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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 2020

Annual Results

- Revenue decreased by 46.9%, to HK$104.3 million
- Gross profit margin decreased from 21.4% to 18.4%
- Loss attributable to equity shareholders of the Company increased by 50.6% to HK$77.6 million
- Basic loss per share was HK1.6 cents (FY2019: HK1.1 cents)

The Board does not recommend the payment of any dividend for the year ended 31 March 2020.

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 2020. 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 2020 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 2020

(Expressed in Hong Kong dollars)

	Note	**2020** **$'000**	2019 $'000
Revenue	3	**104,295**	196,340
Cost of sales and services		**(85,084)**	(154,338)
Gross profit		**19,211**	42,002
Other revenue	4	**9,904**	2,377
Other net loss	5	**(942)**	(3,349)
Selling and distribution expenses		**(22,827)**	(26,914)
Administrative and other operating expenses		**(73,936)**	(71,151)
Impairment loss of property, plant and equipment	10	**(16,866)**	(3,276)
Operating loss		**(85,456)**	(60,311)
Finance income	6(b)	**8,127**	8,382
Finance cost	6(c)	**(189)**	–
Share of profit of an associate		**389**	–
Share of (loss)/profit of joint ventures		**(460)**	170
Loss before taxation	6	**(77,589)**	(51,759)
Income tax credit	7(a)	**–**	235
Loss for the year		**(77,589)**	(51,524)
Basic and diluted loss per share	8	**(1.6) cents**	(1.1) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

(Expressed in Hong Kong dollars)

	2020	2019
	$'000	*$'000*
Loss for the year	**(77,589)**	(51,524)
Other comprehensive income for the year (after tax):		
Item that may be reclassified subsequently to profit or loss		
Exchange difference on translation of financial statements of:		
– a joint venture and an associate operating outside Hong Kong	**12**	–
Other comprehensive income for the year	**12**	–
Total comprehensive income for the year	**(77,577)**	(51,524)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

(Expressed in Hong Kong dollars)

	Note	**2020** **$'000**	2019 *$'000*
Non-current assets			
Property, plant and equipment	10	**610,279**	659,169
Right-of-use assets	10	**31,734**	–
Land use rights		**–**	30,802
Interests in an associate		**80,429**	–
Interests in joint ventures		**3,795**	39,075
Deposits and prepayments		**–**	14
		726,237	729,060
Current assets			
Inventories		**2,012**	5,341
Trade and bills receivables	11	**6,980**	24,233
Other receivables, deposits and prepayments		**14,056**	15,112
Amount due from an associate		**5,556**	–
Amounts due from joint ventures		**38,278**	33,683
Amount due from a related company		**12**	12
Bank deposits and cash		**98,962**	160,665
		165,856	239,046
Current liabilities			
Trade payables	12	**2,411**	3,229
Other payables, accruals and contract liabilities	12	**19,351**	19,078
Lease liabilities		**1,740**	–
Amount due to a related company		**10**	10
		23,512	22,317
Net current assets		**142,344**	216,729
Total assets less current liabilities		**868,581**	945,789
Non-current liability			
Lease liabilities		**369**	–
NET ASSETS		**868,212**	945,789
CAPITAL AND RESERVES			
Share capital	13	**482,301**	482,301
Reserves		**385,911**	463,488
TOTAL EQUITY		**868,212**	945,789

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 2019 except for the changes stated as below.

(b) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaced IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use assets and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to IFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.125%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 March 2020; and

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	At 1 April 2019
	$'000
Operating lease commitments at 31 March 2019	4,082
Less: Commitments relating to leases exempt from capitalisation:	
– Short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(74)
	4,008
Less: Total future interest expenses	(316)
Total lease liabilities recognised at 1 April 2019	3,692

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019	**Reclassification**	**Capitalisation of operating lease contracts**	**Carrying amount at 1 April 2019**
	$'000	*$'000*	*$'000*	*$'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:				
Right-of-use assets	–	30,802	3,692	34,494
Land use rights	30,802	(30,802)	–	–
Total non-current assets	729,060	–	3,692	732,752
Lease liabilities (current)	–	–	1,583	1,583
Current liabilities	22,317	–	1,583	23,900
Net current assets	216,729	–	(1,583)	215,146
Total assets less current liabilities	945,789	–	2,109	947,898
Lease liabilities (non-current)	–	–	2,109	2,109
Total non-current liability	–	–	2,109	2,109
Net assets	945,789	–	–	945,789

c. Impact on the financial results, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expenses accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported loss in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if IAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the consolidated statement of cash flows.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial results, segment results and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2020 instead of IFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under IAS 17.

	2020				2019
	Amounts reported under IFRS 16 (A) *$'000*	**Add back: IFRS 16 depreciation and interest expenses (B)** *$'000*	**Deduct: Estimated amounts related to operating leases as if under IAS 17 (Note (i)) (C)** *$'000*	**Hypothetical amounts for 2020 as if under IAS 17 (D=A+B+C)** *$'000*	Compared to amounts reported for 2019 under IAS 17 *$'000*
Financial results for the year ended 31 March 2020 impacted by the adoption of IFRS 16:					
Operating loss	(85,456)	1,669	(1,772)	(85,559)	(60,311)
Finance cost	(189)	189	–	–	–
Loss before taxation	(77,589)	1,858	(1,772)	(77,503)	(51,759)
Loss for the year	(77,589)	1,858	(1,772)	(77,503)	(51,524)
Reportable segment profit for the year ended 31 March 2020 (note 3) impacted by the adoption of IFRS 16:					
– Recovered paper and materials	5,073	1,858	(1,772)	5,159	32,760
– Total	5,073	1,858	(1,772)	5,159	32,760

	2020			2019
	Amounts reported under IFRS 16 (A) *$'000*	**Estimated amounts related to operating leases as if under IAS 17 (Notes (i) & (ii)) (B)** *$'000*	**Hypothetical amounts for 2020 as if under IAS 17 (C=A+B)** *$'000*	Compared to amounts reported for 2019 under IAS 17 *$'000*
Line items in the consolidated statement of cash flows for the year ended 31 March 2020 impacted by the adoption of IFRS 16:				
Cash used in operations	(14,082)	(1,772)	(15,854)	(22,879)
Net cash used in operating activities	(14,082)	(1,772)	(15,854)	(19,668)
Capital element of lease rentals paid	(1,583)	1,583	–	–
Interest element of lease rentals paid	(189)	189	–	–
Net cash (used in)/generated from financing activities	(1,772)	1,772	–	152

Note (i): The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2020. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2020. Any potential net tax effect is ignored.

Note (ii): In this impact table, these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

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:

– Confidential materials destruction service ("CMDS"): provision of confidential materials destruction services

– Logistics services: provision of logistics services

– Recovered paper and materials: sales of recovered paper and materials

– Tissue paper products: sales of tissue paper products

Although the Group's products and services are sold/rendered to Hong Kong, the PRC and overseas markets, the chief operating decision maker of the Group regularly reviews the financial information by business segments to assess performance and make resources allocation decisions. It assesses the performance of the operating segments based on a measure of segment gross profits.

Revenue from contracts with customers within the scope of IFRS 15

	2020	2019
	$'000	*$'000*
Disaggregated by major products or service lines		
– Provision of CMDS	**19,169**	20,134
– Provision of logistics services	**8,372**	1,376
– Sales of recovered paper and materials	**76,719**	174,813
– Sales of tissue paper products	**35**	17
	104,295	196,340

The following tables present the revenue from external customers and specified non-current assets of the Group by geographical locations:

Revenue by geographic markets

	2020	2019
	$'000	*$'000*
Hong Kong	**57,698**	95,294
Mainland China	**30,902**	78,688
South Korea	**15,695**	20,600
Others	**–**	1,758
	104,295	196,340

Specified non-current assets by geographic locations

	2020	2019
	$'000	*$'000*
Hong Kong	**648,059**	729,060
Mainland China	**78,178**	–
	726,237	729,060

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

For the year ended 31 March 2020, revenue of approximately $31,109,000 (2019: $55,116,000) is derived from two (2019: two) external customers which individually accounted for greater than 10% of the Group's total revenue.

The segment results and other segment items included in the loss for the year ended 31 March 2020 are as follows:

	CMDS *$'000*	Logistics services *$'000*	Recovered paper and materials *$'000*	Tissue paper products *$'000*	Total *$'000*
Segment revenue:					
Sales to external customers	**19,169**	**8,372**	**76,719**	**35**	**104,295**
Inter-segment sales	**–**	**12,815**	**–**	**–**	**12,815**
Reportable segment revenue	**19,169**	**21,187**	**76,719**	**35**	**117,110**
Elimination of inter-segment revenue	**–**	**(12,815)**	**–**	**–**	**(12,815)**
	19,169	**8,372**	**76,719**	**35**	**104,295**
Segment results:					
Reportable segment profit	**11,515**	**5,634**	**5,073**	**2**	**22,224**
Elimination of inter-segment profit					**(3,013)**
Reportable segment profit derived from the Group's external customers					**19,211**
Other revenue					**9,904**
Other net loss					**(942)**
Selling and distribution expenses					**(22,827)**
Administrative and other operating expenses					**(73,936)**
Impairment loss of property, plant and equipment					**(16,866)**
Finance income					**8,127**
Finance cost					**(189)**
Share of profit of an associate					**389**
Share of loss of joint ventures					**(460)**
Loss before taxation					**(77,589)**
Income tax					**–**
Loss for the year					**(77,589)**

The segment results and other segment items included in the loss for the year ended 31 March 2019 are as follows:

	CMDS *$'000*	Logistics services *$'000*	Recovered paper and materials *$'000*	Tissue paper products *$'000*	Total *$'000*
Segment revenue:					
Sales to external customers	20,134	1,376	174,813	17	196,340
Inter-segment sales	–	16,105	–	–	16,105
Reportable segment revenue	20,134	17,481	174,813	17	212,445
Elimination of inter-segment revenue	–	(16,105)	–	–	(16,105)
	20,134	1,376	174,813	17	196,340
Segment results:					
Reportable segment profit	12,987	3,191	32,760	2	48,940
Elimination of inter-segment profit					(6,938)
Reportable segment profit derived from the Group's external customers					42,002
Other revenue					2,377
Other net loss					(3,349)
Selling and distribution expenses					(26,914)
Administrative and other operating expenses					(71,151)
Impairment loss of property, plant and equipment					(3,276)
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)

4 Other revenue

	2020	2019
	$'000	*$'000*
Licence fee income	**8,400**	1,400
Service income	**160**	441
Management fee income	**488**	–
Others	**856**	536
	9,904	2,377

5 Other net loss

	2020	2019
	$'000	*$'000*
(Loss)/gain on disposals of property, plant and equipment, net	**(51)**	415
Write off of property, plant and equipment	**(2)**	(770)
Foreign exchange loss, net	**(889)**	(2,994)
	(942)	(3,349)

6 Loss before taxation

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

	2020	2019
		(Note)
	$'000	*$'000*
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**56,908**	60,685
Contributions to defined contribution retirement plan	**1,872**	1,996
Equity settled share-based payment expenses	**–**	251
	58,780	62,932
Staff costs included in:		
– Cost of sales and services	**18,243**	20,921
– Selling and distribution expenses	**14,787**	15,105
– Administrative and other operating expenses	**25,750**	26,906
	58,780	62,932

		2020	2019
			(Note)
		$'000	*$'000*
(b)	***Finance income***		
	Interest income from banks deposits	**(1,949)**	(3,543)
	Interest income from loans to joint ventures	**(6,142)**	(4,839)
	Interest income from loan to an associate	**(36)**	–
		(8,127)	(8,382)
(c)	***Finance cost***		
	Interest on lease liabilities	**189**	–
(d)	***Other items***		
	Cost of inventories sold	**71,652**	142,068
	Amortisation of land use rights	**–**	1,090
	Depreciation charge *(note 10)*		
	– Owned property, plant and equipment	**30,493**	34,008
	– Right-of-use assets	**2,760**	–
	Impairment losses recognised:		
	– Other receivables, deposits and prepayments	**141**	–
	– Property, plant and equipment *(note 10)*	**16,866**	3,276
	Bad debts written off	**5**	7
	Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	5,322
	Short-term lease payments not included in the measurement of lease liabilities	**648**	–
	Write down of inventories	**1,500**	–
	Auditor's remuneration:		
	– Audit services	**2,010**	2,110
	– Other services	**1,557**	498

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(b).

7 Income tax

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

	2020 $'000	2019 $'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 2020 and 31 March 2019 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

	2020 $'000	2019 $'000
Loss before taxation	**(77,589)**	(51,759)
Tax calculated at tax rates of 16.5% (2019: 16.5%)	**(12,802)**	(8,540)
Tax effects of non-taxable income	**(2,958)**	(891)
Tax effects of non-deductible expenses	**5,782**	1,154
Tax effects of tax losses not recognised	**9,978**	10,136
Tax effects of utilisation of tax losses previously not recognised	–	(1,615)
Over-provision in prior years	–	(235)
Others	–	(244)
Income tax credit	–	(235)

(c) Tax effects relating to each component of other comprehensive income

The tax effect relating to each component of other comprehensive income for the year ended 31 March 2020 is Nil (2019: Nil).

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 $77,589,000 (2019: $51,524,000) and the weighted average number of 4,823,009,000 (2019: 4,823,009,000) ordinary shares in issue during the year.

(a) Basic loss per share

Weighted average number of ordinary shares

	2020	2019
	'000	'000
Issued ordinary shares at 1 April and weighted average number of ordinary shares at 31 March	**4,823,009**	4,823,009

(b) Diluted loss per share

No adjustment had been made to the basic loss per share presented for the years ended 31 March 2020 and 31 March 2019 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 2020 (2019: Nil).

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

(a) Reconciliation of carrying amount

	Ownership interests in buildings held for own use, carried at depreciated cost $'000	Leasehold improvements $'000	Plant and machineries $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Subtotal $'000	Right-of-use assets $'000	Total $'000
Year ended 31 March 2020								
Net book amount								
At 31 March 2019	608,594	2,627	24,815	6,588	16,545	659,169	-	659,169
Impact on initial application of IFRS 16 *(Note)*	-	-	-	-	-	-	34,494	34,494
At 1 April 2019	608,594	2,627	24,815	6,588	16,545	659,169	34,494	693,663
Additions	97	-	-	289	313	699	-	699
Disposals	-	-	-	(22)	(2,206)	(2,228)	-	(2,228)
Write off	-	-	-	(2)	-	(2)	-	(2)
Impairment	-	-	(16,866)	-	-	(16,866)	-	(16,866)
Depreciation	(21,545)	(781)	(4,134)	(1,996)	(2,037)	(30,493)	(2,760)	(33,253)
At 31 March 2020	587,146	1,846	3,815	4,857	12,615	610,279	31,734	642,013
At 31 March 2020								
Cost	697,959	4,687	69,719	18,930	30,930	822,225	42,383	864,608
Accumulated depreciation and impairment	(110,813)	(2,841)	(65,904)	(14,073)	(18,315)	(211,946)	(10,649)	(222,595)
Net book amount	587,146	1,846	3,815	4,857	12,615	610,279	31,734	642,013

Note: The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right of-use assets relating to leases which were previously classified as operating leases under IAS 17. See note 2(b).

	Ownership interests in buildings held for own use, carried at depreciated cost $'000	Leasehold improvements $'000	Plant and machineries $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Subtotal $'000	Right-of-use assets $'000	Total $'000
Year ended 31 March 2019								
Net book amount								
At 1 April 2018	629,837	1,728	34,062	8,159	20,823	694,609	–	694,609
Additions	877	1,591	159	900	751	4,278	–	4,278
Disposals	–	–	(69)	(1)	(1,594)	(1,664)	–	(1,664)
Write off	(627)	–	–	(143)	–	(770)	–	(770)
Impairment	–	–	(3,276)	–	–	(3,276)	–	(3,276)
Depreciation	(21,493)	(692)	(6,061)	(2,327)	(3,435)	(34,008)	–	(34,008)
At 31 March 2019	608,594	2,627	24,815	6,588	16,545	659,169	–	659,169
At 31 March 2019								
Cost	697,862	7,270	73,035	18,756	36,076	832,999	–	832,999
Accumulated depreciation and impairment	(89,268)	(4,643)	(48,220)	(12,168)	(19,531)	(173,830)	–	(173,830)
Net book amount	608,594	2,627	24,815	6,588	16,545	659,169	–	659,169

Impairment loss

During the year ended 31 March 2020, the Group recognised an impairment loss of $16,866,000 to property, plant and equipment of the recycled plastic pellets business to reduce its carrying amount to recoverable amount of Nil. The impairment arose primarily due to the decline in profitability of the recycled plastic pellets business, and lack of prospects for recovery in the near term.

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 its carrying amount to 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.

The recoverable amount of the property, plant and equipment is the higher of the fair value less cost of disposal and its value-in-use. The estimate of the recoverable amount of these assets has been determined based on a value-in-use calculation. The value-in-use calculation uses cash flow projections based on the business forecasts approved by the management covering a period of three years. Cash flow beyond the three-year period are extrapolated using a steady long-term growth rate of 3%.

Key assumptions used for value-in-use calculation:

	2020	2019
Long-term sales growth rate	**3.00%**	3.00%
Pre-tax discount rate	**15.10%**	15.30%

(b) ***Right-of-use assets***

The analysis of the net book value of right-of-use assets by class of underlying asset are as follows:

	Note	**31 March 2020** *HK$'000*	1 April 2019 *HK$'000*
Ownership interests in leasehold land held for own use, carried at depreciated cost	(i)	**29,711**	30,802
Other properties leased for own use, carried at depreciated cost	(ii)	**2,023**	3,692
		31,734	34,494

The analysis of expense items in relation to leases recognised in profit or loss are as follows:

	2020 *HK$'000*	2019 *(Note)* *HK$'000*
Depreciation charge or amortisation charge of right-of-use assets by class of underlying asset:		
– Ownership interests in leasehold land held for own use	**1,090**	1,090
– Other properties leased for own use	**1,670**	–
	2,760	1,090
Interest on lease liabilities	**189**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 March 2020	**3,297**	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	5,322

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(b).

During the year, additions to right-of-use assets were Nil.

(i) Ownership interests in leasehold land held for own use

The Group has obtained the right to use leasehold land as its office and workshop through land premium paid. The land use right held an unexpired lease term of 27 years.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its warehouses through tenancy agreements. The leases typically run for an initial period of 2 to 3 years. Lease payments are usually increased every 3 years to reflect market rentals.

11 Trade and bills receivables

	2020	2019
	$'000	*$'000*
Trade and bills receivables	**10,857**	28,470
Less: Loss allowance *(note 11(b))*	**(3,877)**	(4,237)
Trade and bills receivables, net	**6,980**	24,233

(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 loss allowance, is as follows:

	2020	2019
	$'000	*$'000*
0 – 30 days	**4,990**	22,577
31 – 60 days	**1,419**	1,462
61 – 90 days	**1**	171
91 – 120 days	**196**	28
Over 120 days	**4,251**	4,232
	10,857	28,470
Less: Loss allowance	**(3,877)**	(4,237)
	6,980	24,233

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:

	2020	2019
	$'000	*$'000*
Balance at 1 April	**4,237**	4,237
Uncollectable amounts written off during the year	**(360)**	–
Balance at 31 March	**3,877**	4,237

The following significant changes in the gross carrying amounts of trade and bills receivables contributed to the decrease in the loss allowance:

– a write-off of trade receivables with a gross carrying amount of $360,000 (2019: Nil) resulted in a decrease in loss allowance of $360,000 (2019: Nil).

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

	2020 $'000	2019 $'000
HK$	**6,018**	23,114
USD	**962**	1,119
	6,980	24,233

At 31 March 2020 and 31 March 2019, 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.

12 Payables and accruals

	Note	**2020** **$'000**	2019 *$'000*
Trade payables	(a)	**2,411**	3,229
Other payables and accruals			
– Construction costs payable		**6,446**	6,446
– Accrued expenses		**7,169**	6,812
– Contract liabilities	(c)	**805**	806
– Salaries and wages payable		**680**	953
– Others		**4,251**	4,061
		19,351	19,078
	(b)	**21,762**	22,307

(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:

	2020 **$'000**	2019 *$'000*
Current	**1,558**	2,231
1 – 30 days	**41**	165
31 – 60 days	**33**	30
61 – 90 days	**46**	24
91 – 120 days	**16**	4
Over 120 days	**717**	775
	2,411	3,229

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

	2020	2019
	$'000	*$'000*
HK$	**21,726**	22,272
USD	**36**	35
	21,762	22,307

As at 31 March 2020 and 31 March 2019, 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 there are no significant movements during the years ended 31 March 2019 and 2020.

13 Share capital

(a) ***Authorised share capital of the Company***

	2020	2019
	$'000	*$'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 31 March 2019, 1 April 2019 and 31 March 2020	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 2018	Cancelled/ lapsed during the year ended 31 March 2019	Outstanding at 31 March 2019 and 1 April 2019	Cancelled/ lapsed during the year ended 31 March 2020	Outstanding at 31 March 2020	Remaining contractual life
	$							
Directors								
7 September 2016	0.128	7 September 2017 to 6 September 2022	112,800,000	(26,400,000)	86,400,000	–	86,400,000	2.4 years
Employees								
7 September 2016	0.128	7 September 2017 to 6 September 2022	18,500,000	(1,200,000)	17,300,000	(2,200,000)	15,100,000	2.4 years
			131,300,000	(27,600,000)	103,700,000	(2,200,000)	101,500,000	

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

The Group recognised expenses of Nil (2019: $251,000) related to equity settled share-based payment transactions during the year ended 31 March 2020.

14 Comparative figures

The Group has initially applied IFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the relevant comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(b).

COMPANY OVERVIEW

Integrated Waste Solutions Group Holdings Limited is one of the major providers of solid-waste solutions in Hong Kong, engaging in waste collection, recycling and treatment activities. With an extensive waste collection network and advanced environmental technologies, the Group provides services related to management of waste paper, plastic waste, CMDS and other recyclable waste to a broad range of customers in both public and private sectors. Products handled include recovered paper and plastic pellets, which are sorted, packed and exported to the PRC or other overseas destinations.

Recognising the importance of its business in contributing to resolve the waste handling and disposal problem in Hong Kong, the Group has been actively seeking opportunities for diversifying its waste management business. Our joint venture project with ALBA Group on waste electrical and electronic equipment ("WEEE") commenced operation in 2017, fulfilling the need for systematic treatment and disposal of electronic waste in Hong Kong. In 2018, the Group tapped into the business of recycled engineering plastic pellets, a high value-added recycled material.

Meanwhile, environmental policies in the PRC offer vast opportunities for waste treatment in Mainland China. With support of government institutions, there is a growing demand for waste management services. In January 2020, we expanded our business to Mainland China through investing in hazardous waste treatment business. The treatment plant in Lianyungang, Jiangsu and a forthcoming project in Kaifeng, Henan offer diverse hazardous waste treatment and pollution control services with well-established physical and chemical treatment technologies. These developments are expected to further strengthen our position as a reputable integrated waste solutions provider in Hong Kong and Mainland China.

MARKET REVIEW

Hong Kong has been facing the waste disposal problem for years. The landfills have nearly exhausted as Hong Kong generates large quantities of waste. The recycling rate has been low because Hong Kong has been exporting majority of the recyclable waste it generates. Stringent controls on waste imports by the PRC since 2018 have made it imperative for Hong Kong to process its recyclable waste locally, which has resulted in radical changes in the landscape of the market for waste management services. Regulations on municipal waste management, including the producer responsibility scheme ("PRS") and WEEE rules are bringing new opportunities for providers of waste treatment and recycling services. The Group is determined to becoming part of the long term solution related to municipal waste issue.

In addition to environmental policies, developments in the global economy are also having an impact on our businesses. The recent Sino-US trade war and the steep drop in oil price have resulted in fluctuations in product demand and selling price. Domestically, the social events during the year have led to disruption of our service delivery on waste collection and CMDS, resulting reductions in collection frequency and quantity. The outbreak of COVID-19 pandemic caused further uncertainties in the recycled products market. Suspension of production by the manufacturing industry and the social distancing regulations have directly caused a drop in the amount of waste collected, as well as the demand for our recycled products. This has adversely affected the revenue of some of our business segments such as recovered paper and recycled plastic pellets operations.

FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the year ended 31 March 2020 ("FY2020") amounted to HK$77.6 million, an increase of HK$26.1 million compared to the year ended 31 March 2019 ("FY2019").

	FY2020 *HK$'000*	FY2019 *HK$'000*	**Fav./(Unfav.) Change** *HK$'000*	%
Results of Operating Segments	**(14,704)**	(6,029)	**(8,675)**	**(143.9%)**
Net Corporate expenses	**(45,948)**	(42,389)	**(3,559)**	**(8.4%)**
	(60,652)	(48,418)	**(12,234)**	**(25.3%)**
Share of results of an associate	**389**	–	**389**	**N/A**
Share of results of joint ventures	**(460)**	170	**(630)**	**(370.6%)**
Non-operating item:				
Impairment loss of property, plant and equipment	**(16,866)**	(3,276)	**(13,590)**	**(414.8%)**
Loss attributable to equity shareholders of the Company	**(77,589)**	(51,524)	**(26,065)**	**(50.6%)**

Revenue Analysis	**FY2020** *HK$'000*	FY2019 *HK$'000*	**Change** *HK$'000*	%
Sales of recovered paper and materials				
– Sales of recovered paper	**66,599**	158,864	**(92,265)**	**(58.1%)**
– Sales of recycled plastic pellets	**9,790**	15,289	**(5,499)**	**(36.0%)**
– Sales of other waste materials	**330**	660	**(330)**	**(50.0%)**
	76,719	174,813	**(98,094)**	**(56.1%)**
CMDS service income	**19,169**	20,134	**(965)**	**(4.8%)**
Sales of tissue paper products	**35**	17	**18**	**105.9%**
Logistics service income	**8,372**	1,376	**6,996**	**508.4%**
	104,295	196,340	**(92,045)**	**(46.9%)**

Revenue from **Recovered Paper** declined to approximately HK$66.6 million, a drop of approximately HK$92.3 million or 58.1% compared to FY2019. The paper manufacturing business has been under substantial pressure owing to the intensification of Sino-US trade war during the second half of 2019 which continues to hinder the demand for recycled paper. The tightening of the import quota for waste paper by the Mainland Government has also undermined exports from Hong Kong to the PRC. The outbreak of COVID-19 pandemic has further complicated the situation. Sales volume dropped by 27.8%. The gross profit margin of recovered paper trading has decreased from 21.8% to 14.1% due to reduction in average selling price of 41.9% during the year.

Sales revenue of recovered office paper generated from the CMDS services has decreased by 27.4%, mainly due to a drop in selling price. While demand for office paper has been relatively less affected by external risks compared to other types of recovered paper, sales volume still recorded a decline of 8.9%.

Confidential Material Destruction Services (“**CMDS**”) service income stands at HK$19.2 million, representing a decrease of 4.8%. The disruption in transportation because of social instability in Hong Kong since June 2019 has affected the CMDS services delivery. The collection frequency and quantity has been further reduced due to the special working arrangement under the outbreak of COVID-19 pandemic. Measures have been taken during the reporting period for maintaining efficient and professional services. The Group also actively strives to bring in new long-term customers to increase its revenue base. We expect the services demand to stablise after the pandemic subsides.

Recycled Plastic Pellets Project was adversely affected by the Sino-US trade war and the drop in crude oil prices. The demand for Low-density Polyethylene (“LDPE”) plastic pellets shrank significantly, leading to a substantial drop in price. The Group decided to temporarily suspend production of LDPE pellets during the current financial year. The unprecedented standstill in the global manufacturing sector during the COVID-19 outbreak has undermined the sales of plastic pellets, which recorded a decline of 36.0%. We are constantly monitoring the external environment and shall take appropriate measures to resume production as and when the situation becomes more favourable.

The new joint venture for production of high value-added **recycled engineering plastic pellets** started trial production in March 2019. The business was affected by the unfavourable external environment to a smaller degree compared to the LDPE operation. The recycled engineering plastic pellets are high value-added products, demand for which remains relatively stable. With cooling down of the trade war and resumption of business in the Mainland, we expect this segment to gradually pick the pace. The Group will also implement measures for increasing its production capacity, enabling the business to bring greater contributions to our revenue.

The joint venture with ALBA Group for treatment and recycling of WEEE has been operational for over two years. It has become a stable contributor to the Group since the Waste Disposal Ordinance became effective at the end of 2018. We are confident that the WEEE operation will gain further momentum and continue to grow over time.

In January 2020, we completed the acquisition of 40% interests in Dugong IWS HAZ Limited. It represents not only a geographical expansion to Mainland China but also our investment in a new type of business, **treatment of hazardous waste**. The tightened environmental requirements in the Mainland are leading to growing demand for hazardous waste treatment. The treatment projects in Lianyungang, Jiangsu and Kaifeng, Henan are showing potential for growth, given their mature and comprehensive treatment solutions and forthcoming expansion plans. We are optimistic on this investment and expect swift and positive contribution to the Group.

To stabilise the Group's financial status during this difficult period, we have carefully assessed existing risks and implemented cost control measures including adjusting work arrangements and scaling down our operations. Negative impact on our cashflow was relatively low but to respond to on-going economic uncertainties, we have strengthened our cashflow by refinancing shareholder loans from existing projects.

Gross Profit and Gross Profit Margin

The Gross Profit of the Group for FY2020 was HK$19.2 million, recorded a decrease of HK$22.8 million or 54.3% when compared to FY2019. The gross profit margin of the Group decreased from 21.4% to 18.4% in FY2020 compared to FY2019. The decrease in both gross profit and gross profit margin was due to the reduction in gross profit margin of Recovered Paper sales and the increased loss of Recycled Plastic Pellets Project.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK$96.8 million, representing a reduction of HK$1.3 million compared to FY2019. The reduction in these expenditures was due to the cost control measures initiated by the management throughout the year.

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

With the decrease in total revenue and the decline in profitability as a result of the harsh operating environment, LBITDA for the year has increased by approximately HK$27.3 million to HK$52.3 million compared to HK$25.0 million in FY2019.

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 2020, the Group had unrestricted bank deposits and cash of approximately HK$99.0 million (2019: HK$160.7 million). The Group had no bank loans and overdrafts as at 31 March 2020 (2019: Nil).

As at 31 March 2020, the Group had net current assets of approximately HK$142.3 million, as compared to net current assets of approximately HK$216.7 million as at 31 March 2019. The current ratio of the Group was 7.1 as at 31 March 2020 as compared to 10.7 as at 31 March 2019.

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 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 2020, the Group recorded a net foreign exchange loss of HK$0.9 million (2019: loss of HK$3.0 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$0.3 million for the capital expenditure and I.T. infrastructure in respect of the headquarters of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2020, the Group has no material capital commitments.

Pledge of Assets

As at 31 March 2020, the Group had no restricted and pledged bank deposits (2019: Nil).

Capital Structure

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

Contingent Liabilities

At 31 March 2020, 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

The Group is committed to shouldering its share of environmental and social responsibility in building a sustainable community for the next generation. As the effects of climate change and waste pollution are becoming more noticeable than ever before, we are striving to make greater contributions to tackling global environmental challenges. As a major waste treatment and management services provider in Hong Kong, we are gradually integrating the management of environmental, social and governance ("ESG") issues into our operations. We actively listen and respond to feedback from stakeholders including customers, employees, investors, government agencies, suppliers, environmental NGOs, etc., on our ESG performance. During the year, we continued to review our material topics and aligned them with the United Nations Sustainable Development Goals (SDGs), aiming to demonstrate how our actions contribute to global sustainability issues such as using clean energy and ensuring responsible production.

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 2020 on 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 (the "Listing Rules"), this section explains the Group's environmental policy and relationships with its key stakeholder groups.

Environmental Policy and Compliance

Demonstrating our environmental stewardship, we have defined quantitative environmental control objectives covering all viable means to reduce pollution, optimising resources utilisation and disposing waste in a responsible manner. We closely monitor the trends and changes in regional and local environmental policies to keep our ISO 14001:2015-certified management system updated.

The Group adopts a four-step process for managing environmental impacts of its business, including identifying environmental factors based on legal requirements, identifying potential direct and indirect impacts, evaluating the significance of those impacts, and controlling those environmental factors through related procedures.

Annual environmental management objectives are established to propel the continuous improvement of our environmental protection initiatives, including investment in clean energy projects. Solar panels at the Integrated Waste Solutions Building generated 165,033 kWh of solar power during the year. We have also begun a pilot trial for the use of electric cars to promote green commuting. To leverage our role as a waste solutions provider to facilitate sustainable development of the Hong Kong recycling industry, we also participate in subsidy programmes for supporting upstream local recyclers.

The Group strictly complies with relevant environmental laws and regulations, including the Waste Disposal Ordinance, Water Pollution Control Ordinance and Air Pollution Control Ordinance. 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 our long-term development. The Group has established procedures for managing communications with internal and external stakeholders from different sectors and backgrounds. Effective communication platforms and grievance resolution channels are maintained to facilitate feedbacks and any issues of concern on material topics. 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 2020, the Group had a workforce of 136 employees. Employee costs, including directors' emoluments, amounted to HK$58.8 million for FY2020 (FY2019: HK$62.9 million). As an equal opportunity employer, the Group adheres to fair employment practices and adopts an inclusive workplace policy. 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. Targeted training on safety hazards management is also provided to employees according to specific job positions and needs. We conduct safety risk assessment regularly to evaluate the adequacy of existing safety measures. The Group has complied with Occupational Safety and Health Ordinance and all relevant laws and regulations on occupational safety during the year.

The Group values the contribution of its employees to the Company and puts great emphasis on employee development. We offer various training opportunities for employees to enhance skills and knowledge. We invest on internal and external training according to different needs, including technological skills and business ethics. Industry-related training is provided to keep employees abreast of the latest developments in the industry.

Customers

It is our responsibility to provide the highest quality products and services to our customers. We maintain smooth communications with customers through daily engagement and regular meetings. Aiming to achieve high scores in the consumer satisfaction survey conducted annually, the Group continues to strive for operational excellence and to meet customers' expectations. Our grievance mechanism is also an important channel of collecting feedback and we handle complaints in an efficient and professional manner.

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 specified 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. Environment-friendly suppliers and contractors are given priority. Unqualified suppliers are removed from our suppliers' list if the performance remains unsatisfactory after follow-up.

Community

The Group does not hesitate in giving back to the community. We align our community initiatives with our core waste management business, and aim to exert influence for promoting green practices in the community. The Group has been a strong supporter of the Green Hero Alliance Program, led by a non-governmental organisation, spreading environmental knowledge within the Group and the community through workshops and volunteering. In light of the toilet paper shortage and price surge during the COVID-19 pandemic in the early 2020, the Group also donated toilet paper to nursery homes, to show that it cares for underprivileged communities during difficult times.

PROSPECTS

Although our business will still be facing substantial difficulties until the COVID-19 pandemic subsides and the global economy recovers, we will not cease our efforts at maintaining our operations and services in a professional manner. The Group will continue to adopt a cautious approach in monitoring and managing risks, keeping the strong foundation of our businesses. We will take all necessary measures including tight cost control for ensuring a stable operational and financial status.

We will continue to consolidate existing businesses by constantly increasing cost efficiency of our logistics operations, maintaining high quality services in CMDS and raising production efficiency through automation. We will work on ensuring smooth operations at our joint venture projects including the recycled engineering plastic pellets and the newly invested hazardous waste treatment business in China. At the same time, we remain open to new business opportunities for diversifying our sources of income, fulfilling our commitment to our shareholders and investors through bringing high value-added businesses that drive sustainable growth.

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 21 August 2020 to Thursday, 27 August 2020 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 2020 annual general meeting of the Company to be held on

Thursday, 27 August 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 August 2020.

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 2020.

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 2020, 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 2019 ("2019 AGM") due to an overseas business engagement. All other Directors and the chairmen of the Board committees were present during the 2019 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 2020.

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

The Company has also adopted Code for Securities Transactions by Relevant Employees (the "Own Code") on no less exacting terms than the Model Code for governing securities transactions by relevant employees who are likely to be in possession of inside information of the Company or its securities. No incident of non-compliance of the Own Code by any relevant employee was noted by the Company during the year ended 31 March 2020.

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 2020 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 2020. 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 2020 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 2020 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, 29 June 2020

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.