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 2019

Annual Results

- Revenue increased by 11.9%, to HK$196.3 million
- Gross profit margin increased from 17.7% to 21.4%
- Loss attributable to equity shareholders of the Company decreased by 36.4% to HK$51.5 million
- Basic loss per share was HK1.1 cents (FY2018: HK1.7 cents)

The Board does not recommend the payment of any dividend for the year ended 31 March 2019.

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 2019. 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 2019 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 2019

(Expressed in Hong Kong dollars)

	Note	**2019** **$'000**	2018 $'000
Revenue	3	**196,340**	175,461
Cost of sales		**(154,338)**	(144,441)
Gross profit		**42,002**	31,020
Other revenue	4	**2,377**	2,318
Other net (loss)/gain	5	**(3,349)**	3,232
Selling and distribution expenses		**(26,914)**	(25,299)
Administrative and other operating expenses		**(71,151)**	(72,150)
Impairment loss of property, plant and equipment	6(c)	**(3,276)**	–
Operating loss		**(60,311)**	(60,879)
Finance income	6(b)	**8,382**	8,282
Share of profit/(loss) of joint ventures		**170**	(28,368)
Loss before taxation	6	**(51,759)**	(80,965)
Income tax credit	7(a)	**235**	–
Loss and total comprehensive income for the year		**(51,524)**	(80,965)
Basic and diluted loss per share	8	**(1.1) cents**	(1.7) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019
(Expressed in Hong Kong dollars)

	Note	**2019** **$'000**	2018 $'000
Non-current assets			
Property, plant and equipment		**659,169**	694,609
Land use rights		**30,802**	31,892
Interests in joint ventures		**39,075**	–
Deposits and prepayments		**14**	193
		729,060	726,694
Current assets			
Inventories		**5,341**	4,499
Trade and bills receivables	10	**24,233**	21,478
Other receivables, deposits and prepayments		**15,112**	19,689
Taxation recoverable		**–**	2,976
Amounts due from joint ventures		**33,683**	27,715
Amount due from a related company		**12**	12
Restricted and pledged bank deposits		**–**	152
Bank deposits and cash		**160,665**	218,871
		239,046	295,392
Current liabilities			
Trade payables	11	**3,229**	5,449
Other payables, accruals and contract liabilities	11	**19,078**	19,565
Amount due to a related company		**10**	10
		22,317	25,024
Net current assets		**216,729**	270,368
NET ASSETS		**945,789**	997,062
CAPITAL AND RESERVES			
Share capital	12	**482,301**	482,301
Reserves		**463,488**	514,761
TOTAL EQUITY		**945,789**	997,062

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. These 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 2018 except for the changes stated as below.

(b) Changes in 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. Of these, the following developments are relevant to the Group's consolidated financial statements:

– IFRS 9, *Financial instruments*

– IFRS 15, *Revenue from contracts with customers*

– IFRIC 22, *Foreign currency transactions and advance consideration*

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout the consolidated financial statements has not been restated to reflect the requirements of the new standards, except for the separate presentation of contract liabilities.

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

(i) *IFRS 9, Financial instruments*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The cumulative effect of initial application, if any, was recognised as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under IAS 39.

The Group has assessed that the transition to IFRS 9 does not have a material impact on the Group's financial position at 1 April 2018.

Further details of the nature and effects of the changes to previous accounting policies relevant to the Group are set out below:

A. Classification of financial assets and financial liabilities

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The classification and measurement of the Group's financial assets at 1 April 2018 have not been impacted by the initial application of IFRS 9.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contract, which is not relevant to the Group. The carrying amounts of the Group's financial liabilities at 1 April 2018 have not been impacted by the initial application of IFRS 9.

B. Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, amounts due from joint venture and a related company). There is no significant change in the amount of loss allowances recognised as at 1 April 2018 as a result of the adoption of the ECL model under IFRS 9.

C. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for the year ended and as at 31 March 2018 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11 *Construction Contracts*, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Details of the nature and effect of the changes on previous accounting policies are set out below:

A. Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract, which may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue.

B. Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers. Changes on this area under IFRS 15 does not have a significant impact to the Group.

C. Presentation of contract assets and contract liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a new contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group has elected to use the cumulative effect transition method. Therefore, comparative information has not been restated and continues to be reported under IAS 18, *Revenue*.

To reflect these changes in presentation under IFRS 15, the Group has reclassified receipt in advance from customers amounting to $1,043,000 from "Receipts in advance from customers" in Other payables and accruals to "Contract liabilities" in Other payables and accruals (note 11).

(iii) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognizing the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

3 Revenue and segment information

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

– 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.

Revenue from contracts with customers within the scope of IFRS 15

	2019	2018
	$'000	*$'000*
Disaggregated by major products or service lines		
– Sales of recovered paper and materials	**174,813**	156,379
– Sales of tissue paper products	**17**	410
– Provision of CMDS	**20,134**	18,508
– Provision of logistics services	**1,376**	164
	196,340	175,461

Revenue by geographic markets

	2019	2018
	$'000	*$'000*
Hong Kong	**95,294**	73,373
Mainland China	**78,688**	81,298
South Korea	**20,600**	19,953
Others	**1,758**	837
	196,340	175,461

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

For the year ended 31 March 2019, revenue of approximately $55,116,000 (2018: $58,392,000) is derived from two (2018: two) 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 2019 and 31 March 2018 are located in Hong Kong.

The segment results and other segment items included in the loss for the year ended 31 March 2019 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	**174,813**	**17**	**20,134**	**1,376**	**196,340**
Inter-segment sales	**–**	**–**	**–**	**16,105**	**16,105**
Reportable segment revenue	**174,813**	**17**	**20,134**	**17,481**	**212,445**
Elimination of inter-segment revenue	**–**	**–**	**–**	**(16,105)**	**(16,105)**
	174,813	**17**	**20,134**	**1,376**	**196,340**
Segment results:					
Reportable segment profit	**32,760**	**2**	**12,987**	**3,191**	**48,940**
Elimination of inter-segment profit					**(6,938)**
Reportable segment profit derived from the Group's external customers					**42,002**
Unallocated operating costs					**(102,313)**
Finance income					**8,382**
Share of profit of joint ventures					**170**
Loss before taxation					**(51,759)**
Income tax credit					**235**
Loss for the year					**(51,524)**

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 profit/(loss)	24,879	(633)	11,520	3,588	39,354
Elimination of inter-segment profit					(8,334)
Reportable segment profit 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 before taxation					(80,965)
Income tax expense					–
Loss for the year					(80,965)

4 Other revenue

	2019	2018
	$'000	*$'000*
Licence fee income	**1,400**	–
Service income	**441**	882
Others	**536**	1,436
	2,377	2,318

5 Other net (loss)/gain

	2019	2018
	$'000	*$'000*
Gain on disposals of property, plant and equipment, net	**415**	28
Write off of property, plant and equipment	**(770)**	(1,356)
Foreign exchange (loss)/gain, net	**(2,994)**	4,560
	(3,349)	3,232

6 Loss before taxation

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

	2019	2018
	$'000	*$'000*
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**60,685**	60,440
Contributions to defined contribution retirement plan	**1,996**	2,004
Equity settled share-based payment expenses	**251**	3,472
	62,932	65,916
Staff costs included in:		
– Cost of sales	**20,921**	20,665
– Selling and distribution expenses	**15,105**	15,002
– Administrative and other operating expenses	**26,906**	30,249
	62,932	65,916
(b) Finance income		
Interest income from banks deposits	**(3,543)**	(2,985)
Interest income from loans to joint ventures	**(4,839)**	(3,873)
Financial guarantee income from a joint venture	**–**	(1,424)
	(8,382)	(8,282)

	2019	2018
	$'000	*$'000*
(c) Other items		
Cost of inventories sold	**107,874**	99,170
Amortisation of land use rights	**1,090**	1,090
Depreciation of property, plant and equipment	**34,008**	35,346
Impairment losses recognised/(reversal of impairment losses):		
– Trade and bills receivables (note 10(b))	**–**	(10)
– Property, plant and equipment (note (i))	**3,276**	–
Bad debts written off	**7**	13
Operating lease charges in respect of land and buildings	**5,322**	5,340
Auditor's remuneration:		
– Audit services	**2,110**	2,020
– Other services	**498**	524

Note:

(i) Impairment loss of property, plant and equipment

During the year ended 31 March 2019, the Group recognised an impairment loss of $3,276,000 to property, plant and equipment of the tissue paper operation to reduce their carrying amount to their recoverable amount of $Nil. The impairment arose primarily due to the decline in profitability of the tissue paper operation 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:

	2019	2018
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Over-provision in prior years	**(235)**	–
Income tax credit	**(235)**	–

No provision for Hong Kong Profits Tax for the years ended 31 March 2019 and 31 March 2018 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 credit and loss before taxation at applicable tax rates:***

	2019	2018
	$'000	*$'000*
Loss before taxation	**(51,759)**	(80,965)
Tax calculated at tax rates of 16.5% (2018: 16.5%)	**(8,540)**	(13,359)
Tax effects of non-taxable income	**(891)**	(577)
Tax effects of non-deductible expenses	**1,154**	5,573
Tax effects of tax losses not recognised	**10,136**	11,271
Tax effects of utilisation of tax losses previously not recognised	**(1,615)**	(2,665)
Over-provision in prior years	**(235)**	–
Others	**(244)**	(243)
Income tax credit	**(235)**	–

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 $51,524,000 (2018: $80,965,000) and the weighted average number of 4,823,009,000 (2018: 4,822,597,000) ordinary shares in issue during the year.

(a) ***Basic loss per share***

Weighted average number of ordinary shares

	2019	2018
	'000	*'000*
Issued ordinary shares at 1 April	**4,823,009**	4,822,334
Effect of share options exercised (note 12(c))	**–**	263
Weighted average number of ordinary shares at 31 March	**4,823,009**	4,822,597

(b) ***Diluted loss per share***

No adjustment had been made to the basic loss per share presented for the years ended 31 March 2019 and 31 March 2018 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 2019 (2018: Nil).

10 Trade and bills receivables

	2019	2018
	$'000	*$'000*
Trade and bills receivables	**28,470**	25,715
Less: Allowance for doubtful debts (note 10(b))	**(4,237)**	(4,237)
Trade and bills receivables, net	**24,233**	21,478

(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:

	2019	2018
	$'000	*$'000*
0 – 30 days	**22,577**	16,726
31 – 60 days	**1,462**	3,314
61 – 90 days	**171**	509
91 – 120 days	**28**	315
Over 120 days	**4,232**	4,851
	28,470	25,715
Less: Allowance for doubtful debts	**(4,237)**	(4,237)
	24,233	21,478

Note: Upon the adoption of IFRS 9, the Group assessed the adoption of "expected credit loss" model did not have significant impact on opening balance.

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) ***Movement in the loss allowance account during the year***

Movement in the loss allowance account in respect of trade and bills receivables during the year is as follows:

	2019	2018
	$'000	*$'000*
Balance at 1 April under IAS 39	**4,237**	8,558
Impact on initial application of IFRS 9 (note 2(b)(i))	**–**	–
Adjusted balance at 1 April	**4,237**	8,558
Impairment loss reversed during the year	**–**	(10)
Uncollectible amounts written off	**–**	(4,311)
Balance at 31 March	**4,237**	4,237

(c) ***Ageing analysis of 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 is as follows:

	2019	2018
	$'000	*$'000*
Neither past due nor impaired	**22,095**	14,273
1 – 30 days	**1,837**	4,287
31 – 60 days	**164**	2,074
61 – 90 days	**111**	197
91 – 120 days	**26**	78
Over 120 days	**–**	569
	2,138	7,205
	24,233	21,478

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

	2019	2018
	$'000	*$'000*
HK$	**23,114**	19,501
USD	**1,119**	1,977
	24,233	21,478

At 31 March 2019 and 31 March 2018, 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

		31 March	1 April	31 March
		2019	2018	2018
	Note	***$'000***	*$'000*	*$'000*
Trade payables	(a) & (b)	**3,229**	5,449	5,449
Other payables and accruals				
– Construction costs payable		**6,446**	6,910	6,910
– Accrued expenses		**7,765**	7,897	7,897
– Receipts in advance from customers (Note)		**–**	–	1,043
– Contract liabilities (Note)	(c)	**806**	1,043	–
– Others		**4,061**	3,715	3,715
		19,078	19,565	19,565
		22,307	25,014	25,014

Note: Upon the adoption of IFRS 15, amounts previously included as "Receipts in advance from customers" were reclassified to contract liabilities (see note 2(b)(ii)).

(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:

	2019	2018
	$'000	*$'000*
Current	**2,231**	3,088
1 – 30 days	**165**	793
31 – 60 days	**30**	720
61 – 90 days	**24**	20
91 – 120 days	**4**	13
Over 120 days	**775**	815
	3,229	5,449

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

	2019	2018
	$'000	*$'000*
HK$	**22,272**	24,754
USD	**35**	260
	22,307	25,014

As at 31 March 2019 and 31 March 2018, the fair values of the payables and accruals approximate their carrying amounts.

(c) Movement in contract liabilities

Contract liabilities represent receipt in advance from customers and the movement during the year is as follows:

	2019
	$'000
Balance at 1 April	**1,043**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of period	**(237)**
Balance at 31 March	**806**

12 Share capital

(a) *Authorised share capital of the Company*

	2019	2018
	$'000	*$'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 2017	4,822,334	482,234
Shares issued under share option scheme	675	67
At 31 March 2018, 1 April 2018 and 31 March 2019	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 2017**	**Cancelled/ lapsed during the year ended 31 March 2018**	**Exercised during the year ended 31 March 2018**	**Outstanding at 31 March 2018 and 1 April 2018**	**Cancelled/ lapsed during the year ended 31 March 2019**	**Outstanding at 31 March 2019**	**Remaining contractual life**
Directors									
7 September 2016	0.128	7 September 2017 to 6 September 2022	112,800,000	–	–	112,800,000	(26,400,000)	86,400,000	3.4 years
Employees									
7 September 2016	0.128	7 September 2017 to 6 September 2022	22,900,000	(3,725,000)	(675,000)	18,500,000	(1,200,000)	17,300,000	3.4 years
			135,700,000	(3,725,000)	(675,000)	131,300,000	(27,600,000)	103,700,000	

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 $251,000 (2018: $3,472,000) related to equity settled share-based payment transactions during the year ended 31 March 2019.

13 Comparative figures

The Group has initially applied IFRS 9 and IFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(b).

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

Integrated Waste Solutions Group Holdings Limited 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 related to waste paper and plastic waste, Confidential Material Destruction Services ("CMDS") and other recyclable waste to a broad range of customers in both public and private sectors. Wastes are treated in environmentally friendly ways by our technologically advanced treatment plants. Products handled include recovered paper and plastic pellets, which are sorted, packed and exported to the PRC or other overseas destinations.

We are committed to maintaining stable and efficient services, managing and developing our business in a professional manner. Recognising the importance of our business in becoming a part of the solutions to municipal waste management, we will continue to strive to make a difference by dedicating resources to create shared economic, social and environmental values. We are 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, disposal of municipal solid waste in landfills has been increasing rapidly year-on-year. With domestic landfills reaching saturation point, Hong Kong has to start taking action for reducing and recycling waste. The recycling rate has remained low since majority of the recyclable waste is exported. However, stringent controls on waste imports by the PRC since January 2018 has made it imperative for Hong Kong to process its recyclable wastes locally, which has resulted in radical changes in the landscape of the waste management services market.

New laws and regulations 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") are bringing new opportunities for providers of waste treatment and recycling services. The Group's waste management operations, recovered paper, WEEE, plastics, etc., are part of the long term solutions to the municipal waste problems.

FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the year ended 31 March 2019 ("FY2019") amounted to HK$51.5 million, an improvement of HK$29.5 million compared to the net loss of HK$81.0 million for the year ended 31 March 2018 ("FY2018").

Revenue Analysis	**FY2019 HK$'000**	FY2018 HK$'000	**Change HK$'000**	%
Sales of recovered paper and materials				
– Sales of recovered paper	**158,864**	148,386	**10,478**	**7.1%**
– Sales of recycled plastic pellets	**15,289**	7,461	**7,828**	**104.9%**
– Sales of other waste materials	**660**	532	**128**	**24.1%**
	174,813	156,379	**18,434**	**11.8%**
CMDS service income	**20,134**	18,508	**1,626**	**8.8%**
Sales of tissue paper products	**17**	410	**(393)**	**(95.9%)**
Logistics service income	**1,376**	164	**1,212**	**739.0%**
	196,340	175,461	**20,879**	**11.9%**

Sales of recovered paper and materials

Revenue from **Recovered Paper** has increased to approximately HK$158.9 million, a rise of approximately HK$10.5 million or 7.1% compared to FY2018. The gross profit of recovered paper trading has increased by HK$6.9 million or 25.0% when compared to FY2018, and the gross profit margin has improved from 18.6% to 21.8%.

The ban on imports of unsorted waste paper by the PRC since January 2018 has led to a drop in sales volume by 5.8%. However, the trade war between the US and China has shifted demand for recovered paper to Hong Kong during the end of 2018. The average selling price per tonne has increased by 13.7% due to shortage of recovered paper on a period-on-period basis.

In view of the uncertainties exists within this business segment, the Group continues to take measures to ensure additional manpower is available in the event of a sudden increase in demand. With a rather difficult outlook in this segment, the Group is looking for ways of adapting to the changing external environment.

Sales of recovered office paper generated from the provision of CMDS have recorded an increase of 4.2%. Due to the difference in usage of recovered office paper as compared to other types of recovered paper, the price and export volume of office paper has not been affected by environmental regulations of the PRC. Moreover, the Group has expanded in the Southeast Asian market where the demand for recovered office paper remains strong and there has been significant increase in sales in these markets.

Plastic Recycling is our new solid waste recycling business which commenced operations in October 2017. Low-density Polyethylene ("LDPE") plastic waste are recycled and processed into plastic pellets. These LDPE pellets can be used for both rigid containers and plastic film applications such as plastic bags and film wrap. Sales revenue generated from plastic pellets has increased by HK$7.8 million or 104.9%. The ban imposed by the PRC government on the import of plastic scrap has had a positive impact on this business. The Group has also been working to boost production capacity and efficiency through rectifications. Despite factors such as oil price and Sino-US trade war which have impacted the competitiveness of our products, we expect this business to bring greater contributions to our revenue.

In October 2018, the Group has tapped into the business of engineering recycled plastic pellets, which facilitates the production of high value-added recycled plastic pellets. The project is under trial run since March 2019 and is expected to become a new revenue stream in the next financial year.

CMDS service income

Confidential Materials Destruction Service ("CMDS") service income increased by HK$1.6 million or 8.8%. The growing awareness and concerns about data privacy and intellectual property rights is the main reason attributable to a stable performance of the CMDS business. We made efforts to keep up our service quality and improve efficiency of our fleet. Despite emergence of other competitors, we have maintained our market share with professional expertise and services, which bring us new customers. We expect to see further growth of contribution from this segment in the long term.

Joint venture with ALBA Group

The joint venture with ALBA Group operating in treatment and recycling of **waste electrical and electronic equipment ("WEEE")** has been in operation since October 2017. As the producer responsibility scheme on waste electrical and electronic equipment ("WPRS") was fully implemented in August 2018, the volume in WEEE business has been growing. Production capacity has also been stabilised. We expect positive and stable contributions to the financial performance as it gains momentum over time.

Gross Profit

Compared to FY2018, the gross profit of the Group has increased by HK$11.0 million or 35.4%, and the gross profit margin has improved from 17.7% to 21.4% in FY2019. The increase in gross profit margin is attributable to an on-going cost efficiency exercise to reduce direct cost of sales.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK$98.1 million, representing a slight increase of HK$0.7 million compared to FY2018.

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

With the increase in total revenue and the improvement in gross profit, LBITDA for the year has improved by approximately HK$26.4 million to HK$25.0 million compared to HK$51.4 million in FY2018.

Liquidity and Financial Resources

The Group recognises the need to achieve an adequate profit margin and considers it 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. The Group also acknowledges that it will encounter difficulty in raising funds from financial institutions by way of debt financing in light of its recent financial performance and positions. During the current financial year, the Group had no financing exercise undertaken and all capital expenditure incurred was financed by internal resources.

As at 31 March 2019, the Group had unrestricted bank deposits and cash of approximately HK$160.7 million (2018: HK$218.9 million). The Group had no bank loans and overdrafts as at 31 March 2019 (2018: Nil).

As at 31 March 2019, the Group had net current assets of approximately HK$216.7 million, as compared to net current assets of approximately HK$270.4 million as at 31 March 2018. The current ratio of the Group was 10.7 as at 31 March 2019 as compared to 11.8 as at 31 March 2018.

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 raw material purchases are denominated in Hong Kong dollars and United States 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 2019, the Group recorded a net foreign exchange loss of HK$3.0 million (2018: gain of HK$4.6 million) as a result of the gradual devaluation 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$1.6 million for the leasehold improvements of depots, and incurred HK$1.1 million for the construction expenditure in respect of the headquarter of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2019, the Group has no material capital commitments.

Pledge of Assets

As at 31 March 2018, the restricted and pledged bank deposits were pledged with banks for issuing guarantees to suppliers to secure supply. As at 31 March 2019, the Group had no restricted and pledged bank deposits.

Capital Structure

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

Contingent Liabilities

At 31 March 2019, the Group has, upon legal advice, lodged certain claims against its former directors and employees and the outcomes of which remain to be seen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group pledges to shoulder its responsibility to protect the environment and contribute to the community as a major waste treatment and management services provider in Hong Kong. Environmental, social and governance ("ESG") factors are an integral part of our operations. To contribute to waste management solutions in Hong Kong, we actively listen and respond to feedback of stakeholders including customers, employees, investors, government agencies, suppliers, environmental NGOs, etc., on our ESG performance. We continued to maintain regular communication with stakeholder groups on topics such as environmental compliance, occupational health and safety as well as customer privacy protection. During the year, we have reviewed our materiality topics and aligned them with the United Nations Sustainable Development Goals (SDGs), responding to global sustainability issues.

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 optimised in conjunction with its business growth. While detailed ESG performance will be published in our ESG Report in August 2019 on the websites of the Stock Exchange and the Company, 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 of Hong Kong Limited (the "Listing Rules"), this section explains the Group's environmental policy and performance, and its relationships with key stakeholder groups.

Environmental Policy and Compliance

The Group demonstrates its environmental stewardship through adopting ISO 14001:2015-certified environmental management system. We have defined quantitative environmental control objectives of resorting to all viable means to reduce pollution, optimising resources utilisation and disposing waste in a responsible manner. The Group strictly complies with relevant environmental laws and regulations, including the Waste Disposal Ordinance, Water Pollution Control Ordinance and Air Pollution Control Ordinance. We closely monitor the trends and changes in regional and local environmental policies to keep our management system updated.

The Group adopts a four-step process for managing environmental impacts of its business, including identifying environmental factors, identifying potential direct and indirect impacts, evaluating the significance of those impacts, and controlling those environmental factors through establishing related procedures. We implement on-going energy conservation measures, water recycling system and green office practices to reduce resources consumption. Solar panels are being installed at our building in preparation for generating renewable energy next year. To leverage our role as a waste solutions provider and facilitating sustainable development in Hong Kong, we also participate in environmental initiatives and collaborate with external green organisations.

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.

Engagement with Stakeholders

Building close and smooth relations with our stakeholders is crucial for the Group's long-term development. The Group has established procedures for managing communications with internal and external stakeholders from different sectors and backgrounds. We have established and maintained appropriate communication platforms and channels such as regular meetings and grievance resolution system, to consult them on material topics and any issues concerned. The management strives to listen and respond to the feedback so as to improve our sustainability performance and meet their expectations.

Employees

As of 31 March 2019, the Group had a workforce of 182 employees. Employee costs, including directors' emoluments, amounted to HK$62.9 million for FY2019 (FY2018: HK$65.9 million). The Group adheres to fair employment practices and provides equal opportunities to employees. We respect every individual employee and prohibit discriminatory practices on all related matters including recruitment, appraisal procedures and provision of welfare and benefits. We maintain effective two-way communication channels and a grievance system to address any concerns employees may have.

Health and safety of employees is always a top priority in our operations. Occupational health and safety policies are established and reviewed by the Safety Management Committee which scrutinises implementation and facilitates communication within the Group on safety issues. The safety management system also includes regular training for managing different types of safety hazards. Procedures for identifying potential safety risks and drawing emergency plans are also in place. The Group has complied with Occupational Safety and Health Ordinance and all relevant laws and regulations on occupational safety.

Believing that training is the key to strengthen the competitiveness of the Group and it also benefits the employees themselves, the Group offers opportunities for employees to enhance skills and knowledge. We invest on internal and external training of various types according to different training needs. Industry-related training is provided to update employees with the latest developments in the industry.

Customers

We highly value opinions and feedback from customers as they are a crucial part of our continuous improvement process. The Group maintains effective communications with customers through daily engagement and regular meetings, understanding their needs and expectations of our products and services. The Group conducts a consumer satisfaction survey on an annual basis. Feedback provided by customers through our complaints handling mechanism also allows us to rectify and improve product and service quality. Actions taken and its results are promptly communicated to the complainants.

Suppliers

The Group communicates regularly with suppliers and subcontractors about fulfillment of ESG requirements, striving to work towards a sustainable supply chain. Suppliers selection criteria are drawn to ensure they reach our environmental, social and quality standards. Sample assessment is conducted annually on existing suppliers. We evaluate their performance based on price, product and service quality, cooperation, on-time delivery and environmental requirements. Environmentally-friendly suppliers and contractors are given priority. Unqualified suppliers are removed from our supplier list if the performance remains unsatisfactory after follow-up.

Community

As one of the key players in the waste management industry, the Group is committed to promoting environmental education. The environmental education centre built by the Group is open to the public, in order to raise awareness of the need for waste reduction and recycling. We also actively participate in the Green Hero Alliance Program, led by a non-governmental organisation, spreading environmental knowledge within the Group and the community through workshops and volunteering.

PROSPECTS

Committed to its promise to deliver ever higher value to its shareholders and investors, the Group will continue to work towards sustainable growth, maintaining existing business segments and grasping opportunities for developing new businesses.

Looking forward, the Group will work on stabilising and maturing the newly commenced businesses including recycled plastic pellets and WEEE. Collaborating closely with our partner, we will also ensure smooth launch of engineering recycled plastic pellets project. The Group will also carry on with professional CMDS services and recovered paper business.

While some segments face risks from environmental policies of the PRC and the trade war, such factors also imply opportunities in other segments. We will not give up on seeking new opportunities to broaden our income sources. We are confident that with the continuous efforts made in improving our operations, the Group will be able to further transform itself into a higher value-added business.

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 22 August 2019 to Tuesday, 27 August 2019 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 2019 annual general meeting of the Company to be held on Tuesday, 27 August 2019, 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 (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, effective from 11 July 2019) for registration not later than 4:30 p.m. on Wednesday, 21 August 2019.

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 2019.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance and has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules. The Company has complied with the code provisions set out in the CG Code throughout the financial year ended 31 March 2019, other than CG Code provision E.1.2.

CG Code provision E.1.2 which requires the chairman of the board to attend the annual general meeting and he should also invite the chairmen of the board committees to attend. The Board Chairman was absent from the Company's annual general meeting held on 27 August 2018 ("2018 AGM") due to an unexpected business engagement. The then chairman of the Remuneration Committee was also absent from the 2018 AGM because of an overseas engagement. The Chief Executive Officer, the member of Remuneration Committee who was appointed as the chairman of the Remuneration Committee immediately after the conclusion of the 2018 AGM and other Directors, together with the chairmen of the other Board committees, were present during the 2018 AGM to answer the shareholders' questions regarding the activities of the Company and the Board.

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 2019.

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 2019.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises three independent non-executive Directors, namely, Mr. Wong Man Chung, Francis (chairman of the Audit Committee), Mr. Chow Shiu Wing, Joseph and Mr. Chan Ting Bond, Michael; and two non-executive Directors, namely, Mr. Cheng Chi Ming, Brian and Mr. Tsang On Yip, Patrick, has reviewed the consolidated financial statements of the Group for the year ended 31 March 2019 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 2019. 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 2019 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 2019 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, 26 June 2019

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 Lee Chi Hin, Jacob; and three independent non-executive directors, namely, Messrs. Chow Shiu Wing, Joseph, Wong Man Chung, Francis and Chan Ting Bond, Michael.