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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 2015

Financial Highlights

	6 months ended 30.09.2015	6 months ended 30.09.2014	Favourable/(Unfavourable) Change	
	HK\$'M	HK\$'M	HK\$'M	%
(Unaudited)				
Revenue	155.2	244.4	(89.2)	(36.5%)
Loss Attributable to Equity				
Shareholders of the Company	(53.8)	(64.8)	11.0	17.0%
Loss Per Share (HK cents)	(1.1)	(2.7)	1.6	59.3%

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2015.

Auditor's qualified conclusion

The Auditor's conclusion on the Group's interim financial report for the six months ended 30 September 2015 is modified because of the effect on comparability of the Current Period's figures and the corresponding figures resulting from the non-consolidation of the De-consolidated Subsidiaries during the six months ended 30 September 2014. The full text of the basis for the qualified conclusion is set out in this announcement.

Shareholders should read the Independent Auditor's Review Report which will be included in the interim report of the Company for the six months ended 30 September 2015.

The board of directors (the “Board”) of Integrated Waste Solutions Group Holdings Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2015 (the “Current Period”):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2015 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	Note	2015	2014
		HK\$'000	HK\$'000
Continuing operations			
Revenue	4	155,212	244,438
Cost of sales		(146,092)	(221,004)
Gross profit		9,120	23,434
Other revenue		1,482	4,295
Other net (losses)/gains		(1,351)	100
Selling and distribution expenses		(25,250)	(32,653)
Administrative and other operating expenses		(43,228)	(37,606)
Operating loss		(59,227)	(42,430)
Finance income	5	2,538	1,523
Share of loss of joint venture		(456)	–
Loss before taxation	5	(57,145)	(40,907)
Income tax	6	–	(351)
Indemnity receipt of tax in respect of prior years	6(a)	–	13,071
Loss from continuing operations		(57,145)	(28,187)

		Six months ended		
		30 September		
		2015	2014	
Note		HK\$'000	HK\$'000	
Discontinued operations				
	Impairment loss on amount due from De-consolidated Subsidiaries	14	–	(36,572)
		<u>–</u>	<u>(36,572)</u>	
	Loss and total comprehensive income for the period	<u>(57,145)</u>	<u>(64,759)</u>	
	Attributable to:	8		
	– Equity shareholders of the Company	(53,802)	(64,759)	
	– Non-controlling interests	(3,343)	–	
		<u>(57,145)</u>	<u>(64,759)</u>	
	Attributable to equity shareholders of the Company	8		
	– Continuing operations	(53,802)	(28,187)	
	– Discontinued operations	–	(36,572)	
		<u>(53,802)</u>	<u>(64,759)</u>	
	Basic and diluted loss per share	8		
	– Continuing operations	(1.1) cents	(1.2) cents	
	– Discontinued operations	–	(1.5) cents	
		<u>(1.1) cents</u>	<u>(2.7) cents</u>	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2015

(Expressed in Hong Kong dollars)

		30 September 2015	31 March 2015
	Note	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	743,743	682,027
Land use rights		32,520	27,478
Interest in joint venture	10	23,647	–
Other receivables and prepayments		14,967	25,552
		814,877	735,057
Current assets			
Inventories		19,492	6,086
Trade and bills receivables	11	62,631	77,436
Other receivables, deposits and prepayments		44,358	53,000
Amounts due from related companies		12	12
Amount due from joint venture	10	1,587	–
Bank deposits and cash		344,460	455,869
Restricted and pledged bank deposits		20,727	2,225
Taxation recoverable		3,249	3,249
		496,516	597,877
Current liabilities			
Trade and bills payables	12	25,149	20,223
Other payables and accruals		83,880	54,397
Amounts due to related companies		10	10
		109,039	74,630
Net current assets		387,477	523,247
NET ASSETS		1,202,354	1,258,304

		30 September 2015	31 March 2015
	Note	HK\$'000 (Unaudited)	HK\$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	13	482,234	482,234
Reserves		721,508	774,115
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		1,203,742	1,256,349
Non-controlling interests		(1,388)	1,955
		<hr/>	<hr/>
TOTAL EQUITY		<u>1,202,354</u>	<u>1,258,304</u>

NOTES TO THE 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 was listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered address of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

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

These consolidated financial statements are presented in Hong Kong dollars (HK\$).

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”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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 2015 are available from the Company’s registered office. The auditors have expressed a qualified opinion on those financial statements in their report dated on 26 June 2015.

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.

In the course of preparing its interim financial report for the six months ended 30 September 2011, the Board of Directors of the Company (the “Board”) were made aware of evidence indicating the potential existence of irregularities with respect to a deposit of RMB100,000,000 (approximately HK\$120,000,000) recorded in the books of 惠州福和紙業有限公司 (“Huizhou Fook Woo”), a wholly owned subsidiary of the Group (the “Incident”). Accordingly, in the interest of the Company and its shareholders, on 28 November 2011, the Company applied for suspension of trading in the Company’s shares on the Stock Exchange.

On 29 November 2011, the Company received a cash deposit of HK\$120,000,000 (approximately RMB100,000,000) (the “Deposit”). The Board represented that the Deposit was placed by a former Director of the Company. The Deposit was recorded as amount due to Huizhou Fook Woo in the consolidated statement of financial position and the Company’s statement of financial position as at 31 March 2012. On 2 December 2011, the Board established an independent special committee (the “Special Committee”) to conduct an investigation into the Incident and the Deposit and to review the internal control system of the Company with the assistance of an independent accounting firm. On 27 April 2012, the Special Committee engaged another independent accounting firm to conduct a forensic review into the Incident and the Deposit (the “Forensic Review”) following the preliminary investigation results of the previous independent accounting firm.

Based on the results of the Forensic Review, the Board concluded that the payment relating to the Incident was not in fact made and the amount was not transferred out of accounts of Huizhou Fook Woo and a number of documents related to the Incident were fabricated. In addition, the Forensic Review has revealed, among other things, certain irregular transactions entered into by Huizhou Fook Woo. Based on the results of the Forensic Review, the Board further concluded that, among other things, a substantial portion of the accounting books and records of Huizhou Fook Woo for the year ended 31 March 2012 and prior periods were missing.

Given the loss of a substantial portion of the accounting books and records and the fact that most of the key accounting personnel and previous management left the Group and are now not contactable, the Board believes that, it is almost impossible, and not practical, to ascertain the transactions and balances of Huizhou Fook Woo for inclusion in the consolidated financial statements of the Group.

On 31 January 2013, Wealthy Peaceful Company Limited (“Wealthy Peaceful”), a wholly owned subsidiary of the Group, commenced voluntary liquidation by a resolution of the members and the voluntary liquidators were appointed on the same date. Wealthy Peaceful, and its wholly owned subsidiaries, namely Golddoor Company Limited (“Golddoor”) and Huizhou Fook Woo are collectively referred to as the “De-consolidated Subsidiaries”.

Given these circumstances, the Directors have not consolidated the financial statements of the De-consolidated Subsidiaries in the Group's consolidated financial statements since 1 April 2011.

On 24 April 2014, the Company was informed by the liquidators of Wealthy Peaceful, that a sale and purchase agreement was entered into between Wealthy Peaceful and an independent third party pursuant to which Wealthy Peaceful agreed to dispose of the entire issued share capital of Golddoor at a consideration of HK\$200,000,000 (the "Sale Transaction"). Golddoor was interested in the entire registered capital of Huizhou Fook Woo. Given these circumstances, the Group presented the amounts due from De-consolidated Subsidiaries as "assets and liabilities of disposal group classified as held for sale" which were measured at the lower of the carrying amounts and the estimated recoverable amount from the disposal of Golddoor at 31 March 2014. The Group recognised an impairment loss of the amounts due from De-consolidated Subsidiaries amounting to HK\$431,638,000 for the year ended 31 March 2014 following the assessment of the recoverable amounts due from De-consolidated Subsidiaries.

On 27 June 2014, the liquidators of Wealthy Peaceful informed the Company that the Purchaser had remitted the consideration and the Sale Transaction was completed in July 2014.

The exclusion of the results and cash flows of the De-consolidated Subsidiaries from the consolidated financial statements for the period prior to the completion of the sale in July 2014 is a departure from the requirements of International Financial Reporting Standard 10 "Consolidated financial statements" ("IFRS 10") and International Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5"). Given the loss of certain accounting books and records of Huizhou Fook Woo mentioned above, the Directors are unable to ascertain the financial impact of the non-consolidation of the De-consolidated Subsidiaries on the consolidated financial statements.

Except for the matters referred to above, including the non-consolidation of the De-consolidated Subsidiaries, the interim financial report of the Group has been prepared in accordance with IAS 34.

3 Accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements.

- Amendments to IAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Segment information

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

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

Although the Group's products and services are sold/rendered to Hong Kong, the PRC 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. The Group's revenue consists of the following:

	Unaudited	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Sales of recovered paper and materials	135,048	133,467
Sales of tissue paper products	11,463	103,217
Provision of CMDS	7,729	6,329
Provision of logistics services	972	1,425
	155,212	244,438

The analysis of the Group's revenue from external customers attributed to the locations in which the sales originated during the period consists of the following:

	Unaudited	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Hong Kong	155,212	244,438

The segment results and other segment items included in the loss for the six months ended 30 September 2015 are as follows:

	Six months ended 30 September 2015				
	Recovered paper and materials HK\$'000	Tissue paper products HK\$'000	CMDS HK\$'000	Logistics services HK\$'000	Group HK\$'000
<i>Segment revenue:</i>					
Sales to external customers	135,048	11,463	7,729	972	155,212
Inter-segment sales	-	-	-	11,371	11,371
Reportable segment revenue	135,048	11,463	7,729	12,343	166,583
Elimination of inter-segment revenue					(11,371)
					155,212
<i>Segment results:</i>					
Reportable segment profit	6,817	740	4,113	1,906	13,576
Elimination of inter-segment profits					(4,456)
Reportable segment profit derived from group's external customers					9,120
Unallocated operating costs					(68,347)
Share of loss of joint venture					(456)
Finance income					2,538
Loss for the period					(57,145)

Six months ended 30 September 2014

	Recovered paper and materials HK\$'000	Tissue paper products HK\$'000	CMDS HK\$'000	Logistics services HK\$'000	Group HK\$'000
Continuing operations					
<i>Segment revenue:</i>					
Sales to external customers	133,467	103,217	6,329	1,425	244,438
Inter-segment sales	–	–	–	18,550	18,550
Reportable segment revenue	<u>133,467</u>	<u>103,217</u>	<u>6,329</u>	<u>19,975</u>	262,988
Elimination of inter-segment revenue					(18,550)
					<u>244,438</u>
<i>Segment results:</i>					
Reportable segment profit	13,807	14,749	(1,905)	9,323	35,974
Elimination of inter-segment profits					(12,540)
Reportable segment profit derived from group's external customers					23,434
Unallocated operating costs					(65,864)
Finance income					1,523
Loss before taxation					(40,907)
Income tax					(351)
Indemnity receipt of tax in respect of prior years					13,071
Loss for continuing operations					<u>(28,187)</u>
Discontinuing operations					
Impairment loss on amounts due from De-consolidated Subsidiaries					(36,572)
Loss for the period					<u>(64,759)</u>

Note: During 2015, certain logistics fees in relation to the provision of confidential materials destruction services has been reclassified from the logistics services segment to the CMDS segment to better reflect the nature of the expenses. The segment information for the six months period ended 30 September 2014 has been adjusted to conform with current year presentation.

5 Loss before taxation

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

	Unaudited	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Other items		
Cost of inventories sold	109,344	178,665
Amortisation of land use rights	455	427
Depreciation of property, plant and equipment	18,095	10,051
Impairment losses:		
– Trade and bills receivables (note 11)	1,508	–
Written down of inventories	2,557	–
Loss/(gain) on disposal of property, plant and equipment	373	(323)
Operating lease charges in respect of land and buildings	11,060	19,300
Equity share-based payments (note 13(c))	1,195	2,470
Exchange loss, net	978	223
Interest income from bank deposits	(1,711)	(1,523)
Interest income from loan to joint venture	(827)	–
	=====	=====

6 Income tax

	Unaudited	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong Profits Tax	–	642
Deferred tax		
– Origination and reversal of temporary differences	–	(291)
	=====	=====
Income tax expense	–	351

No provision for Hong Kong Profits Tax for the six months ended 30 September 2015 as the subsidiaries of the Group incurred taxable loss.

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% on the estimated assessable profit for the six months ended 30 September 2014.

6 Income tax (cont'd)

(a) Indemnity receipt of tax in respect of prior years

Mr. Leung Kai Kuen, the former director and one of the substantial shareholders of the Company and Ms. Tam Ming Luen, the then substantial shareholder of the Company, have entered into a deed of indemnity with the Group under which they have agreed to indemnify on a joint and several basis each member of the Group in respect of the cash payment for any additional tax assessment for the year of assessment 2002/2003 and any other notices of additional assessment that may be received by any member of the Group for and including the years of assessment from 2003/2004 to 2009/2010 in respect of the Additional Tax Assessments referred in note 9(a)(ii) of the annual report of the Group for the year ended 31 March 2014 (the “Deed of Indemnity”).

Given the uncertainties about the likelihood of recovering such payments from Mr. Leung Kai Kuen and Ms. Tam Ming Luen, the incremental tax liability arose from the Additional Tax Assessments was recorded as the Group’s income tax liabilities as at 31 March 2012 and 31 March 2013 and charged to the consolidated statement of profit or loss and other comprehensive income of the Group in prior years despite the above-mentioned indemnity arrangement.

On 15 April 2014, the Group received a total sum of \$13,070,705 from Ms. Tam Ming Luen for full and final settlement of the above matter arrangement (the “Indemnity Receipt”). The Indemnity Receipt was recorded in the consolidated statement of profit or loss for the six months ended 30 September 2014.

7 Dividends

No dividends had been paid or declared by the Company for the six months ended 30 September 2015 (2014: Nil).

8 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss for the period attributable to the equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
Loss attributable to equity shareholders of the Company		
– Continuing operations	(53,802)	(28,187)
– Discontinued operations	–	(36,572)
	<u>(53,802)</u>	<u>(64,759)</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>4,822,334</u>	<u>2,411,167</u>
Basic loss per share (in cents)		
– Continuing operations	(1.1) cents	(1.2) cents
– Discontinued operations	–	(1.5) cents
	<u>(1.1) cents</u>	<u>(2.7) cents</u>

The calculation of the basic and diluted loss per share is based on the loss attributable to equity shareholders of the Company from continuing and discontinued operations of approximately HK\$53,802,000 and HK\$nil respectively (2014: HK\$28,187,000 and HK\$36,572,000 respectively) and on the weighted average number of 4,822,334,000 (2014: 2,411,167,000) ordinary shares in issue during the interim period.

Diluted loss per share

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of shares for the six months ended 30 September 2015 and 2014 and the effect of loss per share is anti-dilutive.

9 Property, plant and equipment

During the six months ended 30 September 2015, the Group acquired items of property, plant and equipment with aggregate costs of HK\$80,814,000 (2014: HK\$233,676,000).

10 Interest in joint venture

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Share of net liabilities	(453)	–
Loans to joint venture (Note 10(b))	24,100	–
	23,647	–
Amount due from joint venture (current) (Note 10(c))	1,587	–

In April 2015, the Group and independent third parties set up a joint venture, ALBA Integrated Waste Solutions (Hong Kong) Limited (“ALBA”) and injected capital of HK\$2,500 and advanced loans to ALBA of HK\$24,100,000. The Group held 25% equity interests in ALBA.

- (a) Details of the Group’s interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
ALBA Integrated Waste Solutions (Hong Kong) Limited (“ALBA”)	Incorporated	Hong Kong	HK\$10,000	25%	–	25%	Treatment of waste electrical and electronic equipment

The Group is entitled to share 25% of the financial results of ALBA. Notwithstanding the 25% of paid up capital and the profit sharing arrangements of ALBA, the Group accounts for the investment in ALBA as a joint venture as the Group has joint control over the financial and operating decisions of ALBA.

- (b) The loans to joint venture of HK\$24,100,000 are unsecured, interest-free and have no fixed terms of repayment except for the loan of HK\$2,500,000 which was repayable on or before 14 May 2017. The loans of HK\$21,600,000 was advanced to the joint venture as a security of bank deposits placed by the joint venture for the issue of bank guarantee to the HKSAR Government in connection with the project development on the treatment of waste electrical and electronic equipment. The loans to joint venture are classified as “non-current” as these are not expected to be recoverable within the next twelve months.
- (c) The amount due from the joint venture at 30 September 2015 are unsecured, interest-free and have no fixed terms of repayment.

11 Trade and bills receivables

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Trade and bills receivables	69,453	82,750
Less: Provision for impairment	(6,822)	(5,314)
	<hr/>	<hr/>
Trade and bills receivables, net	<u>62,631</u>	<u>77,436</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. The ageing analysis of trade and bills receivables based on transaction date are as follows:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
0 – 30 days	31,915	23,064
31 – 60 days	9,492	19,331
61 – 90 days	8,230	15,762
91 – 120 days	4,363	6,112
Over 120 days	15,453	18,481
	<hr/>	<hr/>
	69,453	82,750
Less: Provision for impairment	(6,822)	(5,314)
	<hr/>	<hr/>
	<u>62,631</u>	<u>77,436</u>

12 Trade and bills payables

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Trade and bills payables	<u>25,149</u>	<u>20,223</u>

The ageing analysis of the Group's trade and bills payables based on due date at the end of the reporting period are as follows:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Current	18,831	3,252
1 – 30 days	1,483	11,839
31 – 60 days	819	3,825
61 – 90 days	1,023	1
91 – 120 days	13	15
Over 120 days	2,980	1,291
	<u>25,149</u>	<u>20,223</u>

13 Share capital and reserves

(a) Authorised share capital of the Company

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Authorised:		
5,000,000,000 ordinary shares of HK\$0.10 each	<u>500,000</u>	<u>500,000</u>

(b) Issued share capital of the Company

	Number of ordinary shares	Ordinary shares HK\$
Issued and fully paid:		
At 1 April 2014	2,411,167,000	241,116,700
Issue of share under the Open Offer (Note)	2,411,167,000	241,116,700
	<u>4,822,334,000</u>	<u>482,233,400</u>
At 31 March 2015, 1 April 2015 and 30 September 2015	<u>4,822,334,000</u>	<u>482,233,400</u>

Note: On 25 July 2014, the Company announced that it proposed to issue not less than 2,411,167,000 shares and not more than 2,424,216,600 shares of HK\$0.10 each by way of an open offer issue in the proportion of one offer share for every one ordinary share then held by qualifying shareholders at a subscription price of HK\$0.20 per offer share (the “Open Offer”).

On 14 October 2014, the Company completed the Open Offer and issued 2,411,167,000 shares for gross proceeds of HK\$482,233,000. The difference of HK\$230,523,000 between the net proceeds of HK\$471,640,000 (after deduction of related expenses of approximately HK\$10,593,000) and the par value of shares issued of HK\$241,117,000 has been credited to the share premium account of the Company.

These newly issued shares rank pari passu in all respects with the existing shares.

(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 participant. The subscription price for shares granted pursuant to the Share Option Scheme shall be determined by the Board of Directors of the Company in its absolute discretion but shall not be less than the highest of:

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

On 25 April 2014, the Group announced that a total of 71,110,000 options under the Share Option Scheme to subscribe for the Company’s shares were granted, subject to acceptance of the grantee(s). Each option shall entitle the holder to subscribe for one share upon exercise of such option at an initial exercise price of HK\$0.542 per share. These options may be exercised from 25 July 2014 to 24 April 2020 (both dates inclusive) subject to the vesting periods.

Pursuant to the Share Option Scheme, the number of unexercised share options and exercise price may be subject to adjustment in case of alteration in the capital structure of the Company. On 14 October 2014, the Board announced that as a result of the completion of the Open Offer, adjustments have been made to the exercise price of the options and the number of shares falling to be issued under the outstanding options granted under the Share Option Scheme. The adjustments (the “Adjustments”) to the exercise price and the number of the shares falling to be issued under the outstanding options took effect from 15 October 2014. As at 15 October 2014, the number of shares falling to be issued under the outstanding options after the Adjustments was 76,746,711 and the exercise price of the options after the Adjustments was HK\$0.444 per share.

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 (HK\$)	Exercisable period	Number of share options (after adjustment)				Remaining contractual life
			At 1 April 2015	Cancelled/ lapsed during the period	At 30 September 2015	Exercisable at 30 September 2015	
Directors							
- 25 April 2014	0.542	25 July 2014 to 24 April 2020	53,223,422	-	53,223,422	10,644,682	4.6 years
Employees							
- 25 April 2014	0.542	25 July 2014 to 24 April 2020	17,248,781	(3,901,423)	13,347,358	2,790,571	4.6 years
Other eligible participants							
- 25 April 2014	0.542	25 July 2014 to 24 April 2020	3,955,138	(3,955,138)	-	-	4.6 years
			74,427,341	(7,856,561)	66,570,780	13,435,253	

No share options were granted or exercised during the period.

Vesting period:

Tranche 1: 20% are exercisable from 25 July 2014 to 24 April 2020

Tranche 2: 50% are exercisable from 25 April 2016 to 24 April 2020

Tranche 3: 30% are exercisable from 25 April 2018 to 24 April 2020

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:

	Date of grant 25 April 2014
Fair value at measurement date	HK\$0.190
Share price at measurement date	HK\$0.328
Exercise price	HK\$0.542
Expected volatility	52.10%
Risk-free interest rate (based on Exchange Fund Notes)	1.34%
Expected average life of options	2.2 years
Expected dividend yield	0%

The expected volatility is based on the historic volatility on comparable companies listed on the same stock exchange (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historic dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

14 Disposal of entire equity interests in Golddoor Company Limited (“Golddoor”)

As at 31 March 2014, the Group was made aware of the fact that the liquidators of Wealthy Peaceful Limited had initiated a tender process to locate a buyer to acquire the entire equity interests in Golddoor. In April 2014, the liquidators of Wealthy Peaceful Limited entered into a binding agreement with an independent third party, pursuant to which Wealthy Peaceful Limited agreed to dispose of its entire equity interests in Golddoor (together with its subsidiary, Huizhou Fook Woo) for a consideration of HK\$200,000,000 (the “Sale Transaction”).

On 27 June 2014, the liquidators of Wealthy Peaceful Limited informed the Company that the Purchaser had remitted the consideration. The Sale Transaction was completed in July 2014 and the consideration was fully settled by the purchaser.

In September 2014, the Group has entered into agreement with the De-consolidated Subsidiaries pursuant to which the Group decided not to demand for the De-consolidated Subsidiaries of the monthly repayment of HK\$3,800,000. Accordingly, the Group considered the previously estimated amount expected to be receivable from the De-consolidated Subsidiaries of HK\$49,242,000, of which the Group has subsequently recovered the amounts of HK\$12,670,000 and the remaining amounts of HK\$36,572,000 are considered to be irrecoverable and further provision for impairment loss was made for the six months ended 30 September 2014.

Further details of the Sale Transaction were set out in note 25(b) of the 2015 annual report of the Company.

15 Capital commitments

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Contracted but not provided for – Property, plant and equipment	1,875	60,331

AUDITOR'S QUALIFIED CONCLUSION

The Auditor has informed the Company that they will issue a qualified conclusion in their review report. The basis of the Auditor's qualified conclusion is extracted below:

Basis for qualified conclusion

Our review conclusion on the Group's interim financial report for the six months ended 30 September 2014 was qualified, given the circumstances as described in note 2 to the consolidated financial statements in respect of the departure from International Financial Reporting Standard 10, Consolidated financial statements ("IFRS 10") and International Financial Reporting Standard 5, "Non-current assets held for sale and discontinued operations" ("IFRS 5").

Had the financial results of the De-consolidated Subsidiaries (as defined in the 2015 annual report) been consolidated as required by IFRS 10 and IFRS 5, the Group would have consolidated and presented the financial results of the De-consolidated Subsidiaries as "Discontinued operations" until the date of disposal in July 2014 and the net cash flows attributable to operating, investing and financing activities of the discontinued operations prior to disposal would have been presented separately in the consolidated statement of cash flows.

In our auditor's report dated 26 June 2015 on the consolidated financial statements for the year ended 31 March 2015, we reported the same matter which resulted in a qualified opinion. Our conclusion on the current period's interim financial report is also modified because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified conclusion

Based on our review, except for the effects on the corresponding figures of the matter described in the "Basis for qualified conclusion" paragraph, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

During the period under review, the Group has continued to operate diligently its core businesses in collecting and trading of recyclable waste materials, providing confidential materials destruction services, and marketing and selling of tissue products in Hong Kong, Macau and overseas countries. The macro-economic factors such as exchange rates, business cycles and differential growth rates around the world combined have exerted pressure on the Group's businesses. The recovery of global economy remains slow and the deceleration of growth in China has, as a whole, affected the Group's trading of recovered paper and tissue paper businesses. Stagnant market demand growth, pressure on selling prices, and soaring in purchase and production costs combined have diminished the profit margin of the Group.

In spite of the difficult operating conditions, the Group has flexibly adapted to position itself as a forerunner in integrated solid waste management. On 8 May 2015, the Group, together with its German Partner, ALBA Group Plc & Co. KG, entered into a first-of-its-kind contract with the Government of the Hong Kong Special Administrative Region for the treatment of Waste Electrical and Electronic Equipment (WEEE). The contract comprises of a design, construction, operation and maintenance of a treatment plant at the Ecopark, and a territory-wide collection and recycling of five specific types of WEEE items beginning in early 2017 for a period of not less than 10 years. The estimated awarded sum including capital value and total operation fee is approximately HK\$1,727 million. Furthermore, the Group has also been closely monitoring its recurring operating costs and optimizing the performance of all its business segments.

Financial Review

The loss attributable to equity shareholders of the Company for the six months ended 30 September 2015 (the "Current Period") amounted to HK\$53.8 million, a decrease of HK\$11.0 million when compared to the net loss for the six months ended 30 September 2014 (the "Last Period"). The reduction in loss was due to an impairment loss of HK\$36.6 million recognised in the Last Period in respect of the disposal of Golddoor Company Limited ("Golddoor") by Wealthy Peaceful Company Limited (which was then dissolved on 2 April 2015) ("Wealthy Peaceful"), an indirect wholly owned subsidiary of the Company, carried out by its joint and several liquidators (the "Liquidators").

On 24 April 2014, the Company was informed by the Liquidators of Wealthy Peaceful, that a sale and purchase agreement was entered into between Wealthy Peaceful and an independent third party (the “Purchaser”) pursuant to which Wealthy Peaceful agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Golddoor at a consideration of HK\$200 million (the “Sale Transaction”). Golddoor is interested in the entire registered capital of 惠州福和紙業有限公司 (“Huizhou Fook Woo”, together with Wealthy Peaceful and Golddoor, the “De-consolidated Subsidiaries”).

The Group’s interests in the De-consolidated Subsidiaries have been classified as amounts due from the De-consolidated Subsidiaries under current assets in the consolidated balance sheet of the Group since 31 March 2012.

In view of the sale and purchase agreement entered into between Wealthy Peaceful and the Purchaser, the Group presented the amounts due from the De-consolidated Subsidiaries as “assets and liabilities of disposal group classified as held for sale” which were measured at the lower of the carrying amounts and the estimated recoverable amount from the disposal of Golddoor at 31 March 2014. Accordingly, the Group recognised impairment loss of the amounts due from the De-consolidated Subsidiaries amounting to HK\$431.6 million in the financial year ended 31 March 2014 and HK\$36.6 million in the Last Period following the assessment of the recoverable amounts due from the De-consolidated Subsidiaries. The Sale Transaction was completed on 10 July 2014 and the total consideration after deducting all necessary expenses had been distributed to the Group by the Liquidators.

Performance of Business Segments

	6 months ended 30.09.2015 HK\$’000	6 months ended 30.09.2014 HK\$’000	Favourable/ (Unfavourable) Variance HK\$’000	%
Revenue Analysis				
Recovered Paper	123,110	133,310	(10,200)	-7.7%
Tissue Paper	11,463	103,217	(91,754)	-88.9%
CMDS service income	7,729	4,944	2,785	56.3%
Logistics service income	972	1,425	(453)	-31.8%
Sale of other materials	11,938	1,542	10,396	674.2%
	<u>155,212</u>	<u>244,438</u>	<u>(89,226)</u>	-36.5%

Sales revenue of **Recovered Paper** continued to be negatively affected by the overall reduction in demand for recovered paper, especially in Mainland China, and coupled with a general decline in selling prices. Total sales revenue of recovered paper amounted to approximately HK\$123.1 million during the Current Period, a drop of approximately HK\$10.2 million or 7.7% when compared to the Last Period. Demand for recovered paper is primarily driven by the general economic conditions in the PRC as well as international trade activities as our customers use our recovered paper to produce packaging materials, newsprint, and other recycled products. A slowdown in the global economy, especially in the PRC, had significantly reduced the sales of our recovered paper, which in turn, affected the profit margin of this business segment.

The sales of **Tissue Paper** dropped by HK\$91.8 million or 88.9%. The underlying causes for the drop included the market shakeout in Tissue Paper trading, intensive market competition, overcapacity and strong Hong Kong dollars relative to other Asian currencies which, in turn, eroded the competitive position of the Group. In addition, the increase in the cost of production resulting from, among others, compliance with PRC environmental regulations has also eaten into the gross profit margin of the Group.

Confidential Material Destruction Services (“CMDS”) service income increased markedly by 56.3% or HK\$2.8 million. The marked increase in CMDS service income was due mainly to the re-engineering of our value chain activities when delivering our valuable CMDS product or service. CMDS service income comes primarily from government authorities, financial and professional institutions and private companies. Since we are the only local service provider which is AAA certified by the National Association for Information Destruction (“NAID”) for plant-based operation in Hong Kong and the increasing need of confidential destruction for both paper and non-paper products, we foresee further upsurge in contribution from this segment in the long term.

The **Logistics** Division of the Group primarily focuses on distribution logistics and provides supporting services to other business segments within the Group, which mainly consists of order processing and transportation. During the Current Period, it has also generated income of approximately HK\$1.0 million by providing services to other third parties.

There was an increase of approximately HK\$10.4 million in the revenue generated from the sales of other waste materials in the Current Period, representing an increase of 674.2% over the Last Period.

Liquidity and Financial Resources

As at 30 September 2015, the Group had unrestricted bank deposits and cash of approximately HK\$344.5 million (31.03.2015: HK\$455.9 million). The Group had no bank loans and overdrafts as at 30 September 2015 and 31 March 2015.

As at 30 September 2015, the Group had net current assets of approximately HK\$387.5 million, as compared to net current assets of approximately HK\$523.2 million as at 31 March 2015. The current ratio of the Group was 4.6 as at 30 September 2015 as compared to 8.0 as at 31 March 2015.

Foreign Exchange Exposure

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

For the six months ended 30 September 2015, the Group recorded a net foreign exchange loss of HK\$1.0 million (six months ended 30 September 2014: exchange loss of HK\$0.2 million) as a result of the chequered devaluation of Renminbi since the beginning of 2014. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Major Capital Expenditure and Commitments

During the Current Period, the Group incurred HK\$61.5 million for the construction expenditure and purchase of plant and machineries in respect of the Headquarter of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 30 September 2015, the Group has capital commitments of HK\$1.9 million, which are mainly related to the industrial development of the Headquarter.

Pledge of Assets

As at 30 September 2015, the Group had restricted bank deposits amounted to HK\$20.7 million (31 March 2015: HK\$2.2 million) which were pledged with banks for issuing guarantees to suppliers to secure supply of raw materials. The increase in the restricted bank deposits was due to the amounts pledged for issuing letter of credit to suppliers by a subsidiary for the purchase of raw materials.

Capital Structure

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

Contingent Liabilities

As at 30 September 2015, the Group has lodged certain claims against its former director and employee. In the opinion of the legal counsel, it is too early to evaluate the outcome of these claims and the recovery of loss and damages from these claims cannot as yet be reliably estimated.

Employees and Remuneration Policies

The Group had employed approximately 216 employees in Hong Kong as at 30 September 2015. Employee costs, excluding directors' emoluments, amounted to HK\$28.2 million for the six months ended 30 September 2015 (six months ended 30 September 2014: HK\$31.3 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 believes that, with proper training and guidance, people with intellectual disabilities can be capable, loyal and conscientious worker to contribute to society. In this respect, the Group has recruited several employees through Hong Chi On-the-Job Training Program. By providing job opportunities to people with intellectual disabilities, we can enhance their social integration and assist them in seeking open employment.

The Group operates a defined contribution mandatory provident fund retirement benefits scheme for its employees in Hong Kong. The Group did not experience any significant labour disputes that led to any disruption of its normal business operations.

PROSPECTS

The Group recognizes the importance to enhance long term shareholders value, and to achieve an adequate margin of profit. Looking ahead, the Group expects that there will be continuous market pressure on selling prices of paper products and the sluggish economic recovery will hinder the growth in market demand. The Group will continue to maintain its focus and determination in tapping into different areas of solid waste management in which the Group can develop, implement and optimize its material converting technologies in transforming recyclables into saleables. Furthermore, the Group will continue to control its operating costs and the effect of which will gradually be reflected in the Group's financial results over time.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2015 (2014 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 Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company has complied with the code provisions set out in the CG Code throughout the six months ended 30 September 2015.

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 set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code for dealing in securities of the Company by the Directors.

Having made specific enquiries by the Company with the Directors, all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2015.

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

The Company has also adopted Code for Securities Transactions by Relevant Employees (the “Own Code”) on no less exacting terms than the Model Code for governing securities transactions by relevant employees who are likely to be in possession of inside information of the Company or its securities. No incident of non-compliance of the Own Code by any relevant employee was noted by the Company during the six months ended 30 September 2015.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee of the Company comprises of three independent non-executive Directors, namely, Mr. Wong Man Chung, Francis (Chairman of the Audit Committee), Mr. Nguyen Van Tu, Peter and Mr. Chow Shiu Wing, Joseph, 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 2015 with the management and the external auditor, KPMG. The unaudited interim financial report of the Group for the six months ended 30 September 2015 have 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 2015.

ADOPTION OF DUAL FOREIGN NAME

The Company has adopted the Chinese name "綜合環保集團有限公司" as its dual foreign name with effect from 8 September 2015, subsequent to the passing of a special resolution by the shareholders of the Company at the Annual General Meeting on 8 September 2015 and upon registration by the Registrar of Companies in the Cayman Islands.

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 2015 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, 27 November 2015

As at the date of this announcement, the Board comprises two executive Directors, namely, Messrs. Suen Wing Yip and Tam Sui Kin, Chris; four non-executive Directors, namely, Messrs. Cheng Chi Ming, Brian (Chairman), Tsang On Yip, Patrick, Lau Sai Cheong and To Chun Wai; and three independent non-executive Directors, namely, Messrs. Nguyen Van Tu, Peter, Chow Shiu Wing, Joseph and Wong Man Chung, Francis.