



IWS

Integrated Waste Solutions
Group Holdings Limited

綜合環保集團有限公司

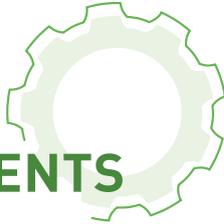
(Incorporated in the Cayman Islands with limited liability)

Stock code: 923



2021/22

INTERIM 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

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

COMPANY SECRETARY

Ms. Ng Sum Yu, Phyllis

AUTHORISED REPRESENTATIVES

Mr. Tam Sui Kin, Chris

Ms. Ng Sum Yu, Phyllis

AUDITOR

KPMG

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Integrated Waste Solutions Building

8 Chun Cheong Street

Tseung Kwan O Industrial Estate

New Territories

Hong Kong

CORPORATE WEBSITE

www.iwsggh.com

STOCK CODE

923

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited

Windward 3

Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited

Fubon Bank (Hong Kong) Limited

Bank of Communications Co., Ltd.



MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

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 in 2021 and the embodiment of Basel Convention have adversely affected the local recycling industry while the ongoing global outbreak of COVID-19 pandemic continues to hinder the pace of economic recovery globally. 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.

FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the six months ended 30 September 2021 (the "Current Period") amounted to HK\$14.6 million, an increase of approximately HK\$4.7 million loss when compared to the net loss of HK\$9.9 million for the six months ended 30 September 2020 (the "Last Period").

| | 6 months ended 30.09.2021 HK\$'000 | 6 months ended 30.09.2020 HK\$'000 | Fav./ (Unfav.) Change | |
|--|---|---|----------------------------------|-----------------|
| | | | HK\$'000 | % |
| Results of Operating Segments | 5,367 | 7,554 | (2,187) | (29.0%) |
| Net Corporate expenses | (23,156) | (22,318) | (838) | (3.8%) |
| | (17,789) | (14,764) | (3,025) | (20.5%) |
| Share of results of an associate | (773) | 4,413 | (5,186) | (117.5%) |
| Share of results of joint ventures | 3,972 | 418 | 3,554 | 850.2% |
| Loss attributable to equity shareholders of the Company | (14,590) | (9,933) | (4,657) | (46.9%) |



MANAGEMENT DISCUSSION AND ANALYSIS

Loss attributable to equity shareholders of the Company increased in the Current Period, as there was subsidy income of HK\$5.4 million received from the Hong Kong SAR government in the Last Period. Net corporate expenses maintained at the same level as the Last Period. The share of profits of joint ventures of the Group for the Current Period was HK\$4.0 million, an increase of HK\$3.6 million when compared to HK\$0.4 million in the Last Period. During the Current Period, the Group has recognised a share of loss of HK\$0.8 million of its hazardous waste treatment project, an associate acquired in January 2020, while a share of profit of HK\$4.4 million was recorded in the Last Period. There was a decrease in both treatment volume and average treatment prices of hazardous waste during the Current Period as industrial productivity in Mainland was yet to be back to the Pre-COVID-19 level.

Revenue Analysis

| | 6 months ended 30.09.2021 HK\$'000 | 6 months ended 30.09.2020 HK\$'000 | Fav./(Unfav.) Change | |
|--------------------------------|---|---|---------------------------------|-----------------|
| | | | HK\$'000 | % |
| Sales of Recovered Paper | 10,044 | 9,810 | 234 | 2.4% |
| CMDs service income | 9,014 | 9,931 | (917) | (9.2%) |
| Logistics service income | 2,363 | 6,743 | (4,380) | (65.0%) |
| Sales of tissue paper products | 795 | 46 | 749 | 1,628.3% |
| Sales of other waste materials | 23 | 25 | (2) | (8.0%) |
| Sales of Recycled LPDE Pellets | – | 1,893 | (1,893) | (100.0%) |
| | 22,239 | 28,448 | (6,209) | (21.8%) |

The revenue of **Recovered Paper** business increased to approximately HK\$10.0 million, an increase of approximately HK\$0.2 million or 2.4% when compared to the Last Period, due to increase in average selling price of 17.8% during the Current Period. The Group decided to cease the operation of outside recovered paper depots in May 2020, given the worsening of performance of the segment. Sales volume dropped by 13.1%. However, the gross profit and gross profit margin of recovered paper trading have increased from HK\$4.7 million to HK\$6.6 million and from 47.6% to 65.9% respectively due to the recent increase in average selling price.

Sales revenue of recovered office paper generated from the CMDs services has increased by 15.1%, mainly due to the increase in average selling price of 11.4%. The demand for recovered office paper has been relatively less affected by external risks compared to other types of recovered paper, its sales volume recorded an increase of 3.4%.

Confidential Materials Destruction Service (“CMDs”) service income maintained at HK\$9.0 million which recorded a slight decrease of HK\$0.9 million or 9.2% when compared to the Last Period. Despite the measures implemented to control the coronavirus outbreak in Hong Kong since the beginning of 2020 and thus affected the collection volume of confidential papers from government departments and other business organisations, total collection volume had not been reduced as much as we expected due to volume intake from new customers. With the relaxation of the control measures in recent months, we hope to improve our collection volume in order to compensate for the decreasing trend in service income.





MANAGEMENT DISCUSSION AND ANALYSIS



The joint venture with ALBA Group for treatment and recycling of **waste electrical and electronic equipment** (“WEEE”) contributed income of HK\$6.0 million to the Group for the six months ended 30 September 2021. We are confident that the WEEE operation will continue to grow and bring further revenue to the Group. Our **Logistics** Division plays a major role in the transportation of WEEE items. **Logistics** service income has decreased by HK\$4.4 million or 65.0% to HK\$2.4 million in the Current Period, it was mainly due to the lower rate of WEEE household collection charges applied since July 2020.

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 have currently transformed the current business model into an OEM solution provider for plastic wastes. In the Current Period, share of results from this joint venture has been improved by HK\$3.5 million, which reflects the cost optimisation of change of business model.

The investment in Dugong IWS HAZ Limited (“DI”) in January 2020 represents not only a geographical expansion to Mainland China but also our investment in a new type of business, **treatment of hazardous waste**. Environmental policies in the Mainland China offer vast opportunities for waste treatment. The Sino-US trade war, COVID-19 pandemic and intense market competition are factors affecting performance and profit margin, thus resulting a net loss in the Current Period. Notwithstanding, the second phase expansion of its Lianyungang plant in Jiangsu is due to be operational and, its new project in Kaifeng, Henan is expected to commence operations in 2022. We expect to see growth in capacity and revenue and be one of the major profit contributors to the Group’s financial results.

Gross Profit and Gross Profit Margin

The Gross Profit of the Group for the Current Period was HK\$13.6 million, a slight decrease of HK\$1.1 million or 7.5% when compared to the Last Period. However, the gross profit margin has increased from 51.8% to 61.3%, mainly due to the shift of the Group’s focus on businesses with higher profit margins.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK\$38.1 million, representing a reduction of HK\$3.2 million when compared to the Last Period. The reduction in these expenditures was due to the continuing cost control measures initiated by the management throughout the Current Period.

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

The Group recorded a LBIDTA of HK\$4.6 million in the Current Period while an EBITDA of HK\$2.1 million was achieved in which an amount of HK\$5.4 million being total subsidy income received in the Last Period.

Liquidity and Financial Resources

As at 30 September 2021, the Group had unrestricted bank deposits and cash of approximately HK\$87.0 million (31 March 2021: HK\$78.3 million). The Group had no bank loans and overdrafts as at 30 September 2021 (31 March 2021: Nil).





MANAGEMENT DISCUSSION AND ANALYSIS



As at 30 September 2021, the Group had net current assets of approximately HK\$139.9 million, compared to net current assets of approximately HK\$135.3 million as at 31 March 2021. The current ratio of the Group was 10.9 as at 30 September 2021 compared to 10.0 as at 31 March 2021.

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

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of its sales denominated in Hong Kong dollars. 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 same local currency of the entity concerned.

For the six months ended 30 September 2021, the Group had no foreign exchange gain/loss (six months ended 30 September 2020: loss of HK\$0.1 million). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Major Capital Expenditure and Commitments

During the Current Period, the Group incurred approximately HK\$1.0 million mainly for the capital expenditure in respect of the headquarters of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 30 September 2021, the Group has capital commitments of approximately HK\$0.7 million, which are mainly related to the plant and machineries of CMDS business. Details of the capital commitment of the Group are set out in note 16.

Capital Structure

Details of the capital structure of the Company are set out in note 15.

Contingent Liabilities

At 30 September 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.

Employees and Remuneration Policies

The Group employed approximately 119 employees in Hong Kong as at 30 September 2021. Employee costs, including directors' emoluments, amounted to HK\$21.6 million for the six months ended 30 September 2021 (six months ended 30 September 2020: HK\$21.4 million). All of the Group companies are equal opportunity employers, with the selection and promotion of employees based on suitability for the position offered. The Group also believes that, with proper training and guidance, people with intellectual disabilities can be capable, loyal and conscientious workers to contribute to society. By providing job opportunities to people with intellectual disabilities, we can enhance their social integration and assist them in seeking open employment.





MANAGEMENT DISCUSSION AND ANALYSIS



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.

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

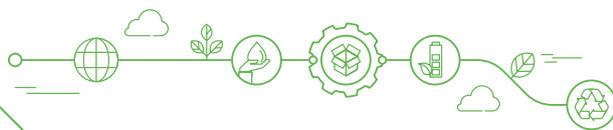
OUTLOOK AND PROSPECT

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

We will 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 Mainland 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. At the same time, we remain open to new business opportunities for diversifying our sources of income, fulfilling our commitment to our shareholders and investors through bringing high value-added businesses that drive sustainable growth, and we will take all necessary measures including tight cost controls for ensuring a stable operational and financial status.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2021 (2020 interim: HK\$Nil).





OTHER INFORMATION



SHARE OPTION SCHEME

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

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

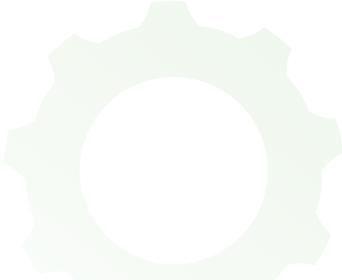
| Tranche | Vesting Period |
|---------|---|
| 1 | 50% of the Options granted and accepted are exercisable from 7 September 2017 to 6 September 2022 (up to 50% of the Options granted and accepted are exercisable) |
| 2 | 50% of the Options granted and accepted are exercisable from 7 September 2018 to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

The following table discloses movements of the Company’s share Options held by directors of the Company (“Directors”) and employees during the six months ended 30 September 2021 (“Current Period”):

| Eligible participants | Outstanding as at 1 April 2021 | Exercised during the Current Period | Lapsed during the Current Period | Outstanding as at 30 September 2021 |
|-----------------------|--------------------------------------|---|--|--|
| Directors | 86,400,000 | – | (8,800,000) | 77,600,000 |
| Employees | 13,000,000 | – | (1,300,000) | 11,700,000 |
| Total | 99,400,000 | – | (10,100,000) | 89,300,000 |

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





OTHER INFORMATION

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

As at 30 September 2021, the interests or short positions of the Directors and chief executive in the shares, underlying shares or debentures of the Company or any of, its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required pursuant to: (a) Divisions 7 to 8 of Part XV of the SFO, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

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

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

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

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



OTHER INFORMATION



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme adopted by the shareholders of the Company on 11 March 2010 (the "Share Option Scheme"), the Company has granted to Directors options to subscribe Shares. Details of which as at 30 September 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 1 April 2021 | Granted and accepted | Exercised | Cancelled/ Lapsed | Outstanding as at 30 September 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% |

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

Save as disclosed above and in note 15 to the unaudited interim financial report about the Share Option Scheme, at no time during the six months ended 30 September 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.





OTHER INFORMATION

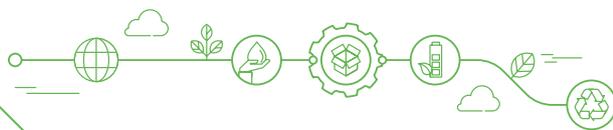
SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

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

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





OTHER INFORMATION



Notes:

1. As at 30 September 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 disclosure of interests notification from Ms. So Kit Yee Anita, as the Joint and Several Liquidator of City Legend (the "DI Notice"), 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 (pursuant to the DI Notice) 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 30 September 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.





OTHER INFORMATION

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.

Led by the ESG working group which reports to the Board of Directors for consideration and decision making, the Group’s ESG functions and sustainability practices have been optimised in conjunction with its business growth. The Company published its detailed ESG performance in the ESG Report in August 2021 on the websites of the Stock Exchange and the Company, in compliance with the ESG Reporting Guide set out in Appendix 27 to the Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintain a high standard of corporate governance and has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules. The Company has complied with the code provisions set out in the CG Code throughout the six months ended 30 September 2021.

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

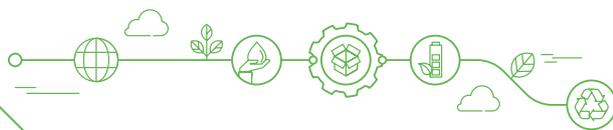
COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiries by the Company with the Directors, all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2021.

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

The Company has also adopted Code for Securities Transactions by Relevant Employees (the “Own Code”) on no less exacting terms than the Model Code for governing securities transactions by employees who are likely to be in possession of inside information of the Company or its securities. No incident of non-compliance of the Own Code by any relevant employee was noted by the Company during the six months ended 30 September 2021.





OTHER INFORMATION



UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change in the Directors' information since the date of the 2021 Annual Report is set out below:

Mr. Tsang On Yip, Patrick (Non-executive Director)

The Company has renewed the letter of appointment with Mr. Tsang as non-executive Director of the Company for a term of three years from 1 November 2021. Pursuant to the letter of appointment, Mr. Tsang 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.

Mr. Lee Chi Hin, Jacob (Non-executive Director)

The Company has renewed the letter of appointment with Mr. Lee as non-executive Director of the Company for a term of three years from 1 September 2021. Pursuant to the letter of appointment, Mr. Lee 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.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim financial report of the Group for the six months ended 30 September 2021 with the management and the external auditor, KPMG. The unaudited interim financial report of the Group for the six months ended 30 September 2021 has been reviewed by the Company's external auditor, KPMG, in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", issued by International Auditing and Assurance Standards Board and International Accounting Standard 34 "*Interim Financial Reporting*" issued by the International Accounting Standards Board.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2021.

By Order of the Board

Integrated Waste Solutions Group Holdings Limited

Cheng Chi Ming, Brian

Chairman

Hong Kong, 26 November 2021



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

| | Note | Six months ended | |
|---|------|-------------------|------------|
| | | 2021 | 2020 |
| | | \$'000 | \$'000 |
| | | | |
| Revenue | 5 | 22,239 | 28,448 |
| Cost of sales and services | | (8,612) | (13,700) |
| Gross profit | | 13,627 | 14,748 |
| Other revenue | 6 | 3,631 | 10,236 |
| Other net gain/(loss) | | 150 | (602) |
| Selling and distribution expenses | | (6,488) | (8,321) |
| Administrative and other operating expenses | | (31,600) | (32,950) |
| Operating loss | | (20,680) | (16,889) |
| Finance income | 7(a) | 2,012 | 2,169 |
| Finance cost | 7(b) | (4) | (44) |
| Share of (loss)/profit of an associate | | (773) | 4,413 |
| Share of profit of joint ventures | | 3,972 | 418 |
| Loss before taxation | 7 | (15,473) | (9,933) |
| Income tax | 8 | – | – |
| Loss for the period | | (15,473) | (9,933) |
| Attributable to: | | | |
| Equity shareholders of the Company | 9 | (14,590) | (9,933) |
| Non-controlling interests | | (883) | – |
| Loss for the period | | (15,473) | (9,933) |
| Basic and diluted loss per share | 9 | (0.3) cent | (0.2) cent |

The notes on pages 20 to 35 form part of this interim financial report.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

| | Six months ended | |
|--|-------------------------|---------|
| | 30 September | |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Loss for the period | (15,473) | (9,933) |
| Other comprehensive income for the period (net of nil tax): | | |
| Item that may be reclassified subsequently to profit or loss | | |
| Exchange difference on translation of financial statements of: | | |
| – a joint venture and an associate operating outside Hong Kong | 45 | 327 |
| Other comprehensive income for the period | 45 | 327 |
| Total comprehensive income for the period | (15,428) | (9,606) |
| Attributable to: | | |
| Equity shareholders of the Company | (14,545) | (9,606) |
| Non-controlling interests | (883) | – |
| Total comprehensive income for the period | (15,428) | (9,606) |

The notes on pages 20 to 35 form part of this interim financial report.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

| | <i>Note</i> | At 30 September 2021 \$'000 | At 31 March 2021 \$'000 |
|---|-------------|--|----------------------------------|
| Non-current assets | | | |
| Property, plant and equipment and right-of-use assets | 10 | 598,617 | 611,582 |
| Interests in an associate | 11 | 84,765 | 91,231 |
| Interests in joint ventures | 12 | 8,225 | 8,866 |
| Deposits and prepayments | | 761 | 232 |
| | | 692,368 | 711,911 |
| Current assets | | | |
| Inventories | | 997 | 344 |
| Trade receivables | 13 | 5,121 | 5,633 |
| Other receivables, deposits and prepayments | | 10,416 | 10,763 |
| Amount due from an associate | 11 | 24,958 | 18,407 |
| Amounts due from joint ventures | 12 | 25,436 | 36,893 |
| Amount due from a related company | | 12 | 12 |
| Bank deposits and cash | | 87,024 | 78,332 |
| | | 153,964 | 150,384 |
| Current liabilities | | | |
| Trade payables | 14 | 820 | 1,092 |
| Other payables and accruals | | 13,243 | 13,924 |
| Lease liabilities | | – | 72 |
| Amount due to a related company | | 10 | 10 |
| | | 14,073 | 15,098 |
| Net current assets | | 139,891 | 135,286 |
| NET ASSETS | | 832,259 | 847,197 |
| CAPITAL AND RESERVES | | | |
| Share capital | 15 | 482,301 | 482,301 |
| Reserves | | 348,613 | 363,158 |
| Total equity attributable to equity shareholders of the Company | | 830,914 | 845,459 |
| Non-controlling interests | | 1,345 | 1,738 |
| TOTAL EQUITY | | 832,259 | 847,197 |

The notes on pages 20 to 35 form part of this interim financial report.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

| | | Attributable to equity shareholders of the Company | | | | | | | | |
|--|-------|--|---------------|-----------------|-----------------------------|------------------|--------------------|----------|---------------------------|--------------|
| | Note | Share capital | Share premium | Capital reserve | Share-based capital reserve | Exchange reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 April 2020 | | 482,301 | 3,092,937 | (964,044) | 5,828 | 12 | (1,748,822) | 868,212 | – | 868,212 |
| Changes in equity for the six months ended 30 September 2020: | | | | | | | | | | |
| Loss for the year | | – | – | – | – | – | (9,933) | (9,933) | – | (9,933) |
| Share of other comprehensive income of – a joint venture and an associate operating outside Hong Kong | | – | – | – | – | 327 | – | 327 | – | 327 |
| Total comprehensive income for the year | | – | – | – | – | 327 | (9,933) | (9,606) | – | (9,606) |
| Share options lapsed | 15(c) | – | – | – | (101) | – | 101 | – | – | – |
| Balance at 30 September 2020 and 1 October 2020 | | 482,301 | 3,092,937 | (964,044) | 5,727 | 339 | (1,758,654) | 858,606 | – | 858,606 |
| Changes in equity for the six months ended 31 March 2021: | | | | | | | | | | |
| Loss for the year | | – | – | – | – | – | (13,960) | (13,960) | (222) | (14,182) |
| Share of other comprehensive income of – a joint venture and an associate operating outside Hong Kong | | – | – | – | – | 813 | – | 813 | – | 813 |
| Total comprehensive income for the year | | – | – | – | – | 813 | (13,960) | (13,147) | (222) | (13,369) |
| Capital injection by non-controlling interests shareholder upon incorporation of a newly set up subsidiary | | – | – | – | – | – | – | – | 1,960 | 1,960 |
| Share options lapsed | 15(c) | – | – | – | (16) | – | 16 | – | – | – |
| 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 |
| Balance at 1 April 2021 | | 482,301 | 3,092,937 | (964,044) | 5,711 | 1,152 | (1,772,598) | 845,459 | 1,738 | 847,197 |
| Changes in equity for the six months ended 30 September 2021: | | | | | | | | | | |
| Loss for the year | | – | – | – | – | – | (14,590) | (14,590) | (883) | (15,473) |
| Share of other comprehensive income of – a joint venture and an associate operating outside Hong Kong | | – | – | – | – | 45 | – | 45 | – | 45 |
| Total comprehensive income for the year | | – | – | – | – | 45 | (14,590) | (14,545) | (883) | (15,428) |
| Capital injection by non-controlling interests shareholder | | – | – | – | – | – | – | – | 490 | 490 |
| Share options lapsed | 15(c) | – | – | – | (581) | – | 581 | – | – | – |
| Balance at 30 September 2021 | | 482,301 | 3,092,937 | (964,044) | 5,130 | 1,197 | (1,786,607) | 830,914 | 1,345 | 832,259 |

The notes on pages 20 to 35 form part of this interim financial report.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2021 – unaudited
(Expressed in Hong Kong dollars)

| | Six months ended | |
|---|------------------|----------|
| | 30 September | |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Operating activities | | |
| Operating loss before working capital changes | (7,957) | (2,264) |
| Cash (used in)/generated from operations | (694) | 3,465 |
| Net cash (used in)/generated from operating activities | (8,651) | 1,201 |
| Investing activities | | |
| Payment for purchase of property, plant and equipment | (853) | (60) |
| Proceeds from disposal of property, plant and equipment | 513 | 1,458 |
| Loan to an associate | – | (16,560) |
| Loans repaid by a joint venture | 19,982 | 3,000 |
| Increase in amount due from a joint venture | (3,817) | (3,014) |
| Interest received | 1,104 | 827 |
| Net cash generated from/(used in) investing activities | 16,929 | (14,349) |
| Financing activities | | |
| Capital element of lease rentals paid | (72) | (724) |
| Interest element of lease rentals paid | (4) | (44) |
| Capital injection by non-controlling interests shareholder | 490 | – |
| Net cash generated from/(used in) financing activities | 414 | (768) |
| Net increase/(decrease) in cash and cash equivalents | 8,692 | (13,916) |
| Cash and cash equivalents at the beginning of the period | 78,332 | 98,962 |
| Cash and cash equivalents at the end of the period | 87,024 | 85,046 |

The notes on pages 20 to 35 form part of this interim financial report.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General information

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

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, promulgated by the International Accounting Standards Board (“IASB”). It was authorised for issue on 26 November 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, “*Review of interim financial information performed by the independent auditor of the entity*” issued by the International Auditing and Assurance Standards Board. KPMG’s independent review report to the Board of Directors is included on page 36.

The financial information relating to the financial year ended 31 March 2021 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 Changes in accounting policies

The IASB has issued the following amendments to IFRS that are first effective for the current accounting period of the Group:

- Amendments to IFRS 16, *COVID-19-Related Rent Concessions beyond 30 June 2021*; and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – phase 2*

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

4 Financial risk management

Financial risk factors

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

The interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2021. There have been no changes in the risk management policies since 31 March 2021.

Fair value measurement

At 30 September 2021, the fair values of financial assets and liabilities approximate their carrying amounts.

5 Revenue and segment information

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

- 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





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Revenue and segment information (continued)

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

Revenue from contracts with customers within the scope of IFRS 15

| | Six months ended | |
|--|------------------|---------------|
| | 30 September | |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Disaggregated by major products or service lines | | |
| – Provision of CMDS | 9,014 | 9,931 |
| – Provision of logistics services | 2,363 | 6,743 |
| – Sales of recovered paper and materials | 10,067 | 11,728 |
| – Sales of tissue paper products | 795 | 46 |
| | 22,239 | 28,448 |

Revenue by geographic markets

| | Six months ended | |
|----------------|------------------|---------------|
| | 30 September | |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Hong Kong | 22,239 | 18,233 |
| South Korea | – | 8,120 |
| Mainland China | – | 2,095 |
| | 22,239 | 28,448 |

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Revenue and segment information (continued)

The segment results and other segment items included in the loss for the six months ended 30 September 2021 are as follows:

| | Six months ended 30 September 2021 | | | | |
|--|------------------------------------|---------------------------------|---|---------------------------------------|-----------------|
| | CMDS \$'000 | Logistics services \$'000 | Recovered paper and materials \$'000 | Tissue paper products \$'000 | Total \$'000 |
| <i>Segment revenue:</i> | | | | | |
| Sales to external customers | 9,014 | 2,363 | 10,067 | 795 | 22,239 |
| Inter-segment sales | – | 4,750 | – | – | 4,750 |
| Reportable segment revenue | 9,014 | 7,113 | 10,067 | 795 | 26,989 |
| Elimination of inter-segment revenue | – | (4,750) | – | – | (4,750) |
| | 9,014 | 2,363 | 10,067 | 795 | 22,239 |
| <i>Segment results:</i> | | | | | |
| Reportable segment profit/(loss) | 6,497 | 713 | 6,537 | (698) | 13,049 |
| Elimination of inter-segment loss | | | | | 578 |
| Reportable segment profit derived from the Group's external customers | | | | | 13,627 |
| Other revenue | | | | | 3,631 |
| Other net gain | | | | | 150 |
| Selling and distribution expenses | | | | | (6,488) |
| Administrative and other operating expenses | | | | | (31,600) |
| Finance income | | | | | 2,012 |
| Finance cost | | | | | (4) |
| Share of loss of an associate | | | | | (773) |
| Share of profit of joint ventures | | | | | 3,972 |
| Loss before taxation | | | | | (15,473) |
| Income tax | | | | | – |
| Loss for the period | | | | | (15,473) |



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Revenue and segment information (continued)

The segment results and other segment items included in the loss for the six months ended 30 September 2020 are as follows:

| | Six months ended 30 September 2020 | | | | |
|--------------------------------------|------------------------------------|---------------------------------|---|---------------------------------------|-----------------|
| | CMDS \$'000 | Logistics services \$'000 | Recovered paper and materials \$'000 | Tissue paper products \$'000 | Total \$'000 |
| <i>Segment revenue:</i> | | | | | |
| Sales to external customers | 9,931 | 6,743 | 11,728 | 46 | 28,448 |
| Inter-segment sales | – | 5,387 | – | – | 5,387 |
| Reportable segment revenue | 9,931 | 12,130 | 11,728 | 46 | 33,835 |
| Elimination of inter-segment revenue | – | (5,387) | – | – | (5,387) |
| | 9,931 | 6,743 | 11,728 | 46 | 28,448 |

Segment results:

| | | | | | |
|--|-------|-------|-------|---|----------|
| Reportable segment profit | 6,793 | 3,154 | 4,941 | – | 14,888 |
| Elimination of inter-segment profit | | | | | (140) |
| Reportable segment profit derived from the Group's external customers | | | | | 14,748 |
| Other revenue | | | | | 10,236 |
| Other net loss | | | | | (602) |
| Selling and distribution expenses | | | | | (8,321) |
| Administrative and other operating expenses | | | | | (32,950) |
| Finance income | | | | | 2,169 |
| Finance cost | | | | | (44) |
| Share of profit of an associate | | | | | 4,413 |
| Share of profit of joint ventures | | | | | 418 |
| Loss before taxation | | | | | (9,933) |
| Income tax | | | | | – |
| Loss for the period | | | | | (9,933) |



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

6 Other revenue

| | Six months ended | |
|---------------------------|------------------|--------|
| | 30 September | |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Licence fee income | 2,100 | 2,800 |
| Service income | 135 | 719 |
| Management fee income | 757 | 627 |
| Subsidy income (note (i)) | 329 | 5,359 |
| Others | 310 | 731 |
| | 3,631 | 10,236 |

- (i) For the six months ended 30 September 2020, 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 approximately \$4,600,000 for the six months ended 30 September 2020. 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 Loss before taxation

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

| | Six months ended | |
|--|------------------|---------|
| | 30 September | |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| (a) Finance income | | |
| Interest income from bank deposits | (120) | (440) |
| Interest income from loans to an associate | (856) | (422) |
| Interest income from loans to joint ventures | (1,036) | (1,307) |
| | (2,012) | (2,169) |
| (b) Finance cost | | |
| Interest on lease liabilities | 4 | 44 |





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

7 Loss before taxation (continued)

| | Six months ended | |
|--|------------------|--------|
| | 30 September | |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| (c) Other items | | |
| Cost of inventories sold | 4,438 | 6,824 |
| Depreciation charge: | | |
| – Owned property, plant and equipment | 12,261 | 12,878 |
| – Right-of-use assets | 612 | 1,236 |
| (Gain)/loss on disposal of property, plant and equipment | (150) | 342 |
| Short-term lease payments not included in the measurement of lease liabilities | 26 | 212 |
| Write off of property, plant and equipment | – | 190 |
| Foreign exchange loss, net | – | 91 |

8 Income tax

No provision for Hong Kong Profits Tax for the six months ended 30 September 2021 and 30 September 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 period or the subsidiaries have no estimated assessable profits in Hong Kong.

9 Loss per share

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to equity shareholders of the Company of \$14,590,000 (six months ended 30 September 2020: \$9,933,000) and the weighted average of 4,823,009,000 (2020: 4,823,009,000) ordinary shares in issue during the interim period.

(b) Diluted loss per share

No adjustment had been made to the basic loss per share presented for the six months ended 30 September 2021 and 30 September 2020 in respect of a dilution as the outstanding share options had an anti-dilutive effect on the basic loss per share presented.

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

During the six months ended 30 September 2021, the Group disposed and wrote off items of property, plant and equipment with aggregate net book value of \$371,000 (2020: \$1,991,000).



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

11 Interests in an associate

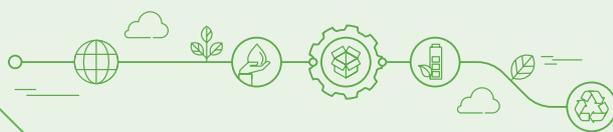
| | At 30 September 2021 \$'000 | At 31 March 2021 \$'000 |
|---|--------------------------------------|----------------------------------|
| Share of net assets | 73,377 | 74,149 |
| Loans to an associate (note 11(a)) | 34,165 | 34,165 |
| Amount due from an associate (note 11(b)) | 2,181 | 1,324 |
| | 109,723 | 109,638 |
| Represented by: | | |
| Non-current portion | 84,765 | 91,231 |
| Current portion | 24,958 | 18,407 |
| | 109,723 | 109,638 |

(a) Loans to an associate

- (i) Loan of RMB14,400,000 (equivalent to approximately \$17,083,000) at 30 September 2021 (31 March 2021: \$17,083,000) 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
- (ii) Loan of RMB14,400,000 (equivalent to approximately \$17,083,000) at 30 September 2021 (31 March 2021: \$17,083,000) 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 28 September 2022 and 28 September 2023 respectively.

(b) Amount due from an associate

The amount due from an associate at 30 September 2021 and 31 March 2021 are unsecured, interest-free and has no fixed terms of repayment.





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Interests in joint ventures

| | At 30 September 2021 \$'000 | At 31 March 2021 \$'000 |
|--|--------------------------------------|----------------------------------|
| Share of net liabilities | (9,409) | (13,425) |
| Loans to joint ventures (note 12(a)) | 19,500 | 39,482 |
| Amounts due from joint ventures (note 12(b)) | 23,570 | 19,702 |
| | 33,661 | 45,759 |
| Represented by: | | |
| Non-current portion | 8,225 | 8,866 |
| Current portion | 25,436 | 36,893 |
| | 33,661 | 45,759 |

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

RGF Environmental New Material Limited ("RGF HK") set up a wholly owned subsidiary in Jiangmen City of the PRC, namely 绿色未来环保新材料（广东）有限公司 ("RGF GD"). The Group is entitled to share 49% of the financial results of RGF HK and its subsidiary (together "RGF"). On 31 July 2021, RGF HK sold its entire interest in RGF GD to 2 directors of RGF HK, at cash consideration amounted to RMB236,000 (equivalent to approximately \$280,000).

(a) Loans to joint ventures

- (i) Loan of \$7,500,000 (31 March 2021: \$7,500,000) which is unsecured, interest-bearing at the rate of HIBOR plus 4% per annum is repayable on 19 February 2022;
- (ii) Loan of \$12,000,000 (31 March 2021: \$12,000,000) 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 demand and the remaining \$7,500,000 is repayable on 2 May 2022; and
- (iii) Loan of \$19,982,000 had been fully repaid by a joint venture during the six months ended 30 September 2021.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Interests in joint ventures (continued)

(b) Amounts due from joint ventures

The amounts due from joint ventures at 30 September 2021 and 31 March 2021 are unsecured, interest-free and has no fixed terms of repayment.

13 Trade receivables

| | At 30 September 2021 \$'000 | At 31 March 2021 \$'000 |
|------------------------|--------------------------------------|----------------------------------|
| Trade receivables | 7,677 | 8,189 |
| Less: Loss allowance | (2,556) | (2,556) |
| Trade receivables, net | 5,121 | 5,633 |

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

| | At 30 September 2021 \$'000 | At 31 March 2021 \$'000 |
|----------------------|--------------------------------------|----------------------------------|
| 0 – 30 days | 4,826 | 5,467 |
| 31 – 60 days | 177 | 93 |
| 61 – 90 days | 36 | 21 |
| 91 – 120 days | 116 | 5 |
| Over 120 days | 2,522 | 2,603 |
| Less: Loss allowance | (2,556) | (2,556) |
| | 5,121 | 5,633 |

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Trade payables

| | At 30 September 2021 \$'000 | At 31 March 2021 \$'000 |
|----------------|--|----------------------------------|
| Trade payables | 820 | 1,092 |

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

| | At 30 September 2021 \$'000 | At 31 March 2021 \$'000 |
|---------------|--|----------------------------------|
| Current | 147 | 581 |
| 1 – 30 days | 143 | 73 |
| 31 – 60 days | 65 | 29 |
| 61 – 90 days | 4 | 11 |
| 91 – 120 days | 5 | 8 |
| Over 120 days | 456 | 390 |
| | 820 | 1,092 |

15 Share capital and reserves

(a) Authorised share capital of the Company

| | At 30 September 2021 \$'000 | At 31 March 2021 \$'000 |
|--|--|----------------------------------|
| Authorised: 5,000,000,000 ordinary shares of \$0.10 each | 500,000 | 500,000 |



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Share capital and reserves (continued)

(b) Issued share capital of the Company

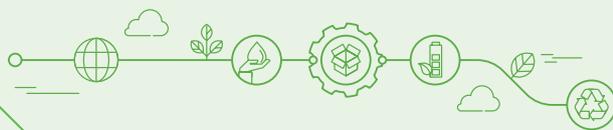
| | Number of ordinary shares \$'000 | Amount \$'000 |
|--|--|------------------|
| Issued and fully paid: | | |
| At 1 April 2020, 30 September 2020, 31 March 2021, 1 April 2021 and 30 September 2021 | 4,823,009 | 482,301 |

(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 sheet for the five business days immediately preceding the date on which such offer is made; and
- the nominal value of a share of the Company.

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





NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Share capital and reserves (continued)

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

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

| Date of grant | Initial exercise price \$ | Exercisable period | Number of share options | | | Remaining contractual life |
|------------------|------------------------------|--------------------------------------|-----------------------------|--------------------------|----------------------------------|----------------------------|
| | | | Outstanding at 1 April 2021 | Lapsed during the period | Outstanding at 30 September 2021 | |
| Directors | | | | | | |
| 7 September 2016 | 0.128 | 7 September 2017 to 6 September 2022 | 86,400,000 | (8,800,000) | 77,600,000 | 0.9 years |
| Employees | | | | | | |
| 7 September 2016 | 0.128 | 7 September 2017 to 6 September 2022 | 13,000,000 | (1,300,000) | 11,700,000 | 0.9 years |
| | | | 99,400,000 | (10,100,000) | 89,300,000 | |

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

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

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

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

15 Share capital and reserves (continued)

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

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

The Group recognised expense of Nil (2020: Nil) related to equity settled share-based payment transactions during the six months ended 30 September 2021.

(d) Dividends

No dividends had been paid or declared by the Company for the six months ended 30 September 2021 (2020: Nil).

16 Commitments

Capital commitments outstanding at the end of the reporting period not provided for in the interim financial report were as follows:

| | At 30 September 2021 \$'000 | At 31 March 2021 \$'000 |
|--|--------------------------------------|----------------------------------|
| Contracted but not provided for | | |
| Acquisition of property, plant and equipment | 745 | – |
| Investment in I-Talent Paper Product (HK) Limited (“I-Talent”) | – | 510 |
| | 745 | 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. The Group's total commitment to the investment in I-Talent was \$510,000 for capital contribution as at 31 March 2021. During the 6 months ended 30 September 2021, the capital injection had been completed and the Group holds 51% equity interest in I-Talent.

During the six months ended 30 September 2021, the Group entered into purchase agreement with a third party vendor to acquire plant and machineries for the Group's CMDS business, with total commitment of approximately \$745,000 outstanding at 30 September 2021.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

17 Claims against former directors and employees

At 30 September 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.

18 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.

19 Material related party transactions

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

(a) Remuneration of key management personnel

| | Six months ended | |
|---|------------------|--------|
| | 30 September | |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Salaries, wages and other short-term benefits | 4,393 | 4,143 |
| Contributions to defined contribution retirement plan | 18 | 18 |
| | 4,411 | 4,161 |



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

19 Material related party transactions (continued)

(b) Transactions with related parties

| | Six months ended | |
|---|------------------|--------|
| | 30 September | |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Interest income received from an associate | 856 | 422 |
| Interest income received from joint ventures | 1,036 | 1,307 |
| Logistics service income received from joint ventures | 2,359 | 6,743 |
| Licence fee income received from a joint venture | 2,100 | 2,800 |
| Management fee income received from a joint venture | 757 | 627 |

20 Impacts of COVID-19 pandemic

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.

21 Approval of interim financial report

The interim financial report was approved by the Board on 26 November 2021.





INDEPENDENT AUDITOR'S REVIEW REPORT



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

Introduction

We have reviewed the interim financial report set out on pages 15 to 35 which comprises the consolidated statement of financial position of Integrated Waste Solutions Group Holdings Limited as of 30 September 2021 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

26 November 2021





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

