Date of grant	Exercisable period	Exercise Price per Share HK\$	Number of share options				Approximate percentage of shareholding	
				Outstanding as at 01.04.2020	Granted and exercised	Cancelled/ Lapsed	Outstanding as at 31.03.2021		
Tsang On Yip, Patrick	13.09.2016	13.09.2016 – 12.09.2021	0.71	3,300,000	-	-	-	3,300,000	0.18%
Wong Man Chung, Francis	13.09.2016	13.09.2016 – 12.09.2021	0.71	1,100,000	-	-	-	1,100,000	0.06%

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or recorded in the register required to be maintained by the Company under Section 352 of the SFO, or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.



REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme adopted by the shareholders of the Company on 11 March 2010 (the "Share Option Scheme"), the Company has granted to Directors options to subscribe for the Shares and details of which as at 31 March 2021 were as follows:

Name of Directors	Date of grant	Exercisable period	Exercise Price per Share HK\$	Number of share options				Approximate percentage of shareholding	
				Outstanding as at 01.04.2020	Granted and Exercised	Cancelled/ Lapsed	Outstanding as at 31.03.2021		
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%
Chow Shiu Wing, Joseph	07.09.2016	07.09.2017 – 06.09.2022	0.128	4,400,000	-	-	-	4,400,000	0.09%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	4,400,000	-	-	-	4,400,000	0.09%
Wong Man Chung, Francis	07.09.2016	07.09.2017 – 06.09.2022	0.128	4,400,000	-	-	-	4,400,000	0.09%
	07.09.2016	07.09.2018 – 06.09.2022	0.128	4,400,000	-	-	-	4,400,000	0.09%

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

Save as disclosed in this report and in note 23(c) to the financial statements about the Share Option Scheme, at no time during the year or at the end of the financial year ended 31 March 2021 was any right to acquire benefits by means of the acquisition of shares in, or debentures, of the Company granted to any Directors or their respective spouses or minor children or exercised by any of them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries entered into any arrangement to enable the Directors to acquire such rights in any other body corporate.



REPORT OF THE DIRECTORS



SHARE OPTION SCHEME

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

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

The total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme must not, in aggregate, exceed 10% of the total number of shares in issue immediately following the completion of the Initial Public Offering and the capitalisation issue but excluding the effect of the over-allotment. The 10% limit may be refreshed with the approval by the shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued and to be issued upon exercise of all options granted under the Share Option Scheme to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of the Company. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, if shares issued and to be issued upon exercise of all options granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to a participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in any 12-month period (i) represent in aggregate more than 0.1% of the total number of shares in issue, and (ii) have an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK\$5,000,000, the proposed grant of option must be approved by the shareholders of the Company in a general meeting.



REPORT OF THE DIRECTORS



An offer of options must be accepted within 30 days from the date of offer, upon payment of a consideration of HK\$1 by the grantee. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years from the date of grant of the relevant option. There is no minimum period for which an option must be held before the exercise of the option except otherwise imposed by the Board of Directors of the Company.

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

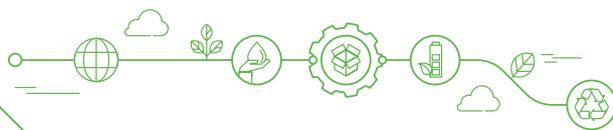
The Options granted and accepted are exercisable during the period from 7 September 2017 to 6 September 2022 (both dates inclusive) subject to the Vesting Period set out as follows:

Tranche Vesting Period

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

As the Scheme Period of the Share Option Scheme has expired, no further Options shall be offered and no Share remains available for issue under the Share Option Scheme as at the date of this Annual Report.

Further particulars of the Share Option Scheme and movements of share options granted under the Share Option Scheme during the year are set out in note 23(c) to the financial statements.





REPORT OF THE DIRECTORS



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2021, the following persons (other than the Directors and chief executive of the Company) had interests or short positions of 5% or more in the Shares as recorded in the register required to be kept under Section 336 of the SFO:

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

Name of Shareholders	Note	Capacity	Number of Shares held*	% of the issued share capital of the Company
Cheng Yu Tung Family (Holdings) Limited	1	Interest in controlled corporations	2,742,514,028 (L)	56.86%
Cheng Yu Tung Family (Holdings II) Limited	1	Interest in controlled corporations	2,742,514,028 (L)	56.86%
Chow Tai Fook Capital Limited	1	Interest in controlled corporations	2,742,514,028 (L)	56.86%
Chow Tai Fook (Holding) Limited	2	Interest in controlled corporations	2,742,514,028 (L)	56.86%
Chow Tai Fook Nominee Limited	3	Beneficial owner Interest in controlled corporations	1,530,601,835 (L) 732,550,000 (L)	31.74% 15.19%
Victory Day Investments Limited	3	Interest in a controlled corporation	732,550,000 (L)	15.19%
Smart On Resources Ltd.	3	Beneficial owner	732,550,000 (L)	15.19%
Prestige Safe Limited	2	Beneficial owner	479,362,193 (L)	9.94%
City Legend International Limited (in liquidation)	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%
Ms. So Kit Yee Anita	4	Interest in a controlled corporation	780,000,000 (L)	16.17%

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





REPORT OF THE DIRECTORS



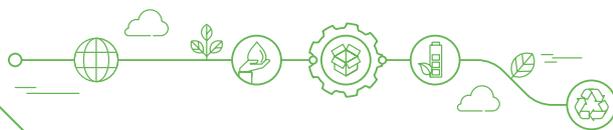
Notes:

1. As at 31 March 2021, 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 (in liquidation) ("City Legend"), 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 was notified that City Legend was placed into liquidation on 5 July 2019. On 14 May 2021, the Company received a notification from Ms. So Kit Yee Anita, as the Joint and Several Liquidator of City Legend, that as of 10 July 2019, Ms. So Kit Yee Anita, as the Joint and Several Liquidator of City Legend has been in control of City Legend and hence deemed to be interested in 780,000,000 shares of the Company held by City Legend. Apart from the notification from Ms. So Kit Yee Anita, the Joint and Several Liquidator of City Legend, the Company has not received any further notification in respect of any change in the shareholding of City Legend and the deemed interest of Mr. Leung Kai Kuen.

Save as disclosed above, as at 31 March 2021, no person, other than the Directors whose interests and short positions are set out in the section headed "Directors' and Chief Executive's Interests or Short Positions in Shares, Underlying Shares and Debentures" above, had any interest or short position in the Shares or underlying Shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the year ended 31 March 2021, the Group entered into certain transactions with 'related parties' as defined under the applicable accounting standards. Details of the Group's related party transactions are disclosed in note 26 to the financial statements. They include the remuneration paid to Directors pursuant to the Directors' service contracts with the Company which are fully exempt continuing connected transactions under Chapter 14A of the Listing Rules.





REPORT OF THE DIRECTORS



DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 March 2021, the Group has provided financial assistance to its affiliated companies in aggregate amount of approximately HK\$83.68 million, representing 9.70% 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\$0.36 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\$19.50 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 remaining amount of the first loan amounted to HK\$7.50 million will be repayable on 19 February 2022. The remaining amount of the second loan amounted to 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\$8.35 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\$34,165,000) 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\$17,083,000) each on 16 March 2020 and 28 September 2020 respectively. The first tranche of the shareholder’s loan is due to be repaid by instalments of RMB9.60 million (equivalent to approximately HK\$11,389,000) and RMB4.80 million (equivalent to approximately HK\$5,694,000) on 16 March 2022 and 16 March 2023 respectively. The second tranche of the shareholder’s loan is due to be repaid by instalments of RMB4.80 million (equivalent to approximately HK\$5,694,000) each on 28 September 2021, 2022 and 2023. 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\$1.32 million relating to the provision of the financial assistance, which are unsecured, non-interest bearing and have no fixed terms of repayment.



REPORT OF THE DIRECTORS

Pursuant to Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of these affiliated companies with financial assistance from the Group and the Group's attributable interest in these affiliated companies as at 31 March 2021 are presented as follows:

	HK\$'000
Combined statement of financial position	
Non-current assets	567,608
Current assets	292,435
Current liabilities	(372,907)
Non-current liabilities	(148,950)
	338,186
The Group's attributable interest	60,724

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

MANAGEMENT CONTRACTS

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



REPORT OF THE DIRECTORS



MAJOR SUPPLIERS AND CUSTOMERS

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

- the largest supplier 22%
- five largest suppliers in aggregate 59%

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

- the largest customer 25%
- five largest customers in aggregate 55%

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

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors was in force as of the date of this report and during the financial year ended 31 March 2021. The Company has maintained directors and officers liability insurance for the directors of the Company and its subsidiaries.

EVENTS AFTER THE REPORTING PERIOD

Except for matters disclosed elsewhere in this Annual Report, the Group had no other events subsequent to the end of the reporting period to disclose.





REPORT OF THE DIRECTORS

REVIEW OF THE AUDITED FINANCIAL STATEMENTS BY AUDIT COMMITTEE

The Audit Committee of the Company, which comprises three independent non-executive Directors and two non-executive Directors with written terms of reference in accordance with the requirements of the Listing Rules, reports to the Board. The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 March 2021.

AUDITOR

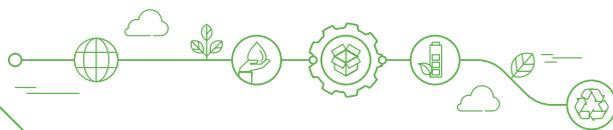
The consolidated financial statements for the year ended 31 March 2021 have been audited by KPMG, which will retire and, being eligible, offer itself for re-appointment at the 2021 AGM. A resolution for the re-appointment of KPMG as auditor of the Company and authorisation of the Board to fix the auditor's remuneration is to be proposed at the 2021 AGM.

On behalf of the Board

Cheng Chi Ming, Brian

Chairman

Hong Kong, 29 June 2021





CORPORATE GOVERNANCE REPORT



The Company is committed to maintain a high standard of corporate governance and has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules. The Company has complied with the code provisions set out in the CG Code throughout the financial year ended 31 March 2021.

The Company has, in order to strengthen its overall corporate governance and without prejudice to the principles of the CG Code, established various policies focusing, in particular, on risk management, internal communication and internal control mechanisms. These policies, subject to regular review from time to time by the Board of Directors, stipulate for staff compliance the necessary policies and instructions on corporate governance, finance and accounting, human resources and administration. The Company will continue improving its corporate governance that is conducive to the conduct and growth of its business, and aligning the corporate culture of good governance with its purpose, value and strategy, thereby meeting the expectations of shareholders and investors.

BOARD OF DIRECTORS

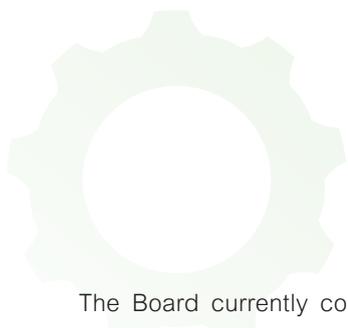
The Board, led by the Chairman of the Company, is responsible for the leadership and control of the Company and overseeing the Group’s overall businesses, performance, strategic decisions, corporate governance, internal control and risk management functions, and corporate social responsibility policy. The Board has delegated, by way of clear direction and remit, to the senior management of the Company the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and delegated to these committees various responsibilities as set out in their respective terms of reference.

The Board reserved its decision for all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information (including but not limited to annual and interim results), appointment of directors, dividend policy and other significant financial and operational matters.

The Board delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include implementing decisions of the Board, directing and coordinating day-to-day operation and management of the Group in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operational and production plans, budgets, and control systems.

For effective leadership and control, the Board regularly reviews reports and updates from the senior management of the Company on the progress of the approved strategies, plans, budget and control systems, and receives recommendations and advice from various Board committees in respect of the delegated governance matters.





CORPORATE GOVERNANCE REPORT

The Board currently comprises eight directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Lam King Sang
Mr. Tam Sui Kin, Chris

Non-executive Directors

Mr. Cheng Chi Ming, Brian (*Chairman*)
Mr. Tsang On Yip, Patrick
Mr. Lee Chi Hin, Jacob

Independent Non-executive Directors

Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis
Mr. Chan Ting Bond, Michael

BOARD COMPOSITION

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

Directors	Board Committees			
	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Lam King Sang	Chairman			
Mr. Tam Sui Kin, Chris	Member			
Mr. Cheng Chi Ming, Brian		Member		
Mr. Tsang On Yip, Patrick		Member	Member	Member
Mr. Lee Chi Hin, Jacob			Member	
Mr. Chow Shiu Wing, Joseph		Member	Member	Chairman
Mr. Wong Man Chung, Francis		Chairman	Member	Member
Mr. Chan Ting Bond, Michael		Member	Chairman	Member





CORPORATE GOVERNANCE REPORT



Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are currently held by separate individuals for the purpose of ensuring an effective segregation of duties and a balance of power and authority, and they are Mr. Cheng Chi Ming, Brian and Mr. Lam King Sang respectively.

The roles of the Chairman and Chief Executive Officer are as follows:

- The Chairman provides leadership and is responsible for the effective functioning and leadership, with good corporate governance practices and procedures.
- The Chief Executive Officer is responsible for administering and managing the Group's business and internal controls, including the implementation of major strategies and initiatives decreed and delegated by the Board.

Non-executive Directors and Independent Non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors possesses different business experience, knowledge and professional background. The Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Independent non-executive Directors are invited to serve as the chairmen and majority members on the Audit Committee, the Remuneration Committee and the Nomination Committee. Through participation in Board meetings, providing valuable perspectives to the Board discussions, taking the lead in managing issues involving potential conflict of interests and serving on various Board committees, all independent non-executive Directors are contributory to the effective running of the Company. Independent non-executive Directors have also confirmed that they are able to make sufficient time available to discharge their duties and responsibilities for the benefit of the Company. The Chairman at least annually holds meetings with the independent non-executive Directors without the presence of other Directors.

The list of Directors (by category) is set out above and disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical details of the existing Directors and the relationships among the members of the Board are disclosed under the section headed "Directors and Senior Management" in this Annual Report.



CORPORATE GOVERNANCE REPORT

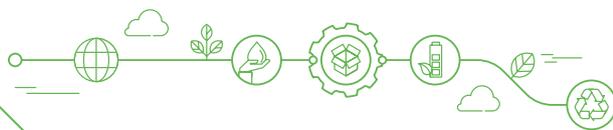
DIRECTORS' APPOINTMENT AND DIRECTORS' RE-ELECTION

During the year ended 31 March 2021, each of the executive Directors, non-executive Directors and independent non-executive Directors was engaged for a term of three years commencing from their respective dates of appointment, and was subject to retirement by rotation and re-election pursuant to the Articles of Association.

According to the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. Besides, any new Director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by Shareholders at the first general meeting of the Company after his/her appointment, and any new Director so appointed by the Board as an addition to the Board shall submit himself/herself for re-election by Shareholders at the next annual general meeting.

In accordance with Article 108 of the Articles of Association and in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, Messrs. Cheng Chi Ming, Brian, Wong Man Chung, Francis and Chan Ting Bond, Michael shall retire from their office as Director by rotation and, being eligible, offer themselves for re-election at the 2021 AGM. The Company's circular, sent together with this Annual Report, contains detailed information of the above retiring and re-electing Directors pursuant to the Listing Rules.

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association and governed by the Nomination Policy of the Company. The Nomination Committee is responsible for reviewing Board composition, developing and formulating procedures for nomination and appointment of directors, and assessing the independence of independent non-executive directors. Details of the Nomination Committee and its work performed are set out in the "Nomination Committee" section below.





CORPORATE GOVERNANCE REPORT



DIRECTORS' ATTENDANCE RECORDS AT MEETING

The attendance of each Director at the Board meetings, certain committee meetings and general meeting during the year is as follows:

	Attended/Eligible to attend					Annual General Meetings
	Board Meetings	Executive Committee Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	
Executive Directors						
Mr. Lam King Sang	4/4	8/8	0/0	0/0	0/0	1/1
Mr. Tam Sui Kin, Chris	4/4	8/8	0/0	0/0	0/0	1/1
Non-Executive Directors						
Mr. Cheng Chi Ming, Brian	4/4	0/0	3/3	0/0	0/0	1/1
Mr. Tsang On Yip, Patrick	4/4	0/0	3/3	1/1	1/1	0/1
Mr. Lee Chi Hin, Jacob	3/4	0/0	0/0	1/1	0/0	1/1
Mr. Lau Sai Cheong	3/3	0/0	0/0	0/0	1/1	1/1
(Resigned on 1 February 2021)						
Independent Non-Executive Directors						
Mr. Chow Shiu Wing, Joseph	4/4	0/0	2/3	1/1	1/1	1/1
Mr. Wong Man Chung, Francis	4/4	0/0	3/3	1/1	1/1	1/1
Mr. Chan Ting Bond, Michael	4/4	0/0	3/3	1/1	1/1	1/1



CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING

All the Directors received an induction on appointment to ensure appropriate understanding of the business and operation of the Group, and full awareness of director responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors were updated with new legal and regulatory developments, and changes in business and market dynamics to facilitate the discharge of their responsibilities. Professional briefings and anti-corruption training by the relevant subject matter experts were arranged for the Directors through which to refresh their knowledge and skills. Trainings received by each of the current Directors during the year from 1 April 2020 to 31 March 2021 are summarised as follows:

Name of Directors	Areas of Training				
	Corporate strategy and business	Law and regulatory compliance	Directors' duties/ESG practices	Financial reporting/risk management	Anti-corruption
Executive Directors					
Mr. Lam King Sang	✓		✓	✓	✓
Mr. Tam Sui Kin, Chris	✓	✓	✓	✓	✓
Non-executive Directors					
Mr. Cheng Chi Ming, Brian	✓	✓	✓	✓	✓
Mr. Tsang On Yip, Patrick	✓	✓	✓	✓	
Mr. Lee Chi Hin, Jacob	✓	✓	✓	✓	✓
Mr. Lau Sai Cheong (Resigned on 1 February 2021)	✓			✓	
Independent Non-executive Directors					
Mr. Chow Shiu Wing, Joseph	✓	✓	✓		✓
Mr. Wong Man Chung, Francis	✓	✓	✓	✓	✓
Mr. Chan Ting Bond, Michael		✓	✓		✓

BOARD COMMITTEES

For the year ended 31 March 2021, the Board had four standing Board committees, namely, Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee to oversee particular aspects of the Company's affairs. All Board committees were established with defined terms of reference. The updated terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are available on the websites of the Company and the Stock Exchange. All Board committees report to the Board on their decisions and give advice and recommendations to the Board relating to specific matters under the defined terms of reference.



CORPORATE GOVERNANCE REPORT



The practices, procedures and arrangements in conducting the meetings of Board committees are in line with those of the Board meetings.

All Board committees are provided with sufficient resources to discharge their duties and are at liberty to seek independent professional advice as they see fit at the Company's expense.

All Directors and Board committee members are allowed to include matters in the agenda of the regular Board meetings and Board committees meetings.

During the year, the minutes of the Board and Board committee meetings were kept by the Company Secretary which are available for inspection by the relevant Directors. The minutes of the Board and Board committee meetings recorded sufficient details of matters considered and decisions reached. The draft and final version of the minutes were sent to all relevant Directors for comments and execution within a reasonable time after the Board and Board committee meetings.

EXECUTIVE COMMITTEE

The Executive Committee is composed of two executive Directors with Mr. Lam King Sang acting as its chairman. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decisions. It monitors the execution of the Company's strategic plans and operations by all business units and decides on matters relating to the management and day-to-day operations of the Group.

AUDIT COMMITTEE

The Audit Committee comprises five members, namely, Mr. Wong Man Chung, Francis, Mr. Chow Shiu Wing, Joseph and Mr. Chan Ting Bond, Michael, being independent non-executive Directors, and Mr. Cheng Chi Ming, Brian and Mr. Tsang On Yip, Patrick, being non-executive Directors. Mr. Wong Man Chung, Francis who possesses relevant accounting and financial management expertise is the chairman of the Audit Committee. Mr. Wong is a Certified Public Accountant (Practising) and has over 30 years of experience in auditing, taxation, corporate internal control and governance, acquisition and financial advisory.

The principal duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the management responsible for the accounting and financial reporting function or external auditor before submission to the Board; (ii) review the relationship with the external auditor by making reference to the audit plan and work performed by the auditor, their fees and terms of engagement, and by making recommendations to the Board on the appointment, re-appointment and removal of external auditor; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated control procedures.



CORPORATE GOVERNANCE REPORT

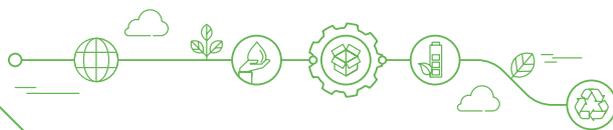


The Audit Committee is also responsible for performing the following corporate governance duties:

- a. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- b. to review and monitor the training and continuous professional development of directors and senior management of the Company;
- c. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- d. to develop, review and monitor the code of conduct and compliance manuals (if any) applicable to employees and directors of the Company; and
- e. to review the Company's compliance with the CG Code as set out in Appendix 14 of the Listing Rules and disclosure in the corporate governance report in the annual report of the Company.

During the year ended 31 March 2021, the Audit Committee has performed the following major tasks:

- Review and discussion of the annual financial statements, annual results announcement, annual report, the related accounting principles and practices adopted by the Group and the relevant audit findings;
- Review and discussion of the interim financial report, interim results announcement, interim report and the related accounting principles and practices adopted by the Group;
- Review of the scope of external audit work, audit plan, auditor's fees and terms of engagement;
- Review and approval of KPMG's confirmation of independence, its reports to the Audit Committee, and recommendation to the Board for the appointment of the external auditor;
- Consideration of the engagement of internal auditor;
- Review and discussion of the internal audit plan and the internal audit reports of the Group;
- Review and assessment of the adequacy and effectiveness of the risk management and internal control systems of the Group and the associated action plans;
- Review of the corporate governance practices of the Group; and
- Recommendation of revision of the Group's policies and instructions on corporate governance.





CORPORATE GOVERNANCE REPORT



To maintain effective communication, the Audit Committee and the external auditor held two private meetings without the presence of any executive Directors or the management of the Company during the year.

All issues raised by the Audit Committee are addressed and dealt with by the relevant members of the management team, and the work, findings and recommendations of the Audit Committee are reported to the Board. During the year ended 31 March 2021, there was no disagreement between the Board and the Audit Committee, and there was no issue of significant importance requiring disclosure in this Annual Report under the Listing Rules.

The Company has adopted a whistle blowing policy for its employees, customers, suppliers and other stakeholders through which to raise concerns about any suspected misconduct or malpractice within the Company. The Audit Committee has the overall responsibility for monitoring and reviewing the policy and recommendations for action resulting from the investigation into any such complaints.

REMUNERATION COMMITTEE

The Remuneration Committee comprises five members, namely, Mr. Chan Ting Bond, Michael, Mr. Chow Shiu Wing, Joseph and Mr. Wong Man Chung, Francis, being independent non-executive Directors, Mr. Tsang On Yip, Patrick and Mr. Lee Chi Hin, Jacob, being non-executive Directors. Mr. Chan Ting Bond, Michael is the chairman of the Remuneration Committee.

The principal duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Company and the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) make recommendations on the remuneration packages of executive Directors and senior management; and (iii) review and approve performance-based remuneration by making reference to corporate goals and objectives handed down by the Board from time to time.

Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration.

Details of the remuneration of each Director for the year ended 31 March 2021 are set out in note 10(a) to the financial statements contained in this Annual Report.



CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2021, the Remuneration Committee performed the following tasks:

- Review and discussion of the remuneration policy and structure of Directors and senior management of the Company;
- Review and recommendation to the Board in respect of the emoluments including discretionary and performance bonus to the executive Directors and senior management of the Company;
- Review of the Director's fees of the Board members; and
- Recommendation of the Director's fee of an independent non-executive Director on the renewal of appointment.

NOMINATION COMMITTEE

The Company established the Nomination Committee in accordance with the provisions set out in CG Code. The Nomination Committee comprises four members, Mr. Chow Shiu Wing, Joseph, Mr. Wong Man Chung, Francis and Mr. Chan Ting Bond, Michael, being the independent non-executive Directors, and Mr. Tsang On Yip, Patrick, being non-executive Director. Mr. Chow Shiu Wing, Joseph is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee are to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of Directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of Directors; and (v) assess the independence of independent non-executive Directors.

During the year ended 31 March 2021, the Nomination Committee has performed the following works:

- Review and discussion of the existing structure, size, diversity and composition of the Board and its committees taking into account the nomination policy, the Board diversity policy and the availability of independent views to the Board, with a recommendation to the Board for approval;
- Monitoring the implementation of the Board diversity policy and the measurable objectives for achieving Board diversity;
- Review and assessment of the independence of the independent non-executive Directors upon re-appointment and annually;
- Recommendation to the Board in respect of the proposed re-election of the retiring Directors at the annual general meeting of the Company; and
- Recommendation of the renewal of appointment of an independent non-executive Director.



CORPORATE GOVERNANCE REPORT



Nomination Policy

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

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

Board Diversity Policy

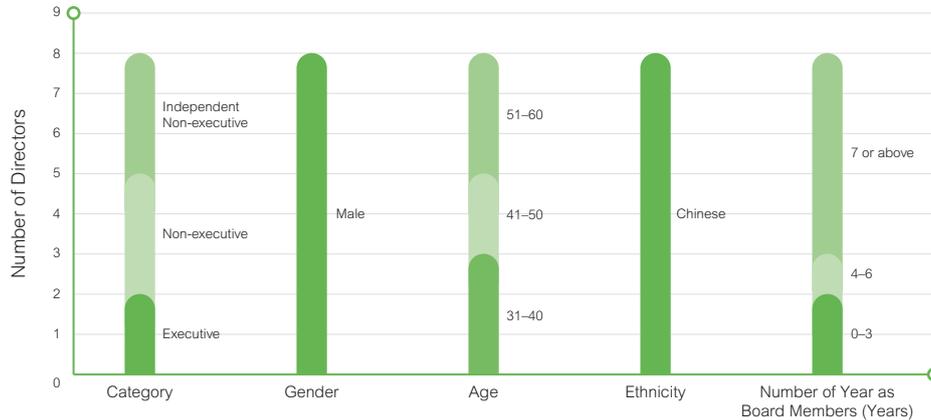
The Board recognises the benefits of diversity of its members, and its Nomination Committee is therefore entrusted with the responsibility for identifying and recommending to the Board for endorsement suitably qualified individuals regardless of gender, age, and ethnicity to become members of the Board. As can be seen, the incumbents of the Board (including the executive Directors, non-executive Directors and independent non-executive Directors) are taken on strength by reference to their respective qualifications, experiences, skills, qualities, and characters that satisfy the requirements under Listing Rules 3.08 and 3.09. The Nomination Committee will continue to carry out its responsibility to nominate diverse talents to the Board to maintain a balance of skills, experience and diversity of perspectives and Board refreshment for the long-term good of the Company.





CORPORATE GOVERNANCE REPORT

Diversity Profile of the Board



DIRECTORS’ AND OFFICERS’ LIABILITY INSURANCE AND INDEMNITY

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

COMPANY SECRETARY

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

According to the requirements of Rule 3.29 of the Listing Rules, the company secretary has taken not less than 15 hours of relevant professional training during the financial year ended 31 March 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2021.





CORPORATE GOVERNANCE REPORT



CODE AND POLICY FOR EMPLOYEES OF THE GROUP

The Company has adopted the Code for Securities Transactions by Relevant Employees (the “Own Code”) on no less exacting terms than the Model Code for governing securities transactions by employees who are likely to be in possession of inside information of the Company or its securities. No incident of non-compliance of the Own Code by any relevant employee of the Group was noted during the year ended 31 March 2021.

The Company recognises that prevention of corruption is part and parcel of good corporate governance. A Group-wise policy on corruption prevention is in place to preserve a healthy corporate culture.

DIRECTORS’ RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities, with the support from the Finance and Accounting Department, to prepare the financial statements of the Group for the year ended 31 March 2021 in accordance with statutory requirements and applicable accounting standards. The auditor of the Group acknowledges the reporting responsibilities in the auditor’s report on the financial statements for the year ended 31 March 2021.

The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

The Directors are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures and authorised their publication as and when required.

EXTERNAL AUDIT AND AUDITOR’S REMUNERATION

The Company’s external auditor, KPMG, performed independent audit on the Group’s consolidated financial statements for the year ended 31 March 2021. The Audit Committee has unrestricted access to external auditor and the latter reports to the Audit Committee on any significant weaknesses identified in the internal control system during the course of audit.

Prior to the commencement of the audit of the Company, the Audit Committee would receive written confirmation from the external auditor on its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants.

A total remuneration of HK\$1,900,000 and HK\$472,000 was paid/is payable to KPMG for their annual audit and non-audit services respectively by the Company during the year. The non-audit services mainly consist of review of the interim report, taxation and consultancy services.



CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

Role of the Board

The Board acknowledges its responsibility to evaluate and determine the nature and extent of the risks that it is willing to accept in pursuit of its strategic and business objectives. It reviews and monitors the effectiveness of the risk management and the internal control systems of the Group particularly in respect of financial, operational and compliance controls on an ongoing basis to safeguard the assets of the Group and protect the interests of the shareholders. Such review, conducted at least annually, includes evaluating the Group's ability to respond to changes in business and external environment, the quality of management's ongoing monitoring of risks, the extent and frequency of monitoring results communication to the Board, and the effectiveness of the Group's process over financial reporting and its compliance with the Listing Rules.

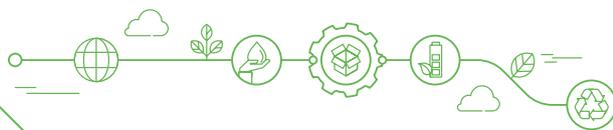
The risk management and internal control systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board assesses, through the Audit Committee and the internal audit function, the effectiveness of the Group's risk management and internal control systems, also considers the adequacy of resources, qualifications and experience of the accounting, internal audit and financial reporting functions of its staff and their training.

Risk Management

The Board is responsible for determining the Group's risk level and risk appetite and overseeing the Group's risk management strategies. Risk management is integrated into the day-to-day operation of the Group and is a continuous process carried out at all levels of the Group.

The risk management process of the Group involves risk identification, risk assessment and risk-counteracting. The methodology adopted in the risk identification and assessment process includes top-down and bottom-up approaches. The top-down approach involves identification of major strategic risks that will prevent the Group from achieving its strategic objectives. In terms of risk review and reporting, each core business is required to formally identify and report the principal current and emerging risks from the macro environment, whilst the top management provides input after taking a holistic assessment of all risks arising from the growth of business scale, extent, complexity and constantly changing business environment. At the functional level, the bottom-up approach with involvement of all key business units is adopted to identify operational risks in daily operations. Management maintains an open and effective communication channel to enable the timely reporting of material risk and adequate supervision of risk mitigation.

Adopting both qualitative and quantitative risk management methodologies, risks which may impede the achievement of business objectives are evaluated from dimensions of the likelihood of their occurrence and severity of potential consequences on the business. The analyses of existing and emerging risks form a basis for determining how the risks should be managed and mitigated. These risks mainly fall under the five major categories namely strategic risks, operational risks, market risks, financial risks and legal and compliance risks.





CORPORATE GOVERNANCE REPORT



The identified risks are prioritized by comparing the results of the risk assessment and thereafter risk management strategies and internal control processes are formulated to prevent, avoid or mitigate those risks. Moreover, staff members are encouraged to report problems of operations and identify non-compliance with the corporate policies, standards, practices and procedures.

Internal Controls

To assure achievement of the Group's governance objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws and regulations, various policies and guidelines, with particular emphasis on communications, risk management and controls, are implemented under the auspices of the Board of Directors for enterprise-wide compliance. Subject to periodical review and regular monitoring, these policies and guidelines are procedural means by which the Company resources are directed, monitored, and measured. The Company has also established internal procedures and controls for the handling and dissemination of inside information in order to regulate its information disclosure. Such procedures and controls are applicable to all staff members who can access to any inside information and they are required to uphold the confidentiality of such information. More importantly, through the additional efforts of internal and external auditors and that of the Audit Committee the effectiveness of internal control is further measured for improvement.

Internal Audit

The internal audit function carries out independent appraisal as to the existence, adequacy and effectiveness of the risk management activities and internal control systems in the Group's business operations. It also provides proactive supports to the business units in their risk management and control process, and promotes the deployment of continuous audits to provide effective independent evaluation.

Adopting a risk assessment methodology, the internal audit function implements its annual audit plan which was reviewed by the Audit Committee to identify key business and operational risks, formulate an impartial opinion on the systems, recommend improvements and monitor corrective or remedial measures to minimize risk exposure. The internal audit function also works with management to establish action plans to address identified control weaknesses within a reasonable period. Ad hoc reviews on operations may be arranged on top of the default audit plan in order to ensure the internal procedures and controls are being adhered to at all times. Post-audit reviews are performed to ensure all identified control weaknesses have been satisfactorily remediated. The internal audit function reports directly to the Audit Committee on all major findings, corrective actions and responses from management on a semi-annual basis.

The scope of work performed by the internal audit function includes financial and operational reviews, laws and regulations compliance reviews, and recurring and unscheduled audits. For financial audit, the internal audit function reviews and assesses the accuracy and efficiency of the Group's financial activities and financial information as well as the management of the Group's capital and assets. For operational review, the internal audit function assesses the design and operating effectiveness of the internal control system in business operations. The compliance review focuses on reviewing and evaluating the Group's adherence to regulatory guidelines, procedures, and laws and regulations.



CORPORATE GOVERNANCE REPORT

During the year, the internal audit function conducted 4 major reviews:

- Assessment of the Group's controls over the financial close process;
- Comprehensive assessment of the risks associated with Logistics Division and review of the related control procedures. The risks arose from: (i) policies and procedures; (ii) frontline worker management; (iii) fleet management; (iv) customer relationship management; (v) cost control; and (vi) performance review;
- Assessment of internal controls over contract monitoring of the Group and the compliance of contract terms; and
- Review of internal controls of the warehouse process of confidential material destruction services business.

No significant issue was noted from the above reviews which would have an adverse impact on the effectiveness and adequacy of the internal control system, or would have a material impact on the Group's financial position.

The Board is of the view that the risk management and internal control systems of the Group for the financial year ended 31 March 2021 was efficient and adequate, and was in compliance with the risk management and internal control provisions under the Corporate Governance Code.

INVESTOR RELATIONS

The Board believes that effective communication with shareholders of the Company ("Shareholders") and the investment community is essential to enhance investor relations and understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which would enable Shareholders and investors to make their best investment decisions. A Shareholders' Communication Policy has been established by the Board for maintaining continuous and open communications with shareholders and the investment community at large. The Company's website at www.iwsg.com is an effective communication platform to keep Shareholders and investors, abreast of the information and updates on the Group's business developments and operations, financial information, announcements and circulars, notices of general meetings, and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business in Hong Kong for any enquiries.

The Board considers that the general meetings of the Company can serve to provide an important channel for Shareholders to exchange views with the Board. The chairman of the Board as well as the chairmen and/or other members of the Board committees are normally available to answer any questions raised by the Shareholders.

The Company continues to enhance communication and relationship with its Shareholders and investors. Designated senior management of the Company maintains dialogue with Shareholders, institutional investors and analysts to keep them informed of the Group's development.



CORPORATE GOVERNANCE REPORT



The Company's amended and restated memorandum and articles of association are available on the Company's website as well as the designated website of the Stock Exchange. During the year ended 31 March 2021, there was no alteration to the Company's constitutional documents.

DIVIDEND POLICY

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

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

- a. the actual and expected financial performance of the Group;
- b. the retained earnings and distributable reserves of the Company;
- c. the current and future operations, liquidity position and capital requirements of the Group;
- d. the Group's business strategies, including future cash commitments and investment needs to sustain the long-term growth of the Group;
- e. return on equity and any relevant financial covenants;
- f. economic conditions and other internal or external factors that may have an impact on the Group's business, financial performance and position; and
- g. any other factors that the Board deems appropriate.

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



CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for making proposals/moving a resolution at the annual general meeting ("AGM")

- The Company holds a general meeting as its AGM every year.
- The next AGM will be held on Friday, 27 August 2021 (the "2021 AGM"). Details of the 2021 AGM are set out in the notice of the 2021 AGM which constitutes part of the circular to Shareholders sent together with this Annual Report. Notice of the 2021 AGM and proxy form are also available on the website of the Company.
- There are no provisions allowing Shareholders to make proposals or move resolutions at the AGM under the Memorandum and Articles of Association of the Company (the "M&A"), or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an extraordinary general meeting (the "EGM") by following the procedures below.

Procedures for Shareholders to convene an EGM (including making proposals/moving a resolution at the EGM)

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.
- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Integrated Waste Solutions Building, 8 Chun Cheong Street, Tseung Kwan O Industrial Estate, New Territories, Hong Kong, for the attention of the Company Secretary.
- The Requisition must state clearly the name and the contact information of the Eligible Shareholder(s) concerned, the reason(s) to convene an EGM, the agenda proposed to be included the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned. The Eligible Shareholder(s) must prove his/her/their shareholding in the Company to the satisfaction of the Company.
- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's Hong Kong branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.



CORPORATE GOVERNANCE REPORT



- If within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the M&A, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Enquiries to the Board

Enquiries may be put to the Board at the principal place of business of the Company at Integrated Waste Solutions Building, 8 Chun Cheong Street, Tseung Kwan O Industrial Estate, New Territories, Hong Kong or by email to info@iwsgh.com.





INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of Integrated Waste Solutions Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Integrated Waste Solutions Group Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 59 to 135, which comprise the consolidated statement of financial position as at 31 March 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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





INDEPENDENT AUDITOR'S REPORT



Key audit matters (continued)

Assessment of impairment of property, plant and equipment ("PP&E") and right-of-use ("ROU") assets

Refer to note 12 to the financial statements and the accounting policies on page 76.

The Key Audit Matter

As at 31 March 2021, the carrying values of the Group's PP&E and ROU assets amounted to HK\$611,582,000.

In view of the losses incurred by the Group over the past few years and the significant difference between the Group's market capitalisation and its net asset value as reflected in the consolidated financial statements as at 31 March 2021, management considered that indicators of impairment of the Group's PP&E and ROU assets existed at the reporting date.

As at 31 March 2021, the Group's PP&E and ROU assets mainly comprise of land and buildings of the Group's corporate headquarter (includes office and workshop) ("land and buildings") amounted to HK\$594,233,000, being 97% of the total carrying value.

Management performed impairment assessments of the Group's land and buildings by comparing the carrying values with the value-in-use or fair value less costs of disposal, whichever was higher, to determine whether impairment was required.

How the matter was addressed in our audit

Our audit procedures to assess the impairment of PP&E and ROU assets included the following:

- evaluating management's process and procedures for the identification of indicators of impairment of the Group's PP&E and ROU assets;
- obtaining and inspecting the valuation report prepared by the surveyors on which directors' assessment of the fair value less costs of disposal of the Group's land and buildings was based;
- evaluating the surveyors' experience, competence, capability and objectivity;
- engaging our internal valuation specialists to assist us in evaluating the methodology adopted by the surveyors in their valuation and in comparing the major assumptions applied by the surveyors in the assessment of the fair value less costs of disposal of the Group's land and buildings, particularly in estimating the building costs applied in determining the surrender value of the Group's land and buildings under the land lease agreement, with available market data; and



INDEPENDENT AUDITOR'S REPORT

Key audit matters (continued)

Assessment of impairment of property, plant and equipment (“PP&E”) and right-of-use (“ROU”) assets

Refer to note 12 to the financial statements and the accounting policies on page 76.

The Key Audit Matter

Management engaged an independent firm of surveyors (“surveyors”) to assist in the estimation of the fair value of land and buildings as at 31 March 2021. The estimation of fair value less costs of disposal of the Group’s land and buildings involves the exercise of significant judgement in respect of the assumptions applied in the valuation of the Group’s land and buildings, particularly in estimating the building costs applied in determining the surrender value of the Group’s land and buildings under the land lease agreement.

We identified assessing impairment of PP&E and ROU assets as a key audit matter because of the significant judgement and estimation required to be exercised, particularly in respect of estimating building costs and also because of the selection of assumption applied in the valuation could be subject to management bias.

How the matter was addressed in our audit

- considering the Group’s disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.





INDEPENDENT AUDITOR'S REPORT



Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



INDEPENDENT AUDITOR'S REPORT

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



INDEPENDENT AUDITOR'S REPORT



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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Ka Nang.

KPMG

Certified Public Accountants

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

29 June 2021





CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2021
(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 \$'000	2020 \$'000
Revenue	5	51,326	104,295
Cost of sales and services		(22,241)	(85,084)
Gross profit		29,085	19,211
Other revenue	6	16,798	9,904
Other net gain/(loss)	7	1,004	(942)
Selling and distribution expenses		(16,706)	(22,827)
Administrative and other operating expenses		(64,454)	(73,796)
Impairment loss of property, plant and equipment	12	–	(16,866)
Operating loss		(34,273)	(85,456)
Finance income	8(b)	4,351	8,127
Finance cost	8(c)	(68)	(189)
Share of profit of an associate		3,563	389
Share of profit/(loss) of joint ventures		2,312	(460)
Loss before taxation	8	(24,115)	(77,589)
Income tax	9(a)	–	–
Loss for the year		(24,115)	(77,589)
Attributable to:			
Equity shareholders of the Company		(23,893)	(77,589)
Non-controlling interests		(222)	–
		(24,115)	(77,589)
Basic and diluted loss per share	11	(0.5) cent	(1.6) cents

The notes on pages 65 to 135 form part of these financial statements.





CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2021

(Expressed in Hong Kong dollars)

	2021 \$'000	2020 \$'000
Loss for the year	(24,115)	(77,589)
Other comprehensive income for the year (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	1,140	12
Other comprehensive income for the year	1,140	12
Total comprehensive income for the year	(22,975)	(77,577)
Attributable to:		
Equity shareholders of the Company	(22,753)	(77,577)
Non-controlling interests	(222)	–
Total comprehensive income for the year	(22,975)	(77,577)

The notes on pages 65 to 135 form part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2021
(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000
Non-current assets			
Property, plant and equipment and right-of-use assets	12	611,582	642,013
Interests in an associate	13	91,231	80,429
Interests in joint ventures	14	8,866	3,795
Deposits and prepayments	17	232	–
		711,911	726,237
Current assets			
Inventories	15	344	2,012
Trade receivables	16	5,633	6,980
Other receivables, deposits and prepayments	17	10,763	14,056
Amount due from an associate	13	18,407	5,556
Amounts due from joint ventures	14	36,893	38,278
Amount due from a related company	18	12	12
Bank deposits and cash	19(a)	78,332	98,962
		150,384	165,856
Current liabilities			
Trade payables	20	1,092	2,411
Other payables and accruals	20	13,924	19,351
Lease liabilities	21	72	1,740
Amount due to a related company	18	10	10
		15,098	23,512
Net current assets		135,286	142,344
Total assets less current liabilities		847,197	868,581



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2021

(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 \$'000	2020 \$'000
Non-current liability			
Lease liabilities	21	–	369
<hr/>			
NET ASSETS		847,197	868,212
<hr/>			
CAPITAL AND RESERVES			
Share capital	23	482,301	482,301
Reserves		363,158	385,911
<hr/>			
Total equity attributable to equity shareholders of the Company		845,459	868,212
Non-controlling interests		1,738	–
<hr/>			
TOTAL EQUITY		847,197	868,212
<hr/>			

Approved and authorised for issue by the Board of Directors on 29 June 2021.

Cheng Chi Ming, Brian

Chairman

Lam King Sang

Director

The notes on pages 65 to 135 form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Non-controlling	
	Share capital	Share premium	Capital reserve	Share-based capital reserve	Exchange reserve	Accumulated losses	Total	interests	Total equity
	(Note 23) \$'000	(Note 24(b)(i)) \$'000	(Note 24(b)(ii)) \$'000	(Note 24(b)(iii)) \$'000	(Note 24(b)(iv)) \$'000	\$'000	\$'000	(Note 27(a)) \$'000	\$'000
Balance at 1 April 2019	482,301	3,092,937	(964,044)	5,951	-	(1,671,356)	945,789	-	945,789
Changes in equity for 2020:									
Loss for the year	-	-	-	-	-	(77,589)	(77,589)	-	(77,589)
Share of other comprehensive income of - a joint venture and an associate operating outside Hong Kong	-	-	-	-	12	-	12	-	12
Total comprehensive income for the year	-	-	-	-	12	(77,589)	(77,577)	-	(77,577)
Share options lapsed	23(c)(ii)	-	-	(123)	-	123	-	-	-
Balance at 31 March 2020 and 1 April 2020	482,301	3,092,937	(964,044)	5,828	12	(1,748,822)	868,212	-	868,212
Changes in equity for 2021:									
Loss for the year	-	-	-	-	-	(23,893)	(23,893)	(222)	(24,115)
Share of other comprehensive income of - a joint venture and an associate operating outside Hong Kong	-	-	-	-	1,140	-	1,140	-	1,140
Total comprehensive income for the year	-	-	-	-	1,140	(23,893)	(22,753)	(222)	(22,975)
Capital injection by non-controlling interests shareholder upon incorporation of a newly set up subsidiary	-	-	-	-	-	-	-	1,960	1,960
Share options lapsed	23(c)(ii)	-	-	(117)	-	117	-	-	-
Balance at 31 March 2021	482,301	3,092,937	(964,044)	5,711	1,152	(1,772,598)	845,459	1,738	847,197

The notes on pages 65 to 135 form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2021
(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 \$'000	2020 \$'000
Operating activities			
Cash used in operations	19(b)	(7,093)	(14,082)
Net cash used in operating activities		(7,093)	(14,082)
Investing activities			
Payment for purchase of property, plant and equipment		(516)	(794)
Proceeds from disposal of property, plant and equipment		2,687	2,177
Advance to joint ventures		(8,906)	(8,419)
Advance to an associate		(1,288)	–
Investment in an associate		–	(69,000)
Loan to an associate		(17,605)	(16,560)
Loans to joint ventures		–	(15,000)
Investment in a joint venture	14(a)	(25)	–
Loans repaid by a joint venture		7,500	50,350
Interest received		4,330	11,397
Net cash used in investing activities		(13,823)	(45,849)
Financing activities			
Capital element of lease rentals paid	19(c)	(1,156)	(1,583)
Interest element of lease rentals paid	19(c)	(68)	(189)
Capital injection by non-controlling interests shareholder		1,510	–
Net cash generated from/(used in) financing activities		286	(1,772)
Net decrease in cash and cash equivalents		(20,630)	(61,703)
Cash and cash equivalents at the beginning of the year		98,962	160,665
Cash and cash equivalents at the end of the year		78,332	98,962

The notes on pages 65 to 135 form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 General information

Integrated Waste Solutions Group Holdings Limited (the “Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 11 November 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company and is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered address of the Company is Windward 3, Regatta Office Park, 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.

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

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these development to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2021 comprise the Company and its subsidiaries and the Group's interests in an associate and joint ventures.

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

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

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

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

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *COVID-19-Related Rent Concessions*



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 3, *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 April 2020. The application of the amendment does not have material impact to the Group’s financial statement for the year ended 31 March 2021.

Amendment to IFRS 16, *COVID-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-Related Rent Concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. The application of the amendment does not have material impact to the Group’s financial statements for the year ended 31 March 2021.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

(e) Associate and joint ventures

An associate is an entity in which the group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(e) Associate and joint ventures (continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment. The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(h)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

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

In all other cases, when the Group ceases to have significant influence over joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



2 Significant accounting policies (continued)

(f) Property, plant and equipment and right-of-use assets

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(g)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings held for own use situated on leasehold land	27 – 33 years
– Leasehold improvements	5 years or unexpired lease term, whichever is shorter
– Plant and machineries	3 – 15 years
– Furniture, fixtures and equipment	3 – 5 years
– Motor vehicles	3 – 15 years

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

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(g) Leased assets (continued)

(i) As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. 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.

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 (see notes 2(f) and 2(h)(ii)).

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.





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



2 Significant accounting policies (continued)

(g) Leased assets (continued)

(i) As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“lease modification”) that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 *Lease*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it was not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within 12 months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The licence fee income from operating leases is recognised in accordance with note 2(q).

(h) Credit losses and impairment of assets

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

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

Financial assets measured at fair value, if any, are not subject to the ECL assessment.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

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

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

Measurement of ECLs

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

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

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

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



2 Significant accounting policies (continued)

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 365 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at fair value through other comprehensive income ("FVOCI") recycling, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

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

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

Basis of calculation of interest income

Interest income recognised in accordance with note 2(q)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



2 Significant accounting policies (continued)

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

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets; and
- interests in subsidiaries in the Company's statement of financial position.

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

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value-in-use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimate used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(h)(i) and (ii)).

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

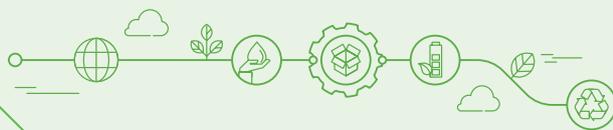
The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Contract liabilities

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

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

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





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



2 Significant accounting policies (continued)

(k) Trade and other receivables

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

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

(l) Cash and cash equivalents

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

(m) Trade and other payables

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

(n) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(n) Employee benefits (continued)

(ii) Share-based payments (continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the share option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the share option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises the costs of restructuring which involves the payment of termination benefits.

(o) Income tax

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

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



2 Significant accounting policies (continued)

(o) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Significant accounting policies (continued)

(p) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue and other income

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

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

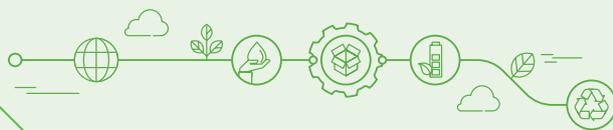
Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

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

(ii) Rendering of services

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





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



2 Significant accounting policies (continued)

(q) Revenue and other income (continued)

(iii) Interest income

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

(iv) Licence fee income from operating leases

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

(v) Subsidy income

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

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

(vi) Management fee income

Management fee income is recognised in at a point of time when control of these services is transferred to customers.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



2 Significant accounting policies (continued)

(r) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



2 Significant accounting policies (continued)

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(u) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Financial risk management

(a) Financial risk factors

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

(i) Currency risk

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

The Group currently does not have a foreign currency hedging policy.

Since HK\$ is pegged to USD, management considers that there is no significant foreign currency risk between these two currencies to the Group.

The exchange rate of RMB to HK\$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages its foreign currency risk by closely monitoring the movement of foreign currency rates.

As at 31 March 2021, if RMB had weakened/strengthened by 5% against HK\$ with all other variables held constant, pre-tax loss for the year would have been approximately \$2,299,000 lower/higher (2020: \$2,147,000 lower/higher), mainly as a result of the foreign exchange losses/gains arising from the translation of cash and bank deposits denominated in RMB. The analysis is performed on the same basis for 2020.

(ii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to its trade receivables and cash at banks. Management has policies in place to monitor the exposures to these credit risks on an on going basis.

For cash at banks, deposits are only placed with banks of good credit ratings.





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



3 Financial risk management (continued)

(a) Financial risk factors (continued)

(iii) Credit risk (continued)

Trade receivables

For credit exposures to customers, the Group has policies in place to ensure that sales are made to reputable and credit-worthy customers with an appropriate financial strength and credit history. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2021				
	Gross carrying amount \$'000	Provision on individual basis \$'000	ECL rates	ECLs \$'000	Trade receivables after loss allowance \$'000
Current and within payment terms	4,299	–	0.09%	(4)	4,295
1 – 30 days	1,130	–	0.18%	(2)	1,128
31 – 60 days	93	–	2.15%	(2)	91
61 – 90 days	21	–	4.76%	(1)	20
91 – 120 days	5	–	20.00%	(1)	4
Over 120 days	2,641	(2,461)	47.22%	(85)	95
	8,189	(2,461)		(95)	5,633



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(iii) Credit risk (continued)

Trade receivables (continued)

	2020				Trade receivables after loss allowance \$'000
	Gross carrying amount \$'000	Provision on individual basis \$'000	ECL rates	ECLs \$'000	
Current and within payment terms	4,481	–	0.29%	(13)	4,468
1 – 30 days	1,777	–	0.73%	(13)	1,764
31 – 60 days	217	–	3.69%	(8)	209
61 – 90 days	160	–	10.00%	(16)	144
91 – 120 days	183	–	12.02%	(22)	161
Over 120 days	4,039	(3,767)	13.97%	(38)	234
	10,857	(3,767)		(110)	6,980

ECL rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

	2021 \$'000	2020 \$'000
Balance at 1 April	3,877	4,237
Provision for loss allowances	694	5
Uncollectable amounts written off during the year	(2,015)	(365)
Balance at 31 March	2,556	3,877



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



3 Financial risk management (continued)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

Trade receivables (continued)

The following significant changes in the gross carrying amounts of trade receivables contributed to the decrease in the loss allowance:

- origination of new trade receivables net of those settled resulted in an increase in loss allowance of \$694,000 (2020: \$5,000); and
- a write-off of trade receivables with a gross carrying amount of \$2,015,000 (2020: \$365,000) resulted in a decrease in loss allowance of \$1,321,000 (2020: \$360,000).

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with borrowing covenants, to ensure that it maintains sufficient cash from operating activities and the availability of funding through an adequate amount of committed credit facilities.

All of the Group's financial liabilities are required to be settled within one year or repayable on demand. The total contractual undiscounted cash outflows of these financial liabilities equal to their carrying amount on the consolidated statement of financial position.

(iv) Interest rate risk

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(iv) Interest rate risk (continued)

– Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's lending at the end of the reporting period:

	Notional amount	
	2021 \$'000	2020 \$'000
Fixed rate lending:		
Loans to an associate (<i>note 13</i>)	34,165	16,560
Loans to joint ventures (<i>note 14(b)</i>)	19,982	19,982
Lease liabilities (<i>note 21</i>)	(72)	(2,109)
	54,075	34,433
Variable rate lending:		
Loans to joint ventures (<i>note 14(b)</i>)	19,500	27,000
	19,500	27,000

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

– Sensitivity analysis

At 31 March 2021, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and retained profits by approximately \$975,000 (2020: \$1,350,000).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



3 Financial risk management (continued)

(b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents, deposits with original maturity greater than three months and restricted and pledged bank deposits. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position, plus net debt.

The Group has no borrowings at 31 March 2021 and 31 March 2020.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Critical accounting estimates and judgements (continued)

(a) Provision for impairment of property, plant and equipment and right-of-use assets

If circumstances indicate that carrying value of property, plant and equipment and ROU assets may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognised in accordance with IAS 36, *Impairment of assets*. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling prices and the value-in-use. It is difficult to estimate the precise selling prices because quoted market prices for the Group's assets are not readily available. In determining the value-in-use, expected cash flows generated by the asset are discounted to their present values, which requires significant judgment relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

5 Revenue and segment information

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

- 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.





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



5 Revenue and segment information (continued)

Revenue from contracts with customers within the scope of IFRS 15

	2021 \$'000	2020 \$'000
Disaggregated by major products or service lines		
– Provision of CMDS	20,452	19,169
– Provision of logistics services	9,429	8,372
– Sales of recovered paper and materials	21,221	76,719
– Sales of tissue paper products	224	35
	51,326	104,295

Revenue by geographic markets

	2021 \$'000	2020 \$'000
Hong Kong	36,604	57,698
Mainland China	2,095	30,902
South Korea	12,627	15,695
	51,326	104,295

Specified non-current assets by geographic locations

	2021 \$'000	2020 \$'000
Hong Kong	631,632	648,059
Mainland China	80,279	78,178
	711,911	726,237



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Revenue and segment information (continued)

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

For the year ended 31 March 2021, revenue of approximately \$12,627,000 (2020: \$31,109,000) is derived from one (2020: two) external customer(s) which individually accounted for greater than 10% of the Group's total revenue.

The segment results and other segment items included in the loss for the year ended 31 March 2021 are as follows:

	CMDS \$'000	Logistics services \$'000	Recovered paper and materials \$'000	Tissue paper products \$'000	Total \$'000
<i>Segment revenue:</i>					
Sales to external customers	20,452	9,429	21,221	224	51,326
Inter-segment sales	–	10,280	–	–	10,280
Reportable segment revenue	20,452	19,709	21,221	224	61,606
Elimination of inter-segment revenue	–	(10,280)	–	–	(10,280)
	20,452	9,429	21,221	224	51,326
<i>Segment results:</i>					
Reportable segment profit/(loss)	13,964	4,365	10,889	(74)	29,144
Elimination of inter-segment profit					(59)
Reportable segment profit derived from the Group's external customers					29,085
Other revenue					16,798
Other net gain					1,004
Selling and distribution expenses					(16,706)
Administrative and other operating expenses					(64,454)
Finance income					4,351
Finance cost					(68)
Share of profit of an associate					3,563
Share of profit of joint ventures					2,312
Loss before taxation					(24,115)
Income tax					–
Loss for the year					(24,115)



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



5 Revenue and segment information (continued)

The segment results and other segment items included in the loss for the year ended 31 March 2020 are as follows:

	CMDS \$'000	Logistics services \$'000	Recovered paper and materials \$'000	Tissue paper products \$'000	Total \$'000
<i>Segment revenue:</i>					
Sales to external customers	19,169	8,372	76,719	35	104,295
Inter-segment sales	–	12,815	–	–	12,815
Reportable segment revenue	19,169	21,187	76,719	35	117,110
Elimination of inter-segment revenue	–	(12,815)	–	–	(12,815)
	19,169	8,372	76,719	35	104,295

Segment results:

Reportable segment profit	11,515	5,634	5,073	2	22,224
Elimination of inter-segment profit					(3,013)
Reportable segment profit derived from the Group's external customers					19,211
Other revenue					9,904
Other net loss					(942)
Selling and distribution expenses					(22,827)
Administrative and other operating expenses					(73,936)
Impairment loss of property, plant and equipment					(16,866)
Finance income					8,127
Finance cost					(189)
Share of profit of an associate					389
Share of loss of joint ventures					(460)
Loss before taxation					(77,589)
Income tax					–
Loss for the year					(77,589)



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 Other revenue

	2021	2020
	\$'000	\$'000
Licence fee income	4,900	8,400
Service income	1,348	160
Management fee income	1,384	488
Subsidy income (<i>note (i)</i>)	7,892	–
Others	1,274	856
	16,798	9,904

- (i) For the year ended 31 March 2021, the Group successfully applied funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by The Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant, which amounted to government grants of \$6,900,000 for the year. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

7 Other net gain/(loss)

	2021	2020
	\$'000	\$'000
Loss on disposals of property, plant and equipment, net	(63)	(51)
Write off of property, plant and equipment	(190)	(2)
Foreign exchange gain/(loss), net	1,236	(889)
Gain on early termination of lease	21	–
	1,004	(942)



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



8 Loss before taxation

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

	2021 \$'000	2020 \$'000
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	44,854	56,908
Contributions to defined contribution retirement plan	1,388	1,872
	46,242	58,780
Staff costs included in:		
– Cost of sales and services	9,194	18,243
– Selling and distribution expenses	12,115	14,787
– Administrative and other operating expenses	24,933	25,750
	46,242	58,780
(b) Finance income		
Interest income from banks deposits	(600)	(1,949)
Interest income from loans to joint ventures	(2,503)	(6,142)
Interest income from loans to an associate	(1,248)	(36)
	(4,351)	(8,127)
(c) Finance cost		
Interest on lease liabilities (<i>note 19(c)</i>)	68	189



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 Loss before taxation (continued)

	2021 \$'000	2020 \$'000
(d) Other items		
Cost of inventories sold (<i>note 15</i>)	10,540	71,652
Depreciation charge (<i>note 12</i>)		
– Owned property, plant and equipment	25,179	30,493
– Right-of-use assets	2,186	2,760
Impairment losses recognised:		
– Other receivables, deposits and prepayments	–	141
– Property, plant and equipment (<i>note 12</i>)	–	16,866
Provision for loss allowances	694	5
Short-term lease payments not included in the measurement of lease liabilities	–	648
Write down of inventories	–	1,500
Auditor's remuneration:		
– Audit services	1,900	2,010
– Other services	300	1,557

9 Income tax

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

No provision for Hong Kong Profits Tax for the years ended 31 March 2021 and 31 March 2020 has been made in respect of the subsidiaries in Hong Kong as either the tax losses brought forward from previous years exceed the estimated assessable profits for the year or the subsidiaries have no estimated assessable profits in Hong Kong.

(b) Reconciliation between income tax and loss before taxation at applicable tax rates:

	2021 \$'000	2020 \$'000
Loss before taxation	(24,115)	(77,589)
Tax calculated at tax rates of 16.5% (2020: 16.5%)	(3,979)	(12,802)
Tax effects of non-taxable income	(4,543)	(2,958)
Tax effects of non-deductible expenses	3,059	5,782
Tax effects of tax losses not recognised	5,463	9,978
Income tax	–	–



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



9 Income tax (continued)

(c) Tax effects relating to each component of other comprehensive income

The tax effect relating to each component of other comprehensive income for the year ended 31 March 2021 is Nil (2020: Nil).

10 Emoluments for directors and individuals with highest emoluments

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	For the year ended 31 March 2021				Total \$'000
	Fees \$'000	Salaries, allowance and benefits in kind \$'000	Discretionary bonus \$'000	Retirement schemes contributions \$'000	
Executive directors					
Mr. Lam King Sang	348	2,458	524	18	3,348
Mr. Tam Sui Kin, Chris	348	2,458	524	18	3,348
Non-executive directors					
Mr. Cheng Chi Ming, Brian	696	–	–	–	696
Mr. Lau Sai Cheong ^(a)	290	–	–	–	290
Mr. Lee Chi Hin, Jacob	348	–	–	–	348
Mr. Tsang On Yip, Patrick	348	–	–	–	348
Independent non-executive directors					
Mr. Chow Shiu Wing, Joseph	348	–	–	–	348
Mr. Chan Ting Bond, Michael	348	–	–	–	348
Mr. Wong Man Chung, Francis	348	–	–	–	348
	3,422	4,916	1,048	36	9,422



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

(a) Directors' emoluments (continued)

	For the year ended 31 March 2020				
	Fees	Salaries, allowance and benefits in kind	Discretionary bonus	Retirement schemes contributions	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Executive directors					
Mr. Lam King Sang	359	2,440	511	18	3,328
Mr. Tam Sui Kin, Chris	359	2,440	511	18	3,328
Non-executive directors					
Mr. Cheng Chi Ming, Brian	718	–	–	–	718
Mr. Lau Sai Cheong ^(a)	359	–	–	–	359
Mr. Lee Chi Hin, Jacob	359	–	–	–	359
Mr. Tsang On Yip, Patrick	359	–	–	–	359
Independent non-executive directors					
Mr. Chow Shiu Wing, Joseph	359	–	–	–	359
Mr. Chan Ting Bond, Michael	359	–	–	–	359
Mr. Wong Man Chung, Francis	359	–	–	–	359
	3,590	4,880	1,022	36	9,528

Notes:

(a) Resigned as non-executive director on 1 February 2021.

During the years ended 31 March 2021 and 31 March 2020, no director received any emoluments from the Group as an inducement to join or leave the Group or as compensation for loss of office. No director waived or has agreed to waive any emoluments.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, two (2020: two) are directors whose emoluments are disclosed in note 10(a). The aggregate of the emoluments in respect of the remaining individuals are as follows:

	2021	2020
	\$'000	\$'000
Salaries, allowance and benefits in kind	2,164	2,521
Discretionary bonus	253	377
Retirement schemes contributions	36	36
	2,453	2,934

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

	2021	2020
	Number of individuals	Number of individuals
\$		
Nil – 1,000,000	3	2
1,000,001 – 2,000,000	–	1

(c) Emoluments of senior management

The emoluments of the senior management whose profiles are set out in the section headed “Directors and Senior Management” of the annual report (of which these financial statements form a part) have been included in notes 10(a) and 10(b).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

11 Loss per share

The calculation of the basic and diluted loss per share is based on the loss attributable to equity shareholders of the Company of \$23,893,000 (2020: \$77,589,000) and the weighted average number of 4,823,009,000 (2020: 4,823,009,000) ordinary shares in issue during the year.

(a) Basic loss per share

Weighted average number of ordinary shares

	2021 '000	2020 '000
Issued ordinary shares at 1 April and weighted average number of ordinary shares at 31 March	4,823,009	4,823,009

(b) Diluted loss per share

No adjustment had been made to the basic loss per share presented for the years ended 31 March 2021 and 31 March 2020 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.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Property, plant and equipment and right-of-use assets

(a) Reconciliation of carrying amount

	Ownership interests in buildings held for own use carried at depreciated cost		Furniture, fixtures and equipment			Motor vehicles	Other properties leased for own use	Total
	\$'000	Leasehold improvements \$'000	Plant and machineries \$'000	\$'000	\$'000	\$'000	Subtotal \$'000	
Year ended 31 March 2021								
Net book amount								
At 1 April 2020	587,146	1,846	3,815	4,857	12,615	610,279	31,734	642,013
Additions	13	–	254	81	386	734	–	734
Disposals	–	(1,564)	(113)	(124)	(949)	(2,750)	(860)	(3,610)
Write off	–	(25)	–	(165)	–	(190)	–	(190)
Depreciation	(21,547)	(110)	(905)	(1,092)	(1,525)	(25,179)	(2,186)	(27,365)
At 31 March 2021	565,612	147	3,051	3,557	10,527	582,894	28,688	611,582
At 31 March 2021								
Cost	697,971	331	67,066	12,327	26,899	804,594	40,378	844,972
Accumulated depreciation and impairment	(132,359)	(184)	(64,015)	(8,770)	(16,372)	(221,700)	(11,690)	(233,390)
Net book amount	565,612	147	3,051	3,557	10,527	582,894	28,688	611,582

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Property, plant and equipment and right-of-use assets (continued)

(a) Reconciliation of carrying amount (continued)

	Ownership interests in buildings held for own use carried at depreciated cost	Leasehold improvements	Plant and machineries	Furniture, fixtures and equipment	Motor vehicles	Subtotal	Other properties leased for own use	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 March 2020								
Net book amount								
At 1 April 2019	608,594	2,627	24,815	6,588	16,545	659,169	34,494	693,663
Additions	97	–	–	289	313	699	–	699
Disposals	–	–	–	(22)	(2,206)	(2,228)	–	(2,228)
Write off	–	–	–	(2)	–	(2)	–	(2)
Impairment	–	–	(16,866)	–	–	(16,866)	–	(16,866)
Depreciation	(21,545)	(781)	(4,134)	(1,996)	(2,037)	(30,493)	(2,760)	(33,253)
At 31 March 2020	587,146	1,846	3,815	4,857	12,615	610,279	31,734	642,013
At 31 March 2020								
Cost	697,959	4,687	69,719	18,930	30,930	822,225	42,383	864,608
Accumulated depreciation and impairment	(110,813)	(2,841)	(65,904)	(14,073)	(18,315)	(211,946)	(10,649)	(222,595)
Net book amount	587,146	1,846	3,815	4,857	12,615	610,279	31,734	642,013

Impairment loss

During the year ended 31 March 2020, the Group recognised an impairment loss of \$16,866,000 to property, plant and equipment of the recycled plastic pellets business to reduce their carrying amount to their recoverable amount of nil. The impairment arose primarily due to the decline in profitability of the recycled plastic pellets business, and lack of prospects for recovery in the near term.

No impairment loss was recognised nor reversed during the year ended 31 March 2021.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



12 Property, plant and equipment and right-of-use assets (continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset are as follows:

	<i>Note</i>	2021 \$'000	2020 \$'000
Ownership interests in leasehold land held for own use, carried at depreciated cost	(i)	28,621	29,711
Other properties leased for own use, carried at depreciated cost	(ii)	67	2,023
		28,688	31,734

The analysis of expense items in relation to leases recognised in profit or loss are as follows:

	2021 \$'000	2020 \$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Ownership interests in leasehold land held for own use	1,090	1,090
– Other properties leased for own use	1,096	1,670
	2,186	2,760
Interest on lease liabilities	68	189
Expense relating to short-term leases and other leases with remaining lease term ending on or before the end of reporting period	1,894	3,297



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Property, plant and equipment and right-of-use assets (continued)

(b) Right-of-use assets (continued)

During the year, additions to right-of-use assets were Nil (2020: Nil).

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19(c) and 21 respectively.

(i) Ownership interests in leasehold land held for own use

The Group has obtained the right to use leasehold land as its office and workshop through land premium paid. The land use right held an unexpired lease term of 26 years.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its warehouses through tenancy agreements. The leases typically run for an initial period of 2 to 3 years. Lease payments are usually increased every 3 years to reflect market rentals.

13 Interests in an associate

	2021 \$'000	2020 \$'000
Share of net assets	74,149	69,389
Loans to an associate (<i>note 13(b)</i>)	34,165	16,560
Amount due from an associate (<i>note 13(c)</i>)	1,324	36
	109,638	85,985
Represented by:		
Non-current portion	91,231	80,429
Current portion	18,407	5,556
	109,638	85,985



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



13 Interests in an associate (continued)

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

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and registered capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Dugong IWS HAZ Limited	Incorporated	Hong Kong	Ordinary, total of HK\$68,941,001 and RMB61,200,000	40%	-	40%	Investment holding
Lianyungang Lvrn Environmental Protection Technology Co., Ltd. ^(a) 連雲港綠潤環保科技有限公司	Incorporated	The PRC	Registered RMB63,600,000	20.4%	-	20.4%	Provision of hazardous waste treatment services
Leyuan New Material Technology Co., Ltd. ^{(a), (b)} 連雲港樂園新材料科技有限公司	Incorporated	The PRC	Registered RMB46,960,000	20.4%	-	20.4%	Property holding
Dugong Environment Resource (Kaifeng) Co., Ltd. ^(a) 大公環境資源（開封）有限公司	Incorporated	The PRC	Registered RMB90,000,000	20.4%	-	20.4%	Provision of hazardous waste collection, treatment and disposal services

Notes:

- (a) The company name in English is a direct translation of the registered Chinese name for the purpose of identification.
- (b) The company was a wholly owned subsidiary of Lianyungang Lvrn Environmental Protection Technology Co., Ltd. ("Lvrn"). It has been de-registered on 23 December 2020.

During the year ended 31 March 2020, the Group entered into an agreement with a third party to acquire 40% issued shares in Dugong IWS HAZ Limited, which in turn holds 51% equity interests in Lvrn and Dugong Environment Resource (Kaifeng) Co., Ltd. (together "Dugong IWS"). Lvrn held 100% equity interests in Leyuan New Material Technology Co., Ltd..

The acquisition was completed on 23 January 2020. The total consideration of \$69,000,000 was fully paid to the third party (the "Seller") by cash at completion date.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13 Interests in an associate (continued)

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

A profit guarantee arrangement is included in the agreement. Under the arrangement, the Seller agreed to guarantee the aggregated net income audited in accordance with the Generally Accepted Accounting Principles of the People's Republic of China ("PRC GAAP") generated by Lvr run would not be less than RMB90,000,000 for the three years ending 31 December 2021. The Seller shall compensate the Group for any shortfall of the deemed profit attributable to the Group calculated in accordance with the shareholders' agreement. At 31 March 2021 and 31 March 2020, management expected that the guaranteed net income could be met.

(b) Loans to an associate

At 31 March 2021, loans to an associate comprise of:

- loan of RMB14,400,000 (equivalent to approximately \$17,083,000) (2020: \$16,560,000) which is unsecured, interest-bearing at the rate of 5% per annum. The loan will be repaid by instalments of RMB9,600,000 (equivalent to approximately \$11,389,000) and RMB4,800,000 (equivalent to approximately \$5,694,000) on 16 March 2022 and 16 March 2023 respectively; and
- loan of RMB14,400,000 (equivalent to approximately \$17,083,000) (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 \$5,694,000) on 28 September 2021, 28 September 2022 and 28 September 2023 respectively.

(c) Amount due from an associate

The amount due from an associate at 31 March 2021 and 31 March 2020 are unsecured, interest-free and has no fixed terms of repayment.





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



13 Interests in an associate (continued)

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

	2021 \$'000	2020 \$'000
Gross amounts of Dugong IWS:		
Current assets	122,309	107,520
Non-current assets	477,267	381,742
Current liabilities	(178,809)	(97,580)
Non-current liabilities	(57,290)	(51,540)
Net assets	363,477	340,142
Attributable to non-controlling interest	178,104	166,670
Attributable to the associate's shareholders	185,373	173,472
Included in the above assets and liabilities:		
Cash and cash equivalents	59,354	67,577
Current financial liabilities (excluding trade and other payables and provisions)	(98,328)	(20,525)
Non-current financial liabilities (excluding trade and other payables and provisions)	(57,290)	(51,540)



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13 Interests in an associate (continued)

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

	2021 \$'000	2020 \$'000
Revenue	101,403	14,223
Profit for the year	8,910	973
Other comprehensive income for the year	2,993	–
Total comprehensive income for the year	11,903	973
Group's effective interest	40%	40%
Group's share of profit of Dugong IWS	3,563	389
Group's share of other comprehensive income of Dugong IWS	1,197	–
Included in the above profit:		
Depreciation and amortisation	(16,413)	(2,001)
Interest income	2	12
Interest expense	(1,362)	(38)
Income tax expense	(2,863)	(354)
Reconciled to the Group's interest in Dugong IWS:		
Gross amounts of net assets of Dugong IWS	185,373	173,472
Group's effective interest	40%	40%
Group's share of net assets of Dugong IWS	74,149	69,389
Loans to Dugong IWS (<i>note 13(b)</i>)	34,165	16,560
Amount due from Dugong IWS (<i>note 13(c)</i>)	1,324	36
Carrying amount in the consolidated financial statements	109,638	85,985



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Interests in joint ventures

	2021 \$'000	2020 \$'000
Share of net liabilities	(13,425)	(15,705)
Loans to joint ventures (note 14(b))	39,482	46,982
Amounts due from joint ventures (note 14(c))	19,702	10,796
	45,759	42,073
Represented by:		
Non-current portion	8,866	3,795
Current portion	36,893	38,278
	45,759	42,073

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

Name of joint ventures	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
ALBA Integrated Waste Solutions (Hong Kong) Limited ("ALBA IWS")	Incorporated	Hong Kong	Ordinary \$10,000	25%	–	25%	Treatment of waste electrical and electronic equipment
RGF Environmental New Material Limited ("RGF HK") ^(a)	Incorporated	Hong Kong	Ordinary \$36,122,449	49%	–	49%	Manufacturing of plastic products
綠色未來環保新材料(廣東)有限公司 ("RGF GD") ^(a)	Incorporated	The PRC	Registered RMB5,000,000	49%	–	49%	Trading of plastic products
Smart City Logistics Hong Kong Limited ("Smart City") ^(b)	Incorporated	Hong Kong	Ordinary \$100,000	25%	–	25%	Logistic services

Note:

- (a) RGF HK set up a wholly owned subsidiary in Jiangmen City of the PRC, namely RGF GD. The Group is entitled to share 49% of the financial results of RGF HK and its subsidiary (together "RGF").
- (b) On 26 March 2020, the Group entered into a shareholders' agreement with a third party to set up 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.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Interests in joint ventures (continued)

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

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

(b) Loans to joint ventures

At 31 March 2021, loans to joint ventures of \$39,482,000 (2020: \$46,982,000) comprised of:

- (i) loan of \$19,982,000 (2020: \$19,982,000) which is unsecured, interest-bearing at the rate of 7% per annum and repayable on demand;
- (ii) loan of \$7,500,000 (2020: \$12,000,000) which is unsecured, interest-bearing at the rate of HIBOR plus 4% per annum and repayable on 19 February 2022; and
- (iii) loan of \$12,000,000 (2020: \$15,000,000) which is unsecured, interest-bearing at the rate of 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.

(c) Amounts due from joint ventures

The amounts due from joint ventures at 31 March 2021 and 31 March 2020 are unsecured, interest-free and has no fixed terms of repayment.





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



14 Interests in joint ventures (continued)

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

	2021 \$'000	2020 \$'000
Gross amounts of ALBA IWS:		
Current assets	155,586	109,870
Non-current assets	47,812	39,564
Current liabilities	(134,723)	(130,893)
Non-current liabilities	(69,836)	(82,563)
Net liabilities	(1,161)	(64,022)
Included in the above assets and liabilities:		
Cash and cash equivalents	119,113	69,652
Current financial liabilities (excluding trade and other payables and provisions)	(111,299)	(107,149)
Non-current financial liabilities (excluding trade and other payables and provisions)	(69,836)	(82,563)
Revenue	276,133	276,189
Profit for the year	62,860	61,368
Total comprehensive income for the year	62,860	61,368
Group's effective interest	25%	25%
Group's share of profit of ALBA IWS	15,715	15,342
Included in the above profit:		
Depreciation and amortisation	(13,531)	(16,519)
Interest income	1	279
Interest expense	(9,562)	(19,583)
Income tax expense	-	-
Reconciled to the Group's interest in ALBA IWS:		
Gross amounts of net liabilities of ALBA IWS	(1,161)	(64,022)
Group's effective interest	25%	25%
Group's share of net liabilities of ALBA IWS	(290)	(16,005)
Loans to ALBA IWS (note 14(b)(i))	19,982	19,982
Amount due from ALBA IWS (note 14(c))	367	2,416
Carrying amount in the consolidated financial statements	20,059	6,393



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Interests in joint ventures (continued)

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

	2021 \$'000	2020 \$'000
Gross amounts of RGF:		
Current assets	6,534	21,098
Non-current assets	42,508	56,667
Current liabilities	(56,811)	(33,741)
Non-current liabilities	(21,824)	(41,412)
Net (liabilities)/assets	(29,593)	612
Included in the above assets and liabilities:		
Cash and cash equivalents	1,776	2,018
Current financial liabilities (excluding trade and other payables and provisions)	(30,973)	(23,099)
Non-current financial liabilities (excluding trade and other payables and provisions)	(21,824)	(41,412)
Revenue	41,640	37,217
Loss for the year	(30,090)	(32,250)
Other comprehensive income for the year	(116)	24
Total comprehensive income for the year	(30,206)	(32,226)
Group's effective interest	49%	49%
Group's share of loss of RGF	(14,744)	(15,802)
Group's share of other comprehensive income of RGF	(57)	12
Included in the above loss:		
Depreciation	(10,265)	(10,264)
Interest income	3	3
Interest expense	(2,597)	(3,878)
Income tax expense	-	-
Reconciled to the Group's interest in RGF:		
Gross amounts of net (liabilities)/assets of RGF	(29,593)	612
Group's effective interest	49%	49%
Group's share of net (liabilities)/assets of RGF	(14,501)	300
Loans to RGF (notes 14(b)(ii) to (iii))	19,500	27,000
Amount due from RGF (note 14(c))	18,974	8,380
Carrying amount in the consolidated financial statements	23,973	35,680



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



14 Interests in joint ventures (continued)

- (d) (iii) Summarised financial information of Smart City and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	2021 \$'000
Gross amounts of Smart City:	
Current assets	8,006
Non-current assets	22
Current liabilities	(2,565)
Non-current liabilities	–
Net assets	5,463
Included in the above assets and liabilities:	
Cash and cash equivalents	5,787
Current financial liabilities (excluding trade and other payables and provisions)	(2)
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	23,798
Profit for the year	5,363
Total comprehensive income for the year	5,363
Group's effective interest	25%
Group's share of profit of Smart City	1,341
Included in the above profit:	
Depreciation	(1)
Interest income	–
Interest expense	–
Income tax expense	(862)
Reconciled to the Group's interest in Smart City:	
Gross amounts of net assets of Smart City	5,463
Group's effective interest	25%
Group's share of net assets of Smart City	1,366
Amount due from Smart City (note 14(c))	361
Carrying amount in the consolidated financial statements	1,727



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

15 Inventories

	2021 \$'000	2020 \$'000
Raw materials	251	19
Finished goods	93	1,993
	344	2,012

The cost of inventories recognised as expense and included in “cost of sales and services” amounted to approximately \$10,540,000 (2020: \$71,652,000) for the year ended 31 March 2021.

16 Trade receivables

	2021 \$'000	2020 \$'000
Trade receivables	8,189	10,857
Less: Loss allowance (<i>note 3(a)(ii)</i>)	(2,556)	(3,877)
Trade receivables, net	5,633	6,980

(a) Ageing analysis

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:

	2021 \$'000	2020 \$'000
0 – 30 days	5,467	4,990
31 – 60 days	93	1,419
61 – 90 days	21	1
91 – 120 days	5	196
Over 120 days	2,603	4,251
Less: Loss allowance	(2,556)	(3,877)
	5,633	6,980



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



16 Trade receivables (continued)

(a) Ageing analysis (continued)

Payment terms granted to customers are mainly cash on delivery or on credit. The average credit period ranges from 10 days to 90 days. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 3(a)(ii).

(b) The carrying amounts of trade receivables are denominated in the following currencies:

	2021	2020
	\$'000	\$'000
HK\$	5,621	6,018
USD	12	962
Balance at 31 March	5,633	6,980

At 31 March 2021 and 31 March 2020, the fair values of the trade receivables approximate their carrying amounts. The maximum exposure to credit risk at the end of each reporting period is the carrying value of the receivables. The Group does not hold any collateral as security.

17 Other receivables, deposits and prepayments

	2021	2020
	\$'000	\$'000
Non-current portion		
Prepayments for purchase of property, plant and equipment	200	–
Other deposits and prepayments	32	–
	232	–
Current portion		
Deposits placed with suppliers	4,195	5,212
Utility and other deposits	4,620	6,355
Prepayments	1,317	1,549
Other receivables	631	940
Total	10,763	14,056



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

17 Other receivables, deposits and prepayments (continued)

At 31 March 2021 and 31 March 2020, the fair values of other receivables, deposits and prepayments approximate their carrying amounts. The maximum exposure to credit risk at the end of each reporting period is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

18 Amounts due from/(to) a related company

Amounts due from/(to) a related company are unsecured, interest-free and repayable on demand.

19 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	2021	2020
	\$'000	\$'000
Deposits with banks	58,113	69,107
Cash at bank	20,177	29,804
Cash in hand	42	51
<hr/>		
Cash and cash equivalents in the consolidated statement of cash flows	78,332	98,962

Bank deposits and cash are denominated in the following currencies:

	2021	2020
	\$'000	\$'000
HK\$	57,489	64,382
RMB	10,485	26,334
USD	10,341	8,229
EURO	17	17
<hr/>		
	78,332	98,962

Cash at bank earns interest at floating rates based on prevailing bank deposit rates.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



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

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

	<i>Note</i>	2021	2020
		\$'000	\$'000
Loss before taxation		(24,115)	(77,589)
Adjustments for:			
Depreciation of property, plant and equipment	8(d)	25,179	30,493
Depreciation of right-of-use assets	8(d)	2,186	2,760
Loss on disposals of property, plant and equipment, net	7	63	51
Write off of property, plant and equipment	7	190	2
Impairment of property, plant and equipment	8(d)	–	16,866
Finance income	8(b)	(4,351)	(8,127)
Finance cost	8(c)	68	189
Share of profit of an associate		(3,563)	(389)
Share of (profit)/loss of joint ventures		(2,312)	460
Provision for loss allowances	8(d)	694	5
Operating loss before working capital changes		(5,961)	(35,284)
Inventories		1,668	3,329
Trade receivables		653	17,253
Other receivables, deposits and prepayments		3,293	1,056
Payables and accruals		(6,746)	(436)
Cash used in operations		(7,093)	(14,082)



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	Lease liabilities \$'000
At 31 March 2019	3,692
Changes from financing cash flows:	
Capital element of lease rentals paid	(1,583)
Interest element of lease rentals paid	(189)
Total changes from financing cash flows	(1,772)
Other changes:	
Interest expenses	189
Total other changes	189
At 31 March 2020 and 1 April 2020	2,109
Changes from financing cash flows:	
Capital element of lease rentals paid	(1,156)
Interest element of lease rentals paid	(68)
Total changes from financing cash flows	(1,224)
Other changes:	
Interest expenses	68
Decrease in lease liabilities from lease termination during the year	(881)
Total other changes	(813)
At 31 March 2021	72





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



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

(d) Total cash outflows for leases

Amounts included in the statement of cash flows for leases comprise the following:

	<i>Note</i>	2021 \$'000	2020 \$'000
Within operating cash flows	8(d)	–	648
Within financing cash flows		1,224	1,772
		1,224	2,420

(e) Major non-cash transaction

During the year ended 31 March 2021, the non-controlling interests shareholder had made capital injection to I-Talent Paper Product (HK) Limited (“I-Talent”) by contributing property, plant and equipment with cost amounted to \$450,000 with no cash flow impact to the Group.

20 Payables and accruals

	<i>Note</i>	2021 \$'000	2020 \$'000
Trade payables	(a)	1,092	2,411
Other payables and accruals			
– Construction costs payable		6,446	6,446
– Accrued expenses		5,367	7,169
– Salaries and wages payable		761	680
– Others		1,350	5,056
		13,924	19,351
	(b)	15,016	21,762



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



20 Payables and accruals (continued)

(a) Ageing analysis

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

	2021	2020
	\$'000	\$'000
Current	581	1,558
1 – 30 days	73	41
31 – 60 days	29	33
61 – 90 days	11	46
91 – 120 days	8	16
Over 120 days	390	717
	1,092	2,411

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

	2021	2020
	\$'000	\$'000
HK\$	14,984	21,726
USD	32	36
	15,016	21,762

As at 31 March 2021 and 31 March 2020, the fair values of the payables and accruals approximate their carrying amounts.





NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



21 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	At 31 March 2021		At 31 March 2020	
	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	72	95	1,740	1,848
After 1 year but within 2 years	–	–	369	388
	72	95	2,109	2,236
Less: Total future interest expenses		(23)		(127)
Present value of lease liabilities		72		2,109



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 Income tax in the consolidated statement of financial position

(a) Deferred tax assets and liabilities recognised:

The components of deferred tax (liabilities)/assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Future benefits of tax losses \$'000	Depreciation allowance in excess of the related depreciation \$'000	Total \$'000
At 1 April 2019	35,626	(35,626)	–
Credited/(charged) to profit or loss (<i>note 9(a)</i>)	364	(364)	–
At 31 March 2020 and 1 April 2020	35,990	(35,990)	–
(Charged)/credited to profit or loss (<i>note 9(a)</i>)	(1,376)	1,376	–
At 31 March 2021	34,614	(34,614)	–

(b) Deferred tax assets not recognised

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses of \$590,136,000 (2020: \$565,366,000) sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 March 2021. The tax losses do not expire under current tax legislation.

23 Share capital

(a) Authorised share capital of the Company

	2021 \$'000	2020 \$'000
Authorised:		
5,000,000,000 ordinary shares of \$0.10 each	500,000	500,000



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



23 Share capital (continued)

(b) Issued share capital of the Company

	Number of ordinary shares '000	Amount \$'000
Issued and fully paid:		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	4,823,009	482,301

(c) Equity settled share-based transactions

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Share capital (continued)

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

(i) Share options granted in 2016

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

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

Date of grant	Initial exercise price	Exercisable period	Number of share options					Remaining contractual life
			Outstanding at 1 April 2019	Cancelled/lapsed during the year ended 31 March 2020	Outstanding at 31 March 2020 and 1 April 2020	Cancelled/lapsed during the year ended 31 March 2021	Outstanding at 31 March 2021	
Directors								
7 September 2016	0.128	7 September 2017 to 6 September 2022	86,400,000	-	86,400,000	-	86,400,000	1.4 years
Employees								
7 September 2016	0.128	7 September 2017 to 6 September 2022	17,300,000	(2,200,000)	15,100,000	(2,100,000)	13,000,000	1.4 years
			<u>103,700,000</u>	<u>(2,200,000)</u>	<u>101,500,000</u>	<u>(2,100,000)</u>	<u>99,400,000</u>	

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)



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



23 Share capital (continued)

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

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

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

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

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

The Group recognised expenses of Nil (2020: Nil) related to equity settled share-based payment transactions paid during the year ended 31 March 2021.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 Reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital \$'000	Share-based			Reserves \$'000	Total \$'000
			Share premium \$'000	capital reserve \$'000	Accumulated losses \$'000		
Balance at 1 April 2019		482,301	3,092,937	5,951	(1,997,526)	1,101,362	1,583,663
Share options lapsed	23(c)	-	-	(123)	123	-	-
Loss and total comprehensive income for the year		-	-	-	(5,068)	(5,068)	(5,068)
Balance at 31 March 2020 and 1 April 2020		482,301	3,092,937	5,828	(2,002,471)	1,096,294	1,578,595
Share options lapsed	23(c)	-	-	(117)	117	-	-
Loss and total comprehensive income for the year		-	-	-	(669,171)	(669,171)	(669,171)
Balance at 31 March 2021		482,301	3,092,937	5,711	(2,671,525)	427,123	909,424

(b) Nature and purpose of reserves

(i) Share premium

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



24 Reserves (continued)

(b) Nature and purpose of reserves (continued)

(ii) Capital reserve

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

(iii) Share-based capital reserve

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

(iv) Exchange reserve

The exchange reserve comprises all exchange differences arising from the translation of the financial statements of operations outside Hong Kong as well as the effective portion of any exchange differences arising from hedges of the net investment in these operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 2(t).

(c) Dividends

No dividends had been paid or declared by the Company for the year ended 31 March 2021 (2020: Nil).

(d) Distributable reserves

The aggregate amounts of distributable reserves of the Company was \$421,412,000 (2020: \$1,090,466,000) as at 31 March 2021.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25 Contingent liabilities

Litigation with former directors and employees

At 31 March 2021, the Group has lodged certain claims against its former directors and employees. The outcome of these claims and the recovery of loss and damages from these claims cannot yet be reliably estimated.

26 Material related party transactions

(a) Key management personnel remunerations

Remuneration of key management personnel, including amounts paid to the directors, certain highest paid employees and senior management, are disclosed in note 10.

(b) Transactions with related parties

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

	2021	2020
	\$'000	\$'000
Interest income received from joint ventures	2,503	6,142
Interest income received from an associate	1,248	36
Logistics service income received from joint ventures	9,429	8,372
Licence fee income received from a joint venture	4,900	8,400
Sale of property, plant and equipment to a joint venture	–	254
Management fee income received from a joint venture	1,384	488



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



27 Company-level statement of financial position

	<i>Note</i>	2021 \$'000	2020 \$'000
Non-current asset			
Interests in subsidiaries		842,523	1,498,680
Current assets			
Receivables and prepayments		1,762	1,767
Bank deposits and cash		66,210	78,826
		67,972	80,593
Current liabilities			
Payables and accruals		1,071	678
		66,901	79,915
NET ASSETS		909,424	1,578,595
CAPITAL AND RESERVES			
Share capital	23	482,301	482,301
Reserves	24	427,123	1,096,294
TOTAL EQUITY		909,424	1,578,595

Approved and authorised for issue by the Board of Directors on 29 June 2021.

Cheng Chi Ming, Brian
Chairman

Lam King Sang
Director



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27 Company-level statement of financial position (continued)

(a) Principal subsidiaries held by the Group

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

Name	Place and date of incorporation/ establishment	Particulars of issued and paid-in capital	Effective interest held	Principal activities and place of operation
Directly held				
IWS Global Limited	British Virgin Islands ("BVI")/16 March 2007	Ordinary US\$50,030	100%	Investment holding/ Hong Kong
Indirectly held				
IWS Waste Management (Global) Company Limited	BVI/ 23 March 2009	Ordinary US\$1	100%	Investment holding/ Hong Kong
IWS Assorted Paper (Global) Company Limited	BVI/ 23 March 2009	Ordinary US\$1	100%	Investment holding/ Hong Kong
IWS Environmental Technologies (Global) Company Limited	BVI/ 23 March 2009	Ordinary US\$1	100%	Investment holding/ Hong Kong
CMDS (Global) Company Limited	BVI/ 23 March 2009	Ordinary US\$1	100%	Investment holding/ Hong Kong
IWS Waste Management Company Limited	Hong Kong/ 28 September 1993	Ordinary \$1,000,000	100%	Trading of recovered paper and materials/ Hong Kong
IWS Assorted Paper Company Limited	Hong Kong/ 15 December 1997	Ordinary \$1,000,000	100%	Trading of tissue paper products/ Hong Kong
Confidential Materials Destruction Service Limited	Hong Kong/ 22 June 1979	Ordinary \$10,000	100%	Provision of confidential materials destruction service and trading of recovered paper and materials/ Hong Kong



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



27 Company-level statement of financial position (continued)

(a) Principal subsidiaries held by the Group (continued)

Name	Place and date of incorporation/ establishment	Particulars of issued and paid-in capital	Effective interest held	Principal activities and place of operation
Indirectly held (continued)				
IWS Environmental Technologies Limited	Hong Kong/ 23 October 2002	Ordinary \$1,000,000	100%	Investment holding and provision of management services/ Hong Kong
IWS Promotion Limited	Hong Kong/ 17 September 2010	Ordinary \$1	100%	Development of recycling facilities at Tseung Kwan O/ Hong Kong
IWS Logistics Limited	Hong Kong/ 26 February 2013	Ordinary \$1	100%	Provision of logistics services/ Hong Kong
IWS Waste Management (Asia) Limited	Hong Kong/ 25 November 2014	Ordinary \$10,000	100%	Manufacturing of plastic products/ Hong Kong
IWS Waste Management (International) Limited	Hong Kong/ 5 August 2014	Ordinary \$10,000	100%	Investment holding/ Hong Kong
IWS Engineering Company Limited	Hong Kong/ 22 April 2015	Ordinary \$10,000	100%	Investment holding/ Hong Kong
I-Talent Paper Product (HK) Limited ("I-Talent") (Note)	Hong Kong/ 24 September 2020	Ordinary \$4,000,000	51%	Trading and manufacturing of assorted paper products/ Hong Kong



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27 Company-level statement of financial position (continued)

(a) Principal subsidiaries held by the Group (continued)

Note:

The following table lists out the information relating to I-Talent, the only subsidiary of the Group which has a material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2021
	\$'000
Current assets	2,582
Non-current assets	5,467
Current liabilities	(1,165)
Non-current liabilities	(3,338)
Net assets	3,546
Carrying amount of NCI at NCI percentage of 49%	1,738
Revenue	4
Loss for the year	(454)
Total comprehensive income for the year	(454)
Loss allocated to NCI at NCI percentage of 49%	(222)
Cash flows from operating activities	(547)
Cash flows from investing activities	(737)
Cash flows from financing activities	3,550



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)



28 Employee retirement benefits

The Group only operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of \$30,000. Contributions to the plan vest immediately. As the contributions to the plan vest immediately, there are no forfeited contributions hence no forfeited contributions might be used by the employer to reduce the existing level of contribution.

29 Immediate and ultimate controlling party

At 31 March 2021, the directors consider the immediate parent and ultimate controlling party of the Group to be Chow Tai Fook (Holding) Limited and Chow Tai Fook Capital Limited respectively, both of which are incorporated in the British Virgin Islands.

30 Commitments

(a) Capital commitments outstanding at the end of the reporting period not provided for in the financial statements were as follows:

	2021 \$'000	2020 \$'000
Contracted but not provided for		
Investment in I-Talent	510	–

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 31 March 2021, the Group’s total commitment to the investment in I-Talent is \$510,000 for capital contribution. Upon completion of capital injection, the Group will hold 51% equity interest in I-Talent.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

31 Non-adjusting event during the reporting period

Prior to the end of the reporting period, the outbreak of novel coronavirus (COVID-19) in January 2020 has caused disruptions to many industries in China as well as other countries. These disruptions have inevitably posed a significant threat to the global economy in 2020. Despite the challenges, governments and international organisations have implemented a series of measures to contain the epidemic. The time duration and scope of these disruptions cannot be accurately assessed at this point in time. Given the dynamic nature of these circumstances, the financial impact will be reflected in the Group's subsequent financial statements. The Group will closely monitor the development of the epidemic and assess its impact on its operations.

32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17 which are not yet effective for the year ended 31 March 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to IFRSs 2018–2020 Cycle	1 January 2022
Amendments to IAS 1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.





FIVE YEAR FINANCIAL SUMMARY



RESULTS

	Year ended 31 March				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
Revenue	206,940	175,461	196,340	104,295	51,326
Gross profit	37,877	31,020	42,002	19,211	29,085
Loss before taxation	(81,206)	(80,965)	(51,759)	(77,589)	(24,115)
Income tax credit	–	–	235	–	–
Loss for the year	(81,206)	(80,965)	(51,524)	(77,589)	(24,115)
Other comprehensive income for the year (net of nil tax)	–	–	–	12	1,140
Total comprehensive income for the year	(81,206)	(80,965)	(51,524)	(77,577)	(22,975)
Attributable to:					
Equity shareholders of the Company	(81,201)	(80,965)	(51,524)	(77,577)	(22,753)
Non-controlling interests	(5)	–	–	–	(222)
	(81,206)	(80,965)	(51,524)	(77,577)	(22,975)

ASSETS AND LIABILITIES

	As at 31 March				2021 HK\$'000
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	
Total assets	1,101,574	1,022,086	968,106	892,093	862,295
Total liabilities	27,104	25,024	22,317	23,881	15,098
Total equity	1,074,470	997,062	945,789	868,212	847,197





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

