Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

Annual Results

- Revenue decreased by 15.2%, to HK$175.5 million
- Gross profit margin decreased from 18.3% to 17.7%
- Loss attributable to equity shareholders of the Company decreased by 0.3% to HK$81.0 million
- Basic loss per share was HK1.7 cents (FY2017: HK1.7 cents)

The Board does not recommend the payment of any dividend for the year ended 31 March 2018.

The board (the "Board") of directors (the "Directors") of Integrated Waste Solutions Group Holdings Limited (the "Company") would like to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018. The audit committee of the Company (the "Audit Committee") has reviewed the results and the consolidated financial statements of the Group for the year ended 31 March 2018 prior to recommending them to the Board for approval.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

(Expressed in Hong Kong dollars)

	Note	**2018** ***$'000***	2017 *$'000*
Revenue	3	**175,461**	206,940
Cost of sales		**(144,441)**	(169,063)
Gross profit		**31,020**	37,877
Other revenue	4	**2,318**	7,644
Other net gain/(loss)	5	**3,232**	(3,843)
Selling and distribution expenses		**(25,299)**	(30,867)
Administrative and other operating expenses		**(72,150)**	(82,235)
Impairment loss of property, plant and equipment		**–**	(12,873)
Operating loss		**(60,879)**	(84,297)
Finance income	6(b)	**8,282**	5,400
Share of loss of joint venture		**(28,368)**	(2,309)
Loss before taxation		**(80,965)**	(81,206)
Income tax	7(a)	**–**	–
Loss and total comprehensive income for the year		**(80,965)**	(81,206)
Attributable to:			
Equity shareholders of the Company	8	**(80,965)**	(81,201)
Non-controlling interests		**–**	(5)
		(80,965)	(81,206)
Basic and diluted loss per share	8	**(1.7) cents**	(1.7) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

(Expressed in Hong Kong dollars)

	Note	**2018** **$'000**	2017 *$'000*
Non-current assets			
Property, plant and equipment		**694,609**	704,871
Land use rights		**31,892**	32,982
Interests in joint venture		**–**	16,840
Deposits and prepayments		**193**	22,284
		726,694	776,977
Current assets			
Inventories		**4,499**	4,550
Trade and bills receivables	10	**21,478**	41,657
Other receivables, deposits and prepayments		**19,689**	23,742
Taxation recoverable		**2,976**	2,976
Amounts due from joint venture		**27,715**	14,682
Amount due from a related company		**12**	12
Restricted and pledged bank deposits		**152**	17,876
Bank deposits and cash		**218,871**	219,102
		295,392	324,597
Current liabilities			
Trade payables	11	**5,449**	8,655
Other payables and accruals	11	**19,565**	18,439
Amount due to a related company		**10**	10
		25,024	27,104
Net current assets		**270,368**	297,493
NET ASSETS		**997,062**	1,074,470

	Note	**2018**	2017
		$'000	*$'000*
CAPITAL AND RESERVES			
Share capital	12	**482,301**	482,234
Reserves		**514,761**	592,236
TOTAL EQUITY		**997,062**	1,074,470

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 General information

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

2 Summary of significant accounting policies

(a) Basis of preparation of the financial statements

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

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017 except for the changes stated as below.

(b) Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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

3 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 paper 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 People's Republic of China and overseas markets, the chief operating decision maker of the Group regularly reviews the financial information by business segments to assess performance and make resources allocation decisions. It assesses the performance of the operating segments based on a measure of segment gross profits. The Group's revenue consists of the following:

	2018	2017
	$'000	*$'000*
Sales of recovered paper and materials	**156,379**	184,571
Sales of tissue paper products	**410**	3,606
Provision of CMDS	**18,508**	18,491
Provision of logistics services	**164**	272
	175,461	206,940

All of the Group's revenue from external customers are derived from sales originated from Hong Kong during the years ended 31 March 2018 and 31 March 2017.

For the year ended 31 March 2018, revenue of approximately $58,392,000 (2017: $150,933,000) is derived from external customers which individually accounted for greater than 10% of the Group's total revenue.

All of the Group's non-current assets as at 31 March 2018 and 31 March 2017 are located in Hong Kong.

The segment results and other segment items included in the loss for the year ended 31 March 2018 are as follows:

	Recovered paper and materials *$'000*	Tissue paper products *$'000*	CMDS *$'000*	Logistics services *$'000*	Total *$'000*
Segment revenue:					
Sales to external customers	**156,379**	**410**	**18,508**	**164**	**175,461**
Inter-segment sales	**–**	**5**	**–**	**18,991**	**18,996**
Reportable segment revenue	**156,379**	**415**	**18,508**	**19,155**	**194,457**
Elimination of inter-segment revenue	**–**	**(5)**	**–**	**(18,991)**	**(18,996)**
	156,379	**410**	**18,508**	**164**	**175,461**
Segment results:					
Reportable segment profits/(loss)	**24,879**	**(633)**	**11,520**	**3,588**	**39,354**
Elimination of inter-segment profits					**(8,334)**
Reportable segment profits derived from the Group's external customers					**31,020**
Unallocated operating costs					**(91,899)**
Finance income					**8,282**
Share of loss of joint venture					**(28,368)**
Loss for the year					**(80,965)**

The segment results and other segment items included in the loss for the year ended 31 March 2017 are as follows:

	Recovered paper and materials $'000	Tissue paper products $'000	CMDS $'000	Logistics services $'000	Total $'000
Segment revenue:					
Sales to external customers	184,571	3,606	18,491	272	206,940
Inter-segment sales	–	–	–	21,792	21,792
Reportable segment revenue	184,571	3,606	18,491	22,064	228,732
Elimination of inter-segment revenue	–	–	–	(21,792)	(21,792)
	184,571	3,606	18,491	272	206,940
Segment results:					
Reportable segment profits	32,431	88	10,696	3,937	47,152
Elimination of inter-segment profits					(9,275)
Reportable segment profits derived from the Group's external customers					37,877
Unallocated operating costs					(109,301)
Impairment loss of property, plant and equipment					(12,873)
Finance income					5,400
Share of loss of joint venture					(2,309)
Loss for the year					(81,206)

4 Other revenue

	2018	2017
	$'000	*$'000*
Service income	**882**	3,777
Refund from mediation	**–**	2,338
Project income	**–**	1,296
Others	**1,436**	233
	2,318	7,644

5 Other net gain/(loss)

	2018	2017
	$'000	*$'000*
Gain on disposals of property, plant and equipment, net	**28**	866
Write off of property, plant and equipment	**(1,356)**	(1,581)
Foreign exchange gains/(losses), net	**4,560**	(3,128)
	3,232	(3,843)

6 Loss before taxation

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

	2018 $'000	2017 $'000
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**60,440**	63,780
Contributions to defined contribution retirement plan	**2,004**	2,068
Equity settled share-based payment expenses	**3,472**	3,280
	65,916	69,128
Staff costs included in:		
– Cost of sales	**20,665**	19,615
– Selling and distribution expenses	**15,002**	16,992
– Administrative and other operating expenses	**30,249**	32,521
	65,916	69,128
(b) Finance income		
Interest income from banks deposits	**(2,985)**	(2,802)
Interest income from other deposits	**–**	(61)
Interest income from loans to joint venture	**(3,873)**	(2,342)
Financial guarantee income from joint venture	**(1,424)**	–
Finance lease income	**–**	(195)
	(8,282)	(5,400)
(c) Other items		
Cost of inventories sold	**99,170**	124,368
Amortisation of land use rights	**1,090**	1,064
Depreciation of property, plant and equipment	**35,346**	34,870
(Reversal of impairment losses)/Impairment losses recognised:		
– Property, plant and equipment (note)	**–**	12,873
– Trade and bills receivables (note 10(b))	**(10)**	355
– Finance lease receivables	**–**	5,657
Bad debts written off	**13**	–
Operating lease charges in respect of land and buildings	**5,340**	14,041
Auditor's remuneration:		
– Audit services	**2,020**	2,000
– Other services	**524**	668

Note: Impairment loss of property, plant and equipment

During the year ended 31 March 2017, the Group recognised an impairment loss of $12,873,000 to property, plant and equipment of the tissue paper operation to reduce their carrying amount of their recoverable amount of $3,800,000. The impairment arose primarily due to the decline in demand for the tissue paper products and shrinking profitability, and lack of prospects for recovery in the near term.

7 Income tax

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

No provision for Hong Kong Profits Tax for the years ended 31 March 2018 and 31 March 2017 has been made in respect of the subsidiaries in Hong Kong as either the tax losses brought forward from previous years exceed the estimated assessable profits for the year or the subsidiaries have no estimated assessable profits in Hong Kong.

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

	2018	2017
	$'000	*$'000*
Loss before taxation	**(80,965)**	(81,206)
Tax calculated at tax rates of 16.5% (2017: 16.5%)	**(13,359)**	(13,399)
Tax effects of non-taxable income	**(577)**	(2,369)
Tax effects of non-deductible expenses	**5,573**	3,226
Tax effects of tax losses not recognised	**11,271**	13,819
Tax effect of utilisation of tax loss previously not recognised	**(2,665)**	(1,384)
Others	**(243)**	107
Income tax expense	**–**	–

8 Loss per share

The calculation of the basic and diluted loss per share is based on the loss attributable to equity shareholders of the Company of $80,965,000 (2017: $81,201,000) and the weighted average number of 4,822,597,000 (2017: 4,822,334,000) ordinary shares in issue during the year.

(a) Basic loss per share

Weighted average number of ordinary shares

	2018	2017
	'000	*'000*
Issued ordinary shares at 1 April	**4,822,334**	4,822,334
Effect of share options exercised	**263**	–
Weighted average number of ordinary shares at 31 March	**4,822,597**	4,822,334

(b) Diluted loss per share

No adjustment had been made to the basic loss per share presented for the year ended 31 March 2018 and 31 March 2017 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share presented.

9 Dividends

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2018 (2017: Nil).

10 Trade and bills receivables

	2018	2017
	$'000	*$'000*
Trade and bills receivables	**25,715**	50,215
Less: Allowance for doubtful debts (note 10(b))	**(4,237)**	(8,558)
Trade and bills receivables, net	**21,478**	41,657

(a) Ageing analysis

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

	2018	2017
	$'000	*$'000*
0 – 30 days	**16,726**	39,471
31 – 60 days	**3,314**	499
61 – 90 days	**509**	435
91 – 120 days	**315**	289
Over 120 days	**4,851**	9,521
	25,715	50,215
Less: Allowance for doubtful debts *(note 10(b))*	**(4,237)**	(8,558)
	21,478	41,657

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

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2018	2017
	$'000	*$'000*
At the beginning of the year	**8,558**	8,203
Impairment loss (reversed)/recognised	**(10)**	355
Uncollectible amounts written off	**(4,311)**	–
At the end of the year	**4,237**	8,558

As at 31 March 2018, trade and bills receivables of approximately $4,237,000 (2017: $8,558,000) were impaired and fully provided for. The individually impaired receivables mainly related to smaller customers which were in default in payments and considered to be irrecoverable.

The movement of provision for impaired receivables have been included in "administrative and other operating expenses" in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(c) *Trade and bills receivables that are not impaired*

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2018	2017
	$'000	*$'000*
Neither past due nor impaired	**14,273**	30,791
1 – 30 days	**4,287**	8,554
31 – 60 days	**2,074**	433
61 – 90 days	**197**	209
91 – 120 days	**78**	87
Over 120 days	**569**	1,583
	7,205	10,866
	21,478	41,657

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) *The carrying amounts of trade and bills receivables are denominated in the following currencies:*

	2018	2017
	$'000	*$'000*
HK$	**19,501**	40,886
USD	**1,977**	771
	21,478	41,657

At 31 March 2018 and 31 March 2017, the fair values of the trade and bills receivables approximate their carrying amounts. The maximum exposure to credit risk at the end of each reporting period is the carrying value of the receivables. The Group does not hold any collateral as security.

11 Payables and accruals

	2018	2017
	$'000	*$'000*
Trade payables	**5,449**	8,655
Other payables and accruals:		
– Construction costs payable	**6,910**	6,940
– Accrued expenses	**7,897**	6,417
– Receipts in advance from customers	**1,043**	1,020
– Others	**3,715**	4,062
	19,565	18,439
	25,014	27,094

(a) Ageing analysis

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

	2018	2017
	$'000	*$'000*
Current	**3,088**	3,681
1 – 30 days	**793**	2,133
31 – 60 days	**720**	18
61 – 90 days	**20**	12
91 – 120 days	**13**	24
Over 120 days	**815**	2,787
	5,449	8,655

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

	2018	2017
	$'000	*$'000*
HK$	**24,754**	26,883
USD	**260**	211
	25,014	27,094

As at 31 March 2018 and 31 March 2017, the fair values of the payables and accruals approximate their carrying amounts.

12 Share capital

(a) Authorised share capital of the Company

	2018	2017
	$'000	*$'000*
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 2016, 31 March 2017 and 1 April 2017	4,822,334	482,234
Shares issued under share option scheme	675	67
At 31 March 2018	4,823,009	482,301

(c) Equity settled share-based transactions

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

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

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

- the nominal value of a share of the Company.

(i) *Share options granted in 2016*

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

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

			Number of share options							
Date of grant	**Initial exercise price** $	**Exercisable period**	**Outstanding at 1 April 2016**	**Granted and accepted during the year ended 31 March 2017**	**Cancelled/ lapsed during the year ended 31 March 2017**	**Outstanding at 31 March 2017 and 1 April 2017**	**Cancelled/ lapsed during the year ended 31 March 2018**	**Exercised during the year ended 31 March 2018**	**Outstanding at 31 March 2018**	**Remaining contractual life**
Directors										
7 September 2016	0.128	7 September 2017 to 6 September 2022	–	127,800,000	(15,000,000)	112,800,000	–	–	112,800,000	4.4 years
Employees										
7 September 2016	0.128	7 September 2017 to 6 September 2022	–	24,350,000	(1,450,000)	22,900,000	(3,725,000)	(675,000)	18,500,000	4.4 years
			–	152,150,000	(16,450,000)	135,700,000	(3,725,000)	(675,000)	131,300,000	

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

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

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

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

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

The Group recognised expenses of $3,472,000 (2017: $3,280,000) related to equity settled share-based payment transactions during the year ended 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

IWS is one of the major solid-waste solutions providers in Hong Kong, engaging in waste collection, recycling and treatment activities. With an extensive waste collection network and depots, the Group provides waste management services on waste paper, plastic, confidential material destruction services ("CMDS") and other recyclable waste for a broad range of customers in both the public and private sectors. Wastes are treated in an environmentally friendly method through our technologically advanced treatment plants. Products include recovered paper and plastic pellets, which are sorted, packed and exported to the PRC or overseas.

We are committed to maintaining stable and efficient services, managing and developing our business in a professional manner. Recognizing the importance of our business in becoming part of the solutions to municipal waste management, we will continue to make a difference by dedicating resources to create shared value strategy, moving towards the goal of becoming one of the most reputable integrated waste solutions providers in Hong Kong and the Greater China.

MARKET REVIEW

In Hong Kong, over 15,000 tonnes of waste are disposed to the landfills each day and over 67% of them are solid wastes. Due to limited space, Hong Kong has few options on waste management but to start taking action in reducing and recycling waste. However, the recycling rate remained as low as 34%. With new legislation by the Hong Kong government on municipal waste management, including the producer responsibility schemes ("PRS") implemented for plastic bags, glass beverage containers and waste electrical and electronic equipment ("WEEE"), the market landscape has started to undergo radical changes.

One of the biggest impacts on Hong Kong recycling market is from the tightened control on waste imports by the PRC, with new regulations announced in mid-2017 and effective from the beginning of 2018. The ban on unsorted scrap paper led to accumulation of paper wastes in Hong Kong. Such measures have been extended to other wastes such as plastic and garment, pressurizing the necessity to develop a local waste management services to treat the increasing amount of waste disposal. The Group's waste management operations, covering paper and WEEE etc., are part of the solutions in solving the issue of municipal waste in the long term.

FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the year ended 31 March 2018 ("FY2018") amounted to HK$81.0 million, an improvement of HK$0.2 million when compared to the net loss of HK$81.2 million for the year ended 31 March 2017 ("FY2017").

	FY2018 **HK$'000**	FY2017 HK$'000	**Fav./(Unfav.) Change** **HK$'000**	%
Results of Operating Segments	**(14,639)**	(24,005)	**9,366**	**39.0%**
Net Corporate expenses	**(37,958)**	(42,014)	**4,056**	**9.7%**
	(52,597)	(66,019)	**13,422**	**20.3%**
Share of results of joint venture	**(28,368)**	(2,309)	**(26,059)**	**(1,128.6%)**
Non-operating items:				
Impairment loss of property, plant and equipment	**–**	(12,873)	**12,873**	**100.0%**
Loss attributable to equity shareholders of the Company	**(80,965)**	(81,201)	**236**	**0.3%**

The results of the operating segments of the Group has improved with a decrease in loss of HK$9.4 million or 39.0% when compare to FY2017 while the net corporate expenses has reduced by HK$4.1 million or 9.7%. The Group's 25% investment in the Waste Electronic and Electrical Equipment ("WEEE") project commenced its commercial operation in October 2017 and a share of loss of the WEEE project of HK$28.4 million was recognised during its construction stage and initial stage of operation.

Performance of Business Segments

Revenue Analysis	**FY2018**	FY2017	**Fav./(Unfav.) Change**	
	HK$'000	HK$'000	**HK$'000**	%
Sales of recovered paper	**148,386**	181,979	**(33,593)**	**(18.5%)**
CMDS service income	**18,508**	18,491	**17**	**0.1%**
Sales of recycled plastic pellets	**7,461**	795	**6,666**	**838.5%**
Sales of tissue paper products	**410**	3,606	**(3,196)**	**(88.6%)**
Logistics service income	**164**	272	**(108)**	**(39.7%)**
Sales of other waste materials	**532**	1,797	**(1,265)**	**(70.4%)**
	175,461	206,940	**(31,479)**	**(15.2%)**

The revenue of **Recovered Paper** has reduced to approximately HK$148.4 million, a drop of approximately HK$33.6 million or 18.5% when compared to FY2017. The sales volume decreased by 30.4%. The industry has been largely affected by environmental policy reforms of the PRC. The ban on unsorted waste paper import, that took effect in 1 January 2018, implied a more stringent quality requirement on waste paper. This directly caused the drop of trade volume of Hong Kong waste paper to the PRC. The waste paper import quota imposed on factories in Mainland China further affected the sales of recovered paper. The average selling price per ton has increased by 17.2% due to the shortage of supply of recovered paper on a period-on-period basis but the gross profit of recovered paper trading has decreased by 13.2% from HK$31.9 million to HK$27.7 million due to reduction in trade volume. With a rather difficult outlook in this segment, the Group is looking for ways in adapting to the changing external environment.

On the other hand, sales on recovered office paper generated from our CMDS services have recorded an increase of 33.2%. Due to the difference in usage of office paper as compared to other types of recovered paper, the price and export volume of office paper has not been affected by the environmental regulations of the PRC. Moreover, the Group has also expanded in the Southeast Asian market where the demand for office paper remains robust, bringing a significant increment in sales.

Confidential Material Destruction Services ("CMDS") service income increased by 0.1% to HK$18.5 million. The growing awareness and concern on data privacy and intellectual property rights is the main attribution for a stable performance on CMDS. We collect and destroy confidential materials from government authorities, financial and professional institutions and private corporations in Hong Kong. Confidential materials that we destroy include confidential documents; branded products; counterfeit and storage media such as computer hard disks, credit cards, mobile SIM cards, etc. We expect a stable growth of contribution from this segment in the long term.

Plastic Recycling is our new solid waste recycling business which came into operation in October 2017. Plastic waste are recycled and processed into Low-density Polyethylene ("LDPE") plastic pellets. These LDPE pellets can be used for both rigid containers and plastic film applications such as plastic bags and film wrap. The ban imposed by the PRC government on unprocessed plastic scrap has a positive impact on our business. The demand for processed plastic pellets is on a significant rise, pushing our production to reaching its full capacity. We believe that the plastic segment has potential in expanding and thus bringing a positive contribution to our revenue, as the Group is seeking to increase production efficiency to accommodate the surging demand.

The sales revenue of **Tissue Paper Products** dropped by HK$3.2 million or 88.6% to HK$0.4 million. The Group had been facing a highly competitive environment at the tissue paper business. The fierce competition of paper processing in the PRC led to the elimination of small manufacturers, bringing up the cost of materials imports including wood pulp. Sales volume and profit margin had been declining. As a local manufacturer, it had become unrealistic to compete against international paper manufacturers who gains larger market share with greater resources for product innovation and marketing. Given the limited production capacity and upsurge production cost, the Group did not foresee the results of this segment would turn around in the near future. In view of the relatively insignificant contribution of the tissue paper business, the Group decided to cease this line of business in August 2017 and channel its resources to other solid waste management businesses.

The joint venture with ALBA Group operating in recycling of **waste electrical and electronic equipment ("WEEE")** has become operational in October 2017. The full year operating results of this joint venture will be reflected in the report of the next financial year, and the processing volume of WEEE is expected to rise. Under the producer responsibility scheme on waste electrical and electronic equipment, the Waste Disposal Ordinance and other relevant regulations proposed by the Hong Kong government are scheduled to become effective by the end of 2018. The prospect of the WEEE operation remain dependent on the legislation procedure and actual implementation of the regulations.

Gross Profit

The Gross Profit percentage of the Group for FY2018 has reduced slightly from 18.3% to 17.7% when compared to FY2017. The recent tightening of import regulations imposed by the PRC had negatively impacted on gross profit margin.

Selling, Distribution and Administrative Expenses

Selling, distribution and administrative expenses amounted to a total of HK$97.4 million, representing a reduction of HK$15.7 million when compared to FY2017. The reduction in these expenditures was due to the continuous cost control measures adopted by the management throughout the year.

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

Although the revenue of the Group has reduced substantially, LBITDA for the year has increased slightly by approximately HK$0.7 million to HK$51.4 million when compared to HK$50.7 million of FY2017.

Liquidity and Financial Resources

The Group recognizes the need to achieve an adequate profit margin and considers that it is prudent to finance the Group's long-term growth by long-term financing, especially in the form of equity which will not increase the Group's finance costs. During the current financial year, the Group had no financing exercise undertaken and all capital expenditure incurred was financed by internal resources. The Group will explore all possible financing options when necessary.

As at 31 March 2018, the Group had unrestricted bank deposits and cash of approximately HK$218.9 million (2017: HK$219.1 million). The Group had no bank loans and overdrafts as at 31 March 2018 (2017: Nil).

As at 31 March 2018, the Group had net current assets of approximately HK$270.4 million, as compared to net current assets of approximately HK$297.5 million as at 31 March 2017. The current ratio of the Group was 11.8 as at 31 March 2018 as compared to 12.0 as at 31 March 2017.

Foreign Exchange Exposure

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

For the year ended 31 March 2018, the Group recorded a net foreign exchange gain of HK$4.6 million (2017: loss of HK$3.1 million) as a result of the appreciation of Renminbi during the year. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Major Capital Expenditure and Commitments

During the current financial year, the Group incurred HK$20.5 million for the purchase of new machineries for its business operations in the headquarter of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2018, the Group has capital commitments of HK$0.1 million, which are mainly related to I.T. infrastructure development of the headquarters.

Pledge of Assets

As at 31 March 2018, the Group had restricted bank deposits amounted to HK$0.2 million (2017: HK$17.9 million) which were pledged with banks for issuing guarantees to suppliers to secure supply.

Capital Structure

Details of the capital structure of the Company are set out in Note 12.

Contingent Liabilities

At 31 March 2018, the Group has, upon legal advice, lodged certain claims against its former director and employee and the outcomes of which remain to be seen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Striving to be one of the key players in resolving the mounting municipal solid waste issue in Hong Kong, the Group is committed to achieving this in a sustainable way, i.e. by gradually embedding environmental, social and governance ("ESG") considerations into our strategic decision making. During the process, we aim to involve our key stakeholder groups including customers, employees, investors, government agencies, suppliers, environmental NGOs, etc. In addition to ongoing communication, the Group commenced an engagement exercise during the year, hoping to learn more about their concern and feedback on our ESG initiatives including resources conservation, emissions reduction, health and safety, community involvement, etc.

Led by relevant department heads who report to the Board of Directors for consideration and decision-making, the Group's ESG functions and sustainability practices have been optimized in conjunction with its business growth. While detailed ESG performances will be published in our ESG Report in August 2018 on the websites of the Company and the Stock Exchange, in compliance with the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules"), this section explains the Group's environmental policy and the relationships with its key stakeholder groups.

Environmental Policy and Compliance

Diesel and electricity are the two main energy types we consumed. Committing to environmental sustainability, the Group implements ongoing initiatives to conserve energy consumption by adhering to our environmental management system certified by ISO 14001:2004 standard. All our vehicles are equipped with GPS tracking system to ensure optimal performance, aiming to manage the diesel consumption as much as possible by planning routes strategically.

For our plastic recycling operation, we adopt thermal insulation on metallic parts of the heating area of the pelletizers to reduce heat loss, thereby saving power. We also ensure all heating devices are controlled precisely for maintaining the required temperature to help reduce unnecessary energy consumption. As our business continues to expand, such initiatives are reviewed regularly at management review meetings to maintain their validity and effectiveness.

Strictly complying with all relevant local environmental laws and regulations during the year, we were not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to environmental laws and regulations.

The Group highly values the importance of ensuring compliance with applicable legal and regulatory requirements and has been keeping abreast of the latest regulatory changes in Hong Kong and the Mainland China regarding waste management, as well as other environmental laws. It is critical for us to fully grasp the implications of any regulatory changes. The failure of which may adversely affect the Group's reputation, operations and financial performance.

Engagement with Stakeholders

The Group strives to continually maintain close relationship with its stakeholders and responds to their key concerns through ESG reporting. We engage with our key stakeholder groups on an ongoing basis and through a variety of platforms. In addition to existing communication channels such as meetings and publications, we commissioned an independent third-party consultant to conduct telephone interviews and online survey with both internal and external stakeholders, collecting their views on the Group's businesses towards sustainability. We will continue to broaden our engagement with key stakeholders and respond to their expectations by identifying and managing material sustainability topics.

Employees

The Group maintains effective communication channels between employees and the management on employment matters. As of 31 March 2018, the Group had a workforce of 178 employees. Employee costs, including directors' emoluments, amounted to HK$65.9 million for FY2018 (FY2017: HK$69.1 million). Adhering to the people-oriented management principle, we treat our employees with courtesy and respect, ensuring equal opportunities on recruiting and appraisal procedures based on meritocracy and prohibiting any forms of discrimination.

The Group puts occupational health and safety of our employees on top priority. In addition to complying with all relevant laws and regulations on occupational safety, the Group has established a Safety Management Committee which scrutinizes the implementation of our Occupational Safety and Health Policy and facilitates communication within the Group on safety issues. Our safety management system has laid out potential risks, safety rules and emergency plans in preventing accidents.

The Group encourages our employees to improve their skills by allocating resources on offering internal and external training programmes, including on-the-job training and safety training for new employees. We believe that improvement of employee's capabilities will strengthen the overall competitiveness of Group.

Customers

As one of the most trusted enterprises by our customers and the public, the Group maintains regular communications with customers and takes necessary improvement measures after collecting their feedbacks. If there is a customer complaint, follow-up actions are undertaken by the management to ensure that the relevant non-conformities will not recur and to document the implementation and effectiveness of the corrective actions. For CMDS, a destruction witnessing suite is available for customers who wish to oversee the destruction process. Upon the completion of the destruction work, we issue barcode collection reports and photographic reports to our customers within one week.

Suppliers

The Group strives to maintain stable relationships with key suppliers, working together towards sustainability in our operations. We follow a set of assessment procedures to evaluate and select suppliers and contractors in accordance with the ability to meet the specified requirements, including price, product quality, inquiry response, on-time delivery, environmental performance and specific quality assurance requirements. Environment-friendly suppliers and contractors are given priority. Subject to evaluation from regular audits, meetings and other means of engagement, all unqualified suppliers and contractors are excluded from the list of approved suppliers and contractors.

Community

The Group is committed to bearing its fair share of social responsibility. In conjunction with our core business of managing municipal solid waste, we are devoted to educating the public about the importance of recycling. The Group's Environmental Education Centre is opened for visits by community groups, contributing to implement the concept of "Reduce, Reuse and Recycle" and transform our community into a more sustainable living environment.

PROSPECTS

The Group will continue to operate diligently and seek for opportunities to develop its business segments, working towards a turnaround. Although the prospects of some segments depend on the environmental policies, laws and regulations of the PRC and Hong Kong, we strive to grasp the opportunities brought by these policy changes in strengthening our existing and new businesses, diversifying sources of revenue and forging sustainable growth. As we advance through our learning curve, we believe that our investments to new solid waste management spheres will eventually bring sustainable returns for our shareholders and investors.

Looking forward, the Group will pursue stable development, maintaining existing business of recovered paper and CMDS. As for the new segments of plastic waste and WEEE, which had a good starting point this year, the Group will continue to maintain this momentum, exploring opportunities to enhance our capabilities and production efficiencies, building up our reputation and market share in these business segments. With our devotion and professionalism, we are confident that we will be able to deliver high quality waste management solutions and services to the Hong Kong communities.

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 August 2018 to Monday, 27 August 2018 both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible for attending and voting at the 2018 annual general meeting of the Company to be held on Monday, 27 August 2018, all completed transfer documents, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 August 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's share during the year ended 31 March 2018.

CORPORATE GOVERNANCE

Throughout the financial year ended 31 March 2018 and to the extent that it is reasonable and appropriate, the Company has been compliant with the code provisions and some of the recommended best practices as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. The Company will continue improving its corporate governance that is conducive to the conduct and growth of its business, and reviewing its governance practices to ensure compliance with the regulatory requirements, thereby meeting the expectations of shareholders and investors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2018.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has also adopted written guidelines on no less exacting terms than the Model Code (the "Written Guidelines") for governing securities transactions by employees who are likely to be in possession of unpublished inside information of the Company or its securities. No incident of non-compliance of the Written Guidelines by any relevant employee was noted by the Company during the year ended 31 March 2018.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises five 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, Mr. Yeung Kwok Ki, Anthony and Mr. Chan Ting Bond, Michael; and two non-executive Directors, namely, Mr. Cheng Chi Ming, Brian and Mr. Tsang On Yip, Patrick, has reviewed the consolidated financial statements of the Group for the year ended 31 March 2018 and discussed with the management of the Company on the accounting principles and practices adopted by the Group, risk management and internal controls and financial reporting matters.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2018. The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the designated websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.iwsgh.com). The annual report of the Company for the year ended 31 March 2018 containing all the information required by the Listing Rules will be dispatched 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 June 2018

As at the date of this announcement, the Board comprises two executive directors, namely, Messrs. Lam King Sang 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 five independent non-executive directors, namely, Messrs. Nguyen Van Tu, Peter, Chow Shiu Wing, Joseph, Wong Man Chung, Francis, Yeung Kwok Ki, Anthony and Chan Ting Bond, Michael.