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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

Financial Highlights

| | 6 months ended 30.09.2023 HK\$'M | 6 months ended 30.09.2022 HK\$'M | Change HK\$'M | % |
|--|---|---|------------------|--------|
| (Unaudited) | | | | |
| Revenue | 20.9 | 22.2 | (1.3) | (6.0) |
| Gross Profit | 12.7 | 13.8 | (1.1) | (7.9) |
| Loss attributable to equity shareholders of the Company | (19.7) | (14.6) | (5.1) | (35.4) |
| Loss per share (HK cent) | (0.4) | (0.3) | (0.1) | (35.4) |

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023 – unaudited

(Expressed in Hong Kong dollars)

| | | Six months ended | |
|---|-------------|-------------------------|------------|
| | | 30 September | |
| | <i>Note</i> | 2023 | 2022 |
| | | \$'000 | \$'000 |
| Revenue | 4 | 20,876 | 22,210 |
| Cost of sales and services | | (8,138) | (8,382) |
| Gross profit | | 12,738 | 13,828 |
| Other revenue | 5 | 3,367 | 6,260 |
| Other net loss | 6 | (2,846) | (5,867) |
| Selling and distribution expenses | | (5,420) | (5,675) |
| Administrative and other operating expenses | | (30,476) | (30,251) |
| Operating loss | | (22,637) | (21,705) |
| Finance income | 7(a) | 2,755 | 1,863 |
| Finance costs | 7(b) | (6) | (5) |
| Share of (loss)/profit of an associate | | (3,702) | 1,392 |
| Share of profit of joint ventures | | 3,761 | 3,315 |
| Loss before taxation | 7 | (19,829) | (15,140) |
| Income tax | 8 | – | – |
| Loss for the period | | (19,829) | (15,140) |
| Attributable to: | | | |
| Equity shareholders of the Company | 9 | (19,701) | (14,553) |
| Non-controlling interests | | (128) | (587) |
| Loss for the period | | (19,829) | (15,140) |
| Basic and diluted loss per share | 9 | (0.4) cent | (0.3) cent |

| | Six months ended | |
|--|-------------------------|------------------------|
| | 30 September | |
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| Loss for the period | (19,829) | (15,140) |
| 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: | | |
| – an associate operating outside Hong Kong | <u>(1,828)</u> | <u>(5,939)</u> |
| Other comprehensive income for the period | (1,828) | (5,939) |
| Total comprehensive income for the period | <u>(21,657)</u> | <u>(21,079)</u> |
| Attributable to: | | |
| Equity shareholders of the Company | (21,529) | (20,492) |
| Non-controlling interests | (128) | (587) |
| Total comprehensive income for the period | <u>(21,657)</u> | <u>(21,079)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023 - unaudited

(Expressed in Hong Kong dollars)

| | | At 30 September 2023 \$'000 | At 31 March 2023 \$'000 |
|--|----|--------------------------------------|----------------------------------|
| Non-current assets | | | |
| Property, plant and equipment and right-of-use assets | 11 | 553,457 | 561,783 |
| Interests in an associate | 12 | 62,987 | 84,976 |
| Interests in joint ventures | 13 | 8,302 | 12,797 |
| Deposits and prepayments | | 1 | 12 |
| | | <u>624,747</u> | <u>659,568</u> |
| Current assets | | | |
| Inventories | | 339 | 359 |
| Trade receivables | 14 | 3,851 | 3,158 |
| Other receivables, deposits and prepayments | | 14,762 | 14,385 |
| Amount due from an associate | 12 | 31,546 | 18,639 |
| Amounts due from joint ventures | 13 | 20,611 | 20,170 |
| Amount due from a related company | | 12 | 12 |
| Bank deposits and cash | | 73,132 | 74,399 |
| | | <u>144,253</u> | <u>131,122</u> |
| Current liabilities | | | |
| Trade payables | 15 | 702 | 635 |
| Other payables and accruals | | 12,824 | 12,924 |
| Amount due to a related company | | 10 | 10 |
| | | <u>13,536</u> | <u>13,569</u> |
| Net current assets | | <u>130,717</u> | <u>117,553</u> |
| NET ASSETS | | <u>755,464</u> | <u>777,121</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 16 | 482,301 | 482,301 |
| Reserves | | 273,147 | 294,676 |
| Total equity attributable to equity shareholders of the Company | | 755,448 | 776,977 |
| Non-controlling interests | | 16 | 144 |
| TOTAL EQUITY | | <u>755,464</u> | <u>777,121</u> |

NOTES

(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.

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

2 Basis of preparation

The unaudited interim financial results set out in this announcement do not constitute the unaudited interim financial report of the Group for the six months ended 30 September 2023 but is derived from that unaudited interim financial report which 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 (“Listing Rules”), including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, promulgated by the International Accounting Standards Board (“IASB”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 annual financial statements for the year ended 31 March 2023 are available from the Company’s registered office.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standards 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.

3 Changes in accounting policies

The IASB has issued the following amendments to IFRSs for the current accounting period:

- IFRS 17, *Insurance contracts*;
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*;
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*;
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*; and
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of the amendments 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 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 only, 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 or losses.

Revenue from contracts with customers within the scope of IFRS 15

| | Six months ended | |
|--|-------------------------|--------|
| | 30 September | |
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| Disaggregated by major products or service lines | | |
| – Provision of CMDS | 8,725 | 7,920 |
| – Provision of logistics services | 1,261 | 2,279 |
| – Sales of recovered paper and materials | 10,218 | 11,491 |
| – Sales of tissue paper products | 672 | 520 |
| | 20,876 | 22,210 |

The segment results and other segment items included in the loss for the six months ended 30 September 2023 are as follows:

| | Six months ended 30 September 2023 | | | | |
|--|---|------------------|------------------|-----------------|-----------------|
| | CMDS | Logistics | Recovered | Tissue | Total |
| | \$'000 | services | paper and | paper | \$'000 |
| | \$'000 | \$'000 | materials | products | \$'000 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Segment revenue:</i> | | | | | |
| Sales to external customers | 8,725 | 1,261 | 10,218 | 672 | 20,876 |
| Inter-segment sales | – | 3,799 | – | – | 3,799 |
| Reportable segment revenue | 8,725 | 5,060 | 10,218 | 672 | 24,675 |
| Elimination of inter-segment revenue | – | (3,799) | – | – | (3,799) |
| | 8,725 | 1,261 | 10,218 | 672 | 20,876 |
| <i>Segment results:</i> | | | | | |
| Reportable segment profit/(loss) | 6,418 | (301) | 6,415 | (70) | 12,462 |
| Elimination of inter-segment loss | | | | | 276 |
| Reportable segment profit derived from the Group's external customers | | | | | 12,738 |
| Other revenue | | | | | 3,367 |
| Other net loss | | | | | (2,846) |
| Selling and distribution expenses | | | | | (5,420) |
| Administrative and other operating expenses | | | | | (30,476) |
| Finance income | | | | | 2,755 |
| Finance costs | | | | | (6) |
| Share of loss of an associate | | | | | (3,702) |
| Share of profit of joint ventures | | | | | 3,761 |
| Loss before taxation | | | | | (19,829) |
| Income tax | | | | | – |
| Loss for the period | | | | | (19,829) |

The segment results and other segment items included in the loss for the six months ended 30 September 2022 are as follows:

| | Six months ended 30 September 2022 | | | | |
|--|------------------------------------|---------------------------------|---|---------------------------------------|-----------------|
| | CMDS \$'000 | Logistics services \$'000 | Recovered paper and materials \$'000 | Tissue paper products \$'000 | Total \$'000 |
| <i>Segment revenue:</i> | | | | | |
| Sales to external customers | 7,920 | 2,279 | 11,491 | 520 | 22,210 |
| Inter-segment sales | – | 4,553 | – | 1 | 4,554 |
| Reportable segment revenue | 7,920 | 6,832 | 11,491 | 521 | 26,764 |
| Elimination of inter-segment revenue | – | (4,553) | – | (1) | (4,554) |
| | <u>7,920</u> | <u>2,279</u> | <u>11,491</u> | <u>520</u> | <u>22,210</u> |
| <i>Segment results:</i> | | | | | |
| Reportable segment profit/(loss) | 5,842 | 303 | 7,703 | (542) | 13,306 |
| Elimination of inter-segment loss | | | | | 522 |
| Reportable segment profit derived from the Group's external customers | | | | | 13,828 |
| Other revenue | | | | | 6,260 |
| Other net loss | | | | | (5,867) |
| Selling and distribution expenses | | | | | (5,675) |
| Administrative and other operating expenses | | | | | (30,251) |
| Finance income | | | | | 1,863 |
| Finance costs | | | | | (5) |
| Share of profit of an associate | | | | | 1,392 |
| Share of profit of joint ventures | | | | | 3,315 |
| Loss before taxation | | | | | (15,140) |
| Income tax | | | | | – |
| Loss for the period | | | | | <u>(15,140)</u> |

5 Other revenue

| | Six months ended 30 September | |
|---------------------------|----------------------------------|----------------|
| | 2023 \$'000 | 2022 \$'000 |
| Licence fee income | 2,100 | 2,100 |
| Service income | 41 | 40 |
| Management fee income | 757 | 757 |
| Subsidy income (note (i)) | – | 2,620 |
| Others | 469 | 743 |
| | <u>3,367</u> | <u>6,260</u> |

- (i) For the six months ended 30 September 2022, 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 \$2,620,000 for the six months ended 30 September 2022. 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.

6 Other net loss

| | Six months ended | |
|---|-------------------------|----------------|
| | 30 September | |
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| Gain on disposals of property, plant and equipment, net | 68 | 133 |
| Foreign exchange loss, net | (2,914) | (6,000) |
| | <u>(2,846)</u> | <u>(5,867)</u> |

7 Loss before taxation

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

| | Six months ended | |
|--|-------------------------|----------------|
| | 30 September | |
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| (a) Finance income | | |
| Interest income from bank deposits | (1,144) | (364) |
| Interest income from loans to an associate | (842) | (1,031) |
| Interest income from loans to a joint venture | (769) | (468) |
| | <u>(2,755)</u> | <u>(1,863)</u> |
| (b) Finance costs | | |
| Interest on loan from non-controlling interests shareholder | <u>6</u> | <u>5</u> |
| (c) Other items | | |
| Cost of inventories sold | 4,266 | 4,323 |
| Depreciation charge: | | |
| – Owned property, plant and equipment | 12,296 | 12,243 |
| – Right-of-use assets | 546 | 545 |
| Short-term lease payments not included in the measurement of lease liabilities | <u>19</u> | <u>23</u> |

8 Income tax

No provision for Hong Kong Profits Tax for the six months ended 30 September 2023 and 30 September 2022 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 \$19,701,000 (six months ended 30 September 2022: \$14,553,000) and the weighted average of 4,823,009,000 (2022: 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 2023 and 30 September 2022 in respect of a dilution as the outstanding share options had an anti-dilutive effect on the basic loss per share presented.

10 Dividends

No dividend has been paid or declared by the Company for the six months ended 30 September 2023 (2022: Nil).

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

During the six months ended 30 September 2023, the Group acquired items of property, plant and equipment and right-of-use assets with aggregate cost of \$4,518,000 (2022: \$1,541,000).

12 Interests in an associate

| | At 30 September 2023 \$'000 | At 31 March 2023 \$'000 |
|---|--------------------------------------|----------------------------------|
| Share of net assets | 62,987 | 68,517 |
| Loans to an associate (note 12(a)) | 31,118 | 32,918 |
| Amount due from an associate (note 12(b)) | 428 | 2,180 |
| | <u>94,533</u> | <u>103,615</u> |
| Represented by: | | |
| Non-current portion | 62,987 | 84,976 |
| Current portion | 31,546 | 18,639 |
| | <u>94,533</u> | <u>103,615</u> |

(a) Loans to an associate

- (i) Loan of RMB14,400,000 (equivalent to approximately \$15,559,000) at 30 September 2023 (31 March 2023: \$16,459,000) which is unsecured, interest-bearing at the rate of 5% per annum and repayable on 16 March 2024; and
- (ii) Loan of RMB14,400,000 (equivalent to approximately \$15,559,000) at 30 September 2023 (31 March 2023: \$16,459,000) which is unsecured, interest-bearing at the rate of 5% per annum and repayable on 28 September 2024.

(b) Amount due from an associate

The amount due from an associate at 30 September 2023 and 31 March 2023 is unsecured, interest-free and has no fixed terms of repayment.

13 Interests in joint ventures

| | At 30 September 2023 \$'000 | At 31 March 2023 \$'000 |
|---|--|--|
| Share of net liabilities | (27,466) | (21,351) |
| Loans to a joint venture (<i>note 13(a)</i>) | 18,000 | 19,500 |
| Amounts due from joint ventures (<i>note 13(b)</i>) | 38,379 | 34,818 |
| | 28,913 | 32,967 |
| Represented by: | | |
| Non-current portion | 8,302 | 12,797 |
| Current portion | 20,611 | 20,170 |
| | 28,913 | 32,967 |

(a) Loans to a joint venture

At 30 September 2023, loans to a joint venture of \$18,000,000 (31 March 2023: \$19,500,000) are unsecured, interest-bearing at the rate of HIBOR plus 4% per annum and repayable on demand.

The joint venture has repaid the loans by \$1,500,000 during the period ended 30 September 2023.

(b) Amounts due from joint ventures

The amounts due from joint ventures at 30 September 2023 and 31 March 2023 are unsecured, interest-free and has no fixed terms of repayment.

14 Trade receivables

| | At 30 September 2023 \$'000 | At 31 March 2023 \$'000 |
|------------------------|--|--|
| Trade receivables | 4,489 | 3,796 |
| Less: Loss allowance | (638) | (638) |
| Trade receivables, net | <u>3,851</u> | <u>3,158</u> |

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 2023 \$'000 | At 31 March 2023 \$'000 |
|----------------------|--|--|
| 0 - 30 days | 3,722 | 2,989 |
| 31 - 60 days | 63 | 89 |
| 61 - 90 days | 54 | 34 |
| 91 - 120 days | 8 | 42 |
| Over 120 days | 642 | 642 |
| | 4,489 | 3,796 |
| Less: Loss allowance | (638) | (638) |
| | <u>3,851</u> | <u>3,158</u> |

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

15 Trade payables

| | At 30 September 2023 \$'000 | At 31 March 2023 \$'000 |
|----------------|--|--|
| Trade payables | <u>702</u> | <u>635</u> |

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

| | At 30 September 2023 \$'000 | At 31 March 2023 \$'000 |
|---------------|--|--|
| Current | 193 | 147 |
| 1 - 30 days | 129 | 54 |
| 31 - 60 days | 37 | 36 |
| 61 - 90 days | 22 | 10 |
| 91 - 120 days | 9 | 14 |
| Over 120 days | 312 | 374 |
| | <hr/> 702 <hr/> | <hr/> 635 <hr/> |

16 Share capital

(a) Authorised share capital of the Company

| | At 30 September 2023 \$'000 | At 31 March 2023 \$'000 |
|--|--|--|
| Authorised: | | |
| 7,500,000,000 (31 March 2023: 5,000,000,000) ordinary shares of \$0.10 each | <hr/> 750,000 <hr/> | <hr/> 500,000 <hr/> |

(b) Issued share capital of the Company

| | Number of ordinary shares '000 | Amount \$'000 |
|--|---|----------------------------|
| Issued and fully paid: | | |
| At 1 April 2022, 30 September 2022, 31 March 2023, 1 April 2023 and 30 September 2023 | <hr/> 4,823,009 <hr/> | <hr/> 482,301 <hr/> |

(c) Equity settled share-based transactions

Pursuant to the resolutions passed by the shareholders of the Company on 30 August 2023, the Company adopted a share option scheme (“Share Option Scheme”) on 30 August 2023. The Share Option Scheme is valid and effective for a period of 10 years commencing from 30 August 2023 and the number of share options available for grant under the Share Option Scheme mandate is 482,300,900. Under the Share Option Scheme, no option has been granted, exercised nor cancelled since its adoption and up to 30 September 2023.

No expenses related to equity settled share-based payment transactions was recognised by the Group during the six months ended 30 September 2023 (2022: Nil).

17 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 2023 \$'000 | At 31 March 2023 \$'000 |
|--|--|--|
| Contracted but not provided for | | |
| Acquisition of property, plant and equipment | <u>460</u> | <u>567</u> |

18 Non-adjusting events after the reporting period

On 5 October 2023, Integrated Waste Solutions Services Limited (“IWS Services”), a wholly owned subsidiary of the Company, entered into an agreement with an independent third party, Zhang Yan, to purchase shares representing approximately 13.16% of the total number of shares of An Jie Supply Chain Management Co., Ltd., a company listed on the National Equities Exchange And Quotations (“NEEQ”), at the consideration of RMB50,000,000 (equivalent to approximately \$54,000,000) in accordance with the terms and conditions of the agreement.

On 13 October 2023, IWS Services has established 綜環投資(珠海橫琴)有限公司 (IWS Investment (Zhuhai Hengqin) Company Limited*) (“IWS Investment”) in the People’s Republic of China (“PRC”) as a wholly foreign-owned enterprise. After its establishment, IWS Investment replaced IWS Services as the purchaser in the acquisition under the agreement. No adjustment has been made in this interim financial report as a result of this acquisition.

On 6 November 2023, Chow Tai Fook Nominee Limited and the Company had entered into a loan agreement with an facility amount of \$50,000,000 which was unsecured, interest-bearing at the rate of HIBOR plus 2.5% per annum and repayable within three years from the date of the drawdown notice. As at 29 November 2023, the drawdown amount was Nil and the available facility amount was \$50,000,000. No adjustment has been made in this interim financial report as a result of this loan.

* The company name in English is a direct translation of the registered Chinese name for the purpose of identification.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Although there are notable sign of increasing in economic activities since the uplifting of COVID-19 containment measures in the beginning of 2023, it is yet to resume to the pre-pandemic level. During the Period under review, our Confidential Materials Destruction Service (“CMDS”) business segment has been a significant source of revenue for the Group, and we plan to adopt a more aggressive strategy to further enhance this business in light of the improved sentiment and business activity level.

FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the six months ended 30 September 2023 (the “Current Period”) amounted to HK\$19.7 million, an increase of HK\$5.1 million loss compared to the six months ended 30 September 2022 (the “Last Period”).

Results of operating segments decreased by HK\$2.3 million or 28.7% which was mainly caused by the decline in profitability of **Recovered Paper** and **Logistics** businesses in the Current Period. Due to the depreciation of the Renminbi, foreign exchange loss amounting to HK\$6.0 million and HK\$2.9 million are recognised in the Last Period and Current Period respectively.

Our second hazardous waste treatment project in Kaifeng City, Henan Province, the PRC commenced operations in January 2023, was in an operating loss position during its early stage of operation has contributed to the increase in share of loss of an associate when compared to the Last Period.

| | 6 months ended 30.09.2023 HK\$'000 | 6 months ended 30.09.2022 HK\$'000 | Fav./ (Unfav.) Change HK\$'000 | % |
|--|---|---|---|----------|
| Results of operating segments | 5,730 | 8,038 | (2,308) | (28.7) |
| Net corporate expenses | (25,490) | (27,298) | 1,808 | 6.6 |
| | (19,760) | (19,260) | (500) | (2.6) |
| Share of results of an associate | (3,702) | 1,392 | (5,094) | (365.9) |
| Share of results of joint ventures | 3,761 | 3,315 | 446 | 13.5 |
| Loss attributable to equity shareholders of the Company | (19,701) | (14,553) | (5,148) | (35.4) |

Revenue Analysis

| | 6 months ended 30.09.2023 HK\$'000 | 6 months ended 30.09.2022 HK\$'000 | Fav./ (Unfav.) Change HK\$'000 | % |
|--------------------------------|---|---|---|--------|
| Sales of Recovered Paper | 10,089 | 11,418 | (1,329) | (11.6) |
| CMDS service income | 8,725 | 7,920 | 805 | 10.2 |
| Logistics service income | 1,261 | 2,279 | (1,018) | (44.7) |
| Sales of tissue paper products | 672 | 520 | 152 | 29.2 |
| Sales of other waste materials | 129 | 73 | 56 | 76.7 |
| | <u>20,876</u> | <u>22,210</u> | <u>(1,334)</u> | (6.0) |

The revenue of **Recovered Paper** business was approximately HK\$10.1 million, a decrease of approximately HK\$1.3 million or 11.6% when compared to the Last Period, due to decrease in sales quantity of 11.6% during the Current Period. The sales revenue of recovered office paper generated from the CMDS services has decreased by HK\$1.9 million or 17.2%, caused by the decrease in sales quantity of 18.7%. Accordingly, the gross profit and gross profit margin of recovered paper trading decreased from HK\$7.7 million to HK\$6.5 million and from 67.7% to 64.5% respectively since the sales revenue of recovered office paper generated from the CMDS services had higher margins.

CMDS service income has improved by HK\$0.8 million or 10.2%, to approximately HK\$8.7 million. The overall sentiment and activity level improved, and the segment's performance was on track, particularly after the impact of COVID-19 subsided since January 2023. With a diverse customer base that includes government authorities, financial and professional institutions, and private corporations in Hong Kong, we expect the income from this segment to improve steadily.

The joint venture with ALBA Group for treatment and recycling of **waste electrical and electronic equipment ("WEEE")** continued to be one of the major income contributors, with HK\$5.4 million share of profit to the Group for the six months ended 30 September 2023. We are confident that the WEEE operation will continue to grow and bring further revenue to the Group.

Our **Logistics** Division primarily focuses on providing support services to other business segments of the Group, and it also plays a major role in the transportation of WEEE items to the treatment plant of our joint venture. However, Logistics service income has decreased by HK\$1.0 million or 44.7% to HK\$1.3 million in the Current Period, as our joint venture has undertaken certain logistic function since July 2022 due to its cost optimisation strategy.

RGF Environmental New Material Limited, our joint venture for the production of **recycled engineering plastic pellets**, has transformed itself into an OEM solution

provider for plastic wastes. The Group's share of loss in this joint venture for the Current Period has reduced by HK\$2.1 million or 56.5%, compared to the Last Period.

The Group's **Hazardous Waste Treatment** project in Mainland China operates through Dugong IWS HAZ Limited. Our hazardous waste treatment projects located in Lianyungang City, Jiangsu Province and Kaifeng City, Henan Province, the PRC are both operational. However, due to weak PRC domestic economy and unsatisfactory export performance, less hazardous waste quantity generated in result. The entire PRC hazardous waste treatment industry was so negatively impacted and our projects encountered a difficult operating environment due to keen market competition faced in the Current Period. We are confident that their performance will be improved once the PRC economy regains its growth momentum with the government's economic stimulation policy.

Gross Profit and Gross Profit Margin

The Gross Profit of the Group for the Current Period was HK\$12.7 million, a decrease of HK\$1.1 million or 7.9% when compared to the Last Period. The gross profit margin has been decreased from 62.3% to 61.0%, mainly due to the decrease in profitability of **Recovered Paper** and **Logistics** services.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK\$35.9 million, representing a slight reduction of 0.1% when compared to the Last Period due to the cost control measures initiated by the management throughout the Current Period.

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

With the increase in share of loss from an associate and without any subsidy income received from the Hong Kong SAR government, LBITDA rose by approximately HK\$5.5 million, from HK\$4.2 million in the Last Period to HK\$9.7 million in the Current Period.

Liquidity and Financial Resources

As at 30 September 2023, the Group had unrestricted bank deposits and cash of approximately HK\$73.1 million (31 March 2023: HK\$74.4 million). The Group had no bank loans and overdrafts as at 30 September 2023 (31 March 2023: Nil).

As at 30 September 2023, the Group had net current assets of approximately HK\$130.7 million, compared to net current assets of approximately HK\$117.6 million as at 31 March 2023. The current ratio of the Group was 10.7 as at 30 September 2023 compared to 9.7 as at 31 March 2023.

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 Hong Kong dollars, Renminbi and United States 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 2023, the Group recorded a net foreign exchange loss of HK\$2.9 million due to depreciation of the Renminbi during the Current Period (six months ended 30 September 2022: HK\$6.0 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\$4.5 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 2023, the Group has capital commitments of approximately HK\$0.5 million, which are mainly related to the acquisition of machineries and I.T. infrastructure.

Capital Structure

Details of the capital structure of the Company are set out in Note 16.

Contingent Liabilities

At 30 September 2023, 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 99 employees in Hong Kong as at 30 September 2023. Employee costs, including directors' emoluments, amounted to HK\$18.9 million for the six months ended 30 September 2023 (six months ended 30 September 2022: HK\$19.3 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.

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.

SUBSEQUENT EVENT

On 5 October 2023, the Company, through its wholly owned subsidiary, entered into a conditional agreement with an independent third party to purchase share representing approximately 13.16% of the total number of shares of An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司) (“An Jie”) at the consideration of RMB50,000,000 (equivalent to approximately HK\$54,000,000) (the “Acquisition”). An Jie, a company listed on the National Equities Exchange And Quotations of the PRC (NEEQ: 870009), is engaged in provisions of integrated supply chain solutions, including comprehensive logistics and warehousing services and transportation of chemical hazardous goods.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and will be put forth for the shareholders’ approval at an extraordinary general meeting to be held on 14 December 2023. Details of Acquisition were disclosed in the circular of the Company dated 27 November 2023.

OUTLOOK AND PROSPECT

Although there are still risks and uncertainties that would hinder the global economic recovery and hence could impact our business in the future, we remain optimistic about volume recovery. We expect stable revenue streams from our high-quality CMDS services and an efficient logistics fleet. Our joint venture operations in WEEE will also provide steady sources of income. Whereas for the hazardous waste treatment project, we believe that it will become another major profit contributor after the treatment facility in Kaifeng City, Henan Province, the PRC has been fully operational, and the enhancement of operation efficiency.

We are committed to explore opportunities to increase its revenue base for future growth, and we will continue to enhance our capabilities and maintain our competitive edge in order to create long-term value for all our stakeholders and contribute to the sustainable development of our communities.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2023 (2022 interim: Nil).

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 2023.

The Company will continue improving its corporate governance that is conducive to conduct and growth of its business, 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 2023.

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 2023.

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 and Mr. Chan Ting Bond, Michael and two non-executive Directors, namely Mr. Cheng Chi Ming, Brian and Mr. Lee Chi Hin, Jacob.

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 2023 with the management and the external auditor, KPMG. The unaudited interim financial report of the Group for the six months ended 30 September 2023 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 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 listed securities of the Company during the six months ended 30 September 2023.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the Company's website (www.iwsggh.com) and the designated website of the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 September 2023 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the above websites in due course.

By order of the Board

Integrated Waste Solutions Group Holdings Limited

Cheng Chi Ming, Brian

Chairman

Hong Kong, 29 November 2023

As at the date of this announcement, the Board comprises two executive Directors, namely, Messrs. Lam King Sang and Tam Sui Kin, Chris; two non-executive Directors, namely, Messrs. Cheng Chi Ming, Brian (Chairman) and Lee Chi Hin, Jacob; and three independent non-executive Directors, namely, Messrs. Chow Shiu Wing, Joseph, Wong Man Chung, Francis and Chan Ting Bond, Michael.