IWS

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

(Incorporated in the Cayman Islands with limited liability, stock code: 923)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

Financial Highlights

	6 months ended 30.09.2016 HK$'M	6 months ended 30.09.2016 HK$'M	Change HK$'M	%
(Unaudited)				
Revenue	104.2	155.2	-51.0	-32.9%
Gross Profit	18.1	9.1	9.0	98.9%
Loss Attributable to Equity Shareholders of the Company	(28.0)	(53.8)	25.8	48.0%
Loss Per Share (HK cents)	(0.6)	(1.1)	0.5	45.5%

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 September 2016 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
		2016	2015
	Note	***$'000***	*$'000*
Revenue	4	**104,165**	155,212
Cost of sales		**(86,018)**	(146,092)
Gross profit		**18,147**	9,120
Other revenue		**5,304**	1,482
Other net loss		**(1,296)**	(1,351)
Selling and distribution expenses		**(15,874)**	(25,250)
Administrative and other operating expenses		**(34,930)**	(43,228)
Operating loss		**(28,649)**	(59,227)
Finance income	5	**2,650**	2,538
Share of loss of joint venture		**(2,011)**	(456)
Loss before taxation	5	**(28,010)**	(57,145)
Income tax	6	**–**	–
Loss and total comprehensive income for the period		**(28,010)**	(57,145)
Loss attributable to:	7		
– Equity shareholders of the Company		**(28,005)**	(53,802)
– Non-controlling interests		**(5)**	(3,343)
		(28,010)	(57,145)
Basic and diluted loss per share	7	**(0.6) cents**	(1.1) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 September 2016
(Expressed in Hong Kong dollars)

	Note	**30 September 2016 $'000 (Unaudited)**	31 March 2016 $'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**725,441**	734,786
Land use rights		**33,556**	32,431
Interests in joint venture		**28,370**	30,381
Deposits and prepayments		**29,339**	17,656
Finance lease receivables		**4,870**	5,153
		821,576	820,407
Current assets			
Inventories		**4,432**	4,808
Trade and bills receivables	10	**41,456**	45,355
Other receivables, deposits and prepayments		**24,836**	35,052
Finance lease receivables		**1,052**	1,004
Amounts due from related companies		**12**	12
Amounts due from joint venture		**2,148**	867
Taxation recoverable		**2,976**	3,076
Restricted and pledged bank deposits		**18,074**	18,475
Bank deposits and cash		**258,855**	288,212
		353,841	396,861
Current liabilities			
Trade and bills payables	11	**9,195**	13,901
Other payables and accruals		**41,413**	52,061
Amounts due to related companies		**10**	10
		50,618	65,972
Net current assets		**303,223**	330,889
NET ASSETS		**1,124,799**	1,151,296

	Note	**30 September 2016 $'000 (Unaudited)**	31 March 2016 $'000 (Audited)
CAPITAL AND RESERVES			
Share capital	12	**482,234**	482,234
Reserves		**642,565**	672,480
Total equity attributable to equity shareholders of the Company		**1,124,799**	1,154,714
Non-controlling interests		**–**	(3,418)
TOTAL EQUITY		**1,124,799**	1,151,296

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 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

The unaudited interim financial results set out in this announcement does not constitute the unaudited interim financial report of the Group for the six months ended 30 September 2016 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 have been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 2016 are available from the Company's registered office. The auditors have expressed a qualified opinion on the comparative figures for the year ended 31 March 2015 included in the 2016 annual financial statements in their report dated on 29 June 2016.

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 Accounting policies

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

– *Annual Improvements to IFRSs 2012-2014 Cycle*

– *Amendments to IAS 1, Presentation of financial statements: Disclosure initiative*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Annual Improvements to IFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial results as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial results.

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: sale of recovered paper and materials

– Tissue paper products: sale 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	
	2016	2015
	$'000	*$'000*
Sale of recovered paper and materials	**92,305**	135,048
Sale of tissue paper products	**2,270**	11,463
Provision of CMDS	**9,435**	7,729
Provision of logistics services	**155**	972
	104,165	155,212

Substantially all of the Group's revenue from external customers are derived from sales originated from Hong Kong during the current and prior periods.

The segment results and other segment items included in the loss for the six months ended 30 September 2016 are as follows:

	Six months ended 30 September 2016				
	Recovered paper and materials	**Tissue paper products**	**CMDS**	**Logistics services**	**Group**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
Segment revenue:					
Sale to external customers	**92,305**	**2,270**	**9,435**	**155**	**104,165**
Inter-segment sale	**–**	**–**	**–**	**10,991**	**10,991**
Reportable segment revenue	**92,305**	**2,270**	**9,435**	**11,146**	**115,156**
Elimination of inter-segment revenue	**–**	**–**	**–**	**(10,991)**	**(10,991)**
	92,305	**2,270**	**9,435**	**155**	**104,165**
Segment results:					
Reportable segment profit	**15,467**	**198**	**5,291**	**1,697**	**22,653**
Elimination of inter-segment profits					**(4,505)**
Reportable segment profit derived from the Group's external customers					**18,148**
Unallocated operating costs					**(46,797)**
Finance income					**2,650**
Share of loss of joint venture					**(2,011)**
Loss for the period					**(28,010)**

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

5 Loss before taxation

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

	Unaudited Six months ended 30 September	
	2016	2015
	$'000	*$'000*
(a) Finance income		
Interest income from bank deposits	**(1,301)**	(1,711)
Interest income from loans to joint venture	**(1,165)**	(827)
Finance lease income	**(123)**	–
Others	**(61)**	–
	(2,650)	(2,538)
(b) Other items		
Cost of inventories sold	**63,217**	109,344
Amortisation of land use rights	**519**	455
Depreciation of property, plant and equipment	**17,049**	18,095
(Reversal of)/provision for impairment losses – Trade and bills receivables (note 10)	**(36)**	1,508
(Gain)/loss on disposal of property, plant and equipment	**(880)**	373
Write off of property, plant and equipment	**307**	157
Operating lease charges in respect of land and buildings	**4,868**	11,060
Equity settled share-based payment expenses (note 12(c))	**413**	1,195
Foreign exchange loss, net	**1,869**	978

6 Income tax

No provision for Hong Kong Profits Tax for the six months ended 30 September 2016 and 2015 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.

7 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 $28,005,000 (2015: $53,802,000) and on the weighted average number of 4,822,334,000 (2015: 4,822,334,000) ordinary shares in issue during the interim period, calculated as follows:

	Unaudited Six months ended 30 September	
	2016	2015
	$'000	*$'000*
Loss attributable to equity shareholders of the Company	**(28,005)**	(53,802)
	'000	*'000*
Weighted average number of ordinary shares in issue	**4,822,334**	4,822,334
Basic loss per share	**(0.6) cents**	(1.1) cents

(b) Diluted loss per share

Diluted loss per share for the six months ended 30 September 2016 and 30 September 2015 does not assume the exercise of the share options because the effect on loss per share was anti-dilutive. Therefore the diluted loss per share equals the basic loss per share.

8 Dividends

No dividends had been paid or declared by the Company for the six months ended 30 September 2016 (2015: Nil).

9 Property, plant and equipment

During the six months ended 30 September 2016, the Group acquired items of property, plant and equipment with aggregate costs of $10,297,000 (2015: $80,814,000).

10 Trade and bills receivables

	30 September 2016	31 March 2016
	$'000	*$'000*
	(Unaudited)	(Audited)
Trade and bills receivables	**49,623**	53,558
Less: Provision for impairment	**(8,167)**	(8,203)
Trade and bills receivables, net	**41,456**	45,355

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

	30 September 2016	31 March 2016
	$'000	*$'000*
	(Unaudited)	(Audited)
0 – 30 days	**36,438**	35,840
31 – 60 days	**929**	2,104
61 – 90 days	**374**	14
91 – 120 days	**830**	1,585
Over 120 days	**11,052**	14,015
	49,623	53,558
Less: Provision for impairment	**(8,167)**	(8,203)
	41,456	45,355

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

11 Trade and bills payables

	30 September 2016	31 March 2016
	$'000	*$'000*
	(Unaudited)	(Audited)
Trade and bills payables	**9,195**	13,901

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 2016	31 March 2016
	$'000	*$'000*
	(Unaudited)	(Audited)
Current	**3,443**	5,005
1 – 30 days	**1,852**	3,480
31 – 60 days	**527**	1,085
61 – 90 days	**166**	5
91 – 120 days	**143**	27
Over 120 days	**3,064**	4,299
	9,195	13,901

12 Share capital and reserves

(a) Authorised share capital of the Company

	30 September 2016	31 March 2016
	$'000	*$'000*
	(Unaudited)	(Audited)
Authorised:		
5,000,000,000 ordinary shares of $0.10 each	**500,000**	500,000

(b) Issued share capital of the Company

	Number of ordinary shares	**Amount**
	'000	*$'000*
Issued and fully paid:		
At 1 April 2015, 31 March 2016, 1 April 2016 and 30 September 2016	4,822,334	482,234

(c) Equity settled share-based transactions

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

– the closing price of the shares of the Company stated in the Stock Exchange's daily quotation sheet of the business day on which an offer is made to an eligible participant;

– the average of the closing prices of the shares stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date on which such offer is made; and

– the nominal value of a share of the Company.

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

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

Date of grant	Number of share options granted during the period '000	Initial exercise price $	Exercisable period	Number of share options: Outstanding at 1 April 2016 '000	Accepted during the period '000	Outstanding at 30 September 2016 '000	Remaining contractual life
Directors							
– 7 September 2016	63,900	0.128	7 September 2017 to 6 September 2022	–	63,900	63,900	6 years
– 7 September 2016	63,900	0.128	7 September 2018 to 6 September 2022	–	63,900	63,900	6 years
Employees							
– 7 September 2016	15,025	0.128	7 September 2017 to 6 September 2022	–	7,725	7,725	6 years
– 7 September 2016	15,025	0.128	7 September 2018 to 6 September 2022	–	7,725	7,725	6 years
	157,850			–	143,250	143,250	

At the end of the acceptance period, 152,150,000 options were accepted by the grantees.

Vesting period: Tranche 1: 50% vesting after 1 year from the date of grant
Tranche 2: 50% vesting after 2 years from the date of grant

Share option expenses of $413,000 charged to the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2016 are determined using the binomial lattice model based on the following assumptions:

	Date of grant 7 September 2016
Fair value at measurement date	HK$0.057
Share price at measurement date	HK$0.128
Exercise price	HK$0.128
Expected volatility	50.00%
Risk-free interest rate (based on Exchange Fund Notes)	0.63%
Expected average life of options	6 years
Expected dividend yield	0%

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

13 Capital commitments

	30 September 2016	31 March 2016
	$'000	*$'000*
	(Unaudited)	(Audited)
Contracted but not provided for		
– Property, plant and equipment	**3,968**	16,025

MANAGEMENT DISCUSSIONS AND ANALYSIS

Group Overview

Although the global economic growth was still slow, the Hong Kong economy regained some momentum in the second quarter of 2016, growing modestly by 1.7% in real terms over a year earlier, up from 0.8% in the preceding quarter. During the six months ended 30 September 2016, the Group has inevitably been affected by the stagnant market demand growth on one hand and the pressure on selling prices on the other. In spite of the difficult operating conditions, we saw substantial improvement in the operating results of the Group during the period under review.

Financial Review

The loss attributable to equity shareholders of the Company for the six months ended 30 September 2016 (the "Current Period") amounted to HK$28.0 million, a decrease of HK$25.8 million when compared to the net loss for the six months ended 30 September 2015 (the "Last Period"). The reduction in loss was due to the management's continuous effort in the retrenchment of operating costs to an optimum level.

Performance of Business Segments

Revenue

	6 mths ended 30.09.2016	6 mths ended 30.09.2015	Fav/(Unfav) Change	
	HK$'000	*HK$'000*	*HK$'000*	%
Sale of Recovered Paper	**91,891**	123,108	(31,217)	(25.4%)
Sale of Tissue Paper Products	**2,270**	11,463	(9,193)	(80.2%)
CMDS service income	**9,435**	7,729	1,706	22.1%
Logistics service income	**155**	972	(817)	(84.1%)
Sale of other waste materials	**414**	11,928	(11,514)	(96.5%)
Other revenue	**–**	12	(12)	(100.0%)
	104,165	155,212	(51,047)	(32.9%)

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$91.9 million during the Current Period, a drop of approximately HK$31.2 million or 25.4% when compared to the Last Period. The average selling price per ton and the sales volume have decreased by 3.5% and 22.6% respectively on a period-on-period basis. A slowdown in the global economy, especially in the PRC, had significantly reduced the sales of our recovered paper. Notwithstanding, the gross profit margin of recovered paper trading has increased from 5.0% to 16.8% which was attributable to stringent cost control.

The sales of **Tissue Paper Products** dropped by approximately HK$9.2 million or 80.2% to HK$2.3 million during the Current Period. The market for tissue paper products is highly competitive in the PRC, Hong Kong and internationally. The recent economic downturn has adversely impacted our tissue paper business which led to decreasing prices and sales volume. Moreover, compared with local brands, international tissue paper manufacturers have greater resources in new product innovation and can afford excessive marketing. Accordingly, domestic brands, especially economy and private labels, are less likely to gain share from them. The operating environment of this segment is expected to be difficult in view of the continuous increase in labour costs and material prices.

Confidential Material Destruction Services ("CMDS") service income increased by 22.1% or HK$1.7 million to HK$9.4 million during the Current Period. The 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 consists order processing and transportation, primarily focuses on distribution logistics and provides supporting services to other business segments within the Group. During the Current Period, it has generated income of approximately HK$0.2 million by providing services to other third parties. There are two contracts awarded by the HKSAR government for glass bottle collection from shopping malls, residential housing estates, schools and government facilities.

Gross Profit

The Gross Profit percentage of the Group for the Current Period has improved substantially from 5.9% to 17.4% when compared to the Last Period. The increase in gross profit margin was attributable to an on-going cost efficiency exercise to reduce the direct cost of sales.

Selling, Distribution and Administrative and Other Operating Expenses

Selling, distribution and administrative and other operating expenses amounted to a total of approximately HK$50.8 million, representing a reduction of approximately HK$17.7 million or 25.8% when compared to the Last Period. The reduction in these expenditures was due to the stringent cost control measures adopted by the management throughout the Current Period.

Loss before interest, tax and depreciation ("LBITDA")

Although the revenue of the Group has reduced substantially, LBITDA for the Current Period has improved by approximately HK$28.0 million to HK$13.1 million when compared to HK$41.1 million of the Last Period. The improvement has reflected the determination of the management to maintain operating costs at an optimum level.

Liquidity and Financial Resources

As at 30 September 2016, the Group had unrestricted bank deposits and cash of approximately HK$258.9 million (31.03.2016: HK$288.2 million). The Group had no bank loans and overdrafts as at 30 September 2016 and 31 March 2016.

As at 30 September 2016, the Group had net current assets of approximately HK$303.2 million, as compared to net current assets of approximately HK$330.9 million as at 31 March 2016. The current ratio of the Group was 7.0 as at 30 September 2016 as compared to 6.0 as at 31 March 2016.

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 Hong Kong dollars, Renminbi and United States dollars.

For the six months ended 30 September 2016, the Group recorded a net foreign exchange loss of HK$1.9 million (six months ended 30 September 2015: exchange loss of HK$1.0 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$8.0 million for 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 2016, the Group has capital commitments of HK$4.0 million, which are mainly related to the industrial development of the Headquarter.

Pledge of Assets

As at 30 September 2016, the Group had restricted bank deposits amounted to HK$18.1 million (31.03.2016: HK$18.5 million) which were pledged with banks for issuing guarantees to suppliers.

Capital Structure

Details of the capital structure of the Company are set out in Note 12 to the interim financial report.

Contingencies

As at 30 September 2016, the Group has lodged certain claims against its former directors and employees. 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 205 employees in Hong Kong as at 30 September 2016. Employee costs, excluding directors' emoluments, amounted to HK$22.1 million for the six months ended 30 September 2016 (six months ended 30 September 2015: HK$28.2 million). All of the Group companies are equal opportunity employers, with the selection and promotion of employees based on suitability for the position offered. The Group 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.

PROSPECT

The downturn in the world's economies continues to pose business difficulties for the recycling industries around the world, and Hong Kong is no exception. Nonetheless, as can be seen in its improving financial results, the Group is all at work with optimism toward long-range success with a view to improving business wellness. The Group will, on one hand, continue tailoring its business strategies to ride over the current "less than rosy" economy through various austerity measures, including but not limited to efficiency savings and running-cost controls. On the other hand, it will look for new business opportunities by entering into, among other things, new solid waste management spheres which have potential to generate sustainable revenue.

Recycling programs in Hong Kong have become "mainstream" and this would mean more business opportunities over time. To this end, the Group is exploring on a new paradigm of "materials management" to see how waste materials can be managed upstream of traditional waste management techniques to replace the old "end of pipe" waste management technologies such as land-filling. This new paradigm should help address, with sustainability, all the stages of waste materials recycling from raw material extraction to use, reuse, waste conversion, and then final disposal.

As said before, the status quo is no longer an option and the Group will endeavor to explore new business opportunities, through asset-light initiatives or otherwise, to deliver results in the best interests of all shareholders.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (2015 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 2016.

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 2016.

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 2016.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee of the Company comprises of four independent non-executive Directors, namely, Mr. Wong Man Chung, Francis (Chairman of the Audit Committee), Mr. Nguyen Van Tu, Peter, Mr. Chow Shiu Wing, Joseph and Mr. Yeung Kwok Ki, Anthony 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 2016 with the management and the external auditor, KPMG. The unaudited interim financial report of the Group for the six months ended 30 September 2016 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 2016.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the Company's website (www.iwsgh.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 2016 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, 25 November 2016

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