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

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

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

### Financial Highlights

	6 months ended 30.09.2021 HK\$'M	6 months ended 30.09.2020 HK\$'M	Change	
			HK\$'M	%
(Unaudited)				
Revenue	22.2	28.4	(6.2)	(21.8%)
Gross Profit	13.6	14.7	(1.1)	(7.5%)
Loss attributable to equity shareholders of the Company	(14.6)	(9.9)	(4.7)	(47.5%)
Loss per share (HK cent)	(0.3)	(0.2)	(0.1)	(50.0%)

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2021.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021 – unaudited  
(Expressed in Hong Kong dollars)

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Note</i>	<b>2021</b>	2020
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	4	<b>22,239</b>	28,448
Cost of sales and services		<u><b>(8,612)</b></u>	<u>(13,700)</u>
<b>Gross profit</b>		<b>13,627</b>	14,748
Other revenue	5	<b>3,631</b>	10,236
Other net gain/(loss)		<b>150</b>	(602)
Selling and distribution expenses		<b>(6,488)</b>	(8,321)
Administrative and other operating expenses		<u><b>(31,600)</b></u>	<u>(32,950)</u>
<b>Operating loss</b>		<b>(20,680)</b>	(16,889)
Finance income	6(a)	<b>2,012</b>	2,169
Finance cost	6(b)	<b>(4)</b>	(44)
Share of (loss)/profit of an associate		<b>(773)</b>	4,413
Share of profit of joint ventures		<u><b>3,972</b></u>	<u>418</u>
<b>Loss before taxation</b>	6	<b>(15,473)</b>	(9,933)
Income tax	7	<u>–</u>	<u>–</u>
<b>Loss for the period</b>		<u><b>(15,473)</b></u>	<u>(9,933)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company	8	<b>(14,590)</b>	(9,933)
Non-controlling interests		<u><b>(883)</b></u>	<u>–</u>
<b>Loss for the period</b>		<u><b>(15,473)</b></u>	<u>(9,933)</u>
<b>Basic and diluted loss per share</b>	8	<u><b>(0.3) cent</b></u>	<u>(0.2) cent</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**

For the six months ended 30 September 2021 – unaudited  
(Expressed in Hong Kong dollars)

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
<b>Loss for the period</b>	<u>(15,473)</u>	(9,933)
<b>Other comprehensive income for the period (net of nil tax):</b>		
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	<u>45</u>	<u>327</u>
<b>Other comprehensive income for the period</b>	<u>45</u>	<u>327</u>
<b>Total comprehensive income for the period</b>	<u><u>(15,428)</u></u>	<u><u>(9,606)</u></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	<u>(14,545)</u>	(9,606)
Non-controlling interests	<u>(883)</u>	–
<b>Total comprehensive income for the period</b>	<u><u>(15,428)</u></u>	<u><u>(9,606)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2021 \$'000	At 31 March 2021 \$'000
<b>Non-current assets</b>			
Property, plant and equipment and right-of-use assets	10	598,617	611,582
Interests in an associate	11	84,765	91,231
Interests in joint ventures	12	8,225	8,866
Deposits and prepayments		761	232
		<u>692,368</u>	<u>711,911</u>
<b>Current assets</b>			
Inventories		997	344
Trade receivables	13	5,121	5,633
Other receivables, deposits and prepayments		10,416	10,763
Amount due from an associate	11	24,958	18,407
Amounts due from joint ventures	12	25,436	36,893
Amount due from a related company		12	12
Bank deposits and cash		87,024	78,332
		<u>153,964</u>	<u>150,384</u>
<b>Current liabilities</b>			
Trade payables	14	820	1,092
Other payables and accruals		13,243	13,924
Lease liabilities		–	72
Amount due to a related company		10	10
		<u>14,073</u>	<u>15,098</u>
<b>Net current assets</b>		<u>139,891</u>	<u>135,286</u>
<b>NET ASSETS</b>		<u>832,259</u>	<u>847,197</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2021 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2021 \$'000	At 31 March 2021 \$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	15	<b>482,301</b>	482,301
Reserves		<b>348,613</b>	363,158
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Total equity attributable to equity shareholders of the Company		<b>830,914</b>	845,459
Non-controlling interests		<b>1,345</b>	1,738
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<b>TOTAL EQUITY</b>		<b>832,259</b>	847,197
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## NOTES

*(Expressed in Hong Kong dollars unless otherwise indicated)*

### 1 General information

Integrated Waste Solutions Group Holdings Limited (“the Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 11 November 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company and is listed on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”). The registered address of the Company is Windward 3, Regatta Office Park, 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, provision of logistics services and investment holding.

The unaudited interim financial report is presented in Hong Kong dollars (HK\$), which is also the functional currency of the Company.

### 2 Basis of preparation

The unaudited interim financial results set out in this announcement does not constitute the unaudited interim financial report of the Group for the six months ended 30 September 2021 but is derived from that unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, promulgated by the International Accounting Standards Board (“IASB”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”). The annual financial statements for the year ended 31 March 2021 are available from the Company’s registered office.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standards on Review Engagements 2410, *“Review of interim financial information performed by the independent auditor of the entity”* issued by the International Auditing and Assurance Standards Board.

### **3 Changes in accounting policies**

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 16, *COVID-19-Related Rent Concessions beyond 30 June 2021*; and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – phase 2*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### **4 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, Mainland 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**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Disaggregated by major products or service lines		
– Provision of CMDS	<b>9,014</b>	9,931
– Provision of logistics services	<b>2,363</b>	6,743
– Sales of recovered paper and materials	<b>10,067</b>	11,728
– Sales of tissue paper products	<b>795</b>	46
	<b>22,239</b>	28,448

**Revenue by geographic markets**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Hong Kong	<b>22,239</b>	18,233
South Korea	–	8,120
Mainland China	–	2,095
	<b>22,239</b>	28,448

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



The segment results and other segment items included in the loss for the six months ended 30 September 2021 are as follows:

	<b>Six months ended 30 September 2021</b>				
	<b>CMDS</b>	<b>Logistics</b>	<b>Recovered</b>	<b>Tissue</b>	<b>Total</b>
	<b>\$'000</b>	<b>services</b>	<b>paper and</b>	<b>paper</b>	<b>\$'000</b>
		<b>\$'000</b>	<b>materials</b>	<b>products</b>	<b>\$'000</b>
			<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Segment revenue:</i>					
Sales to external customers	<b>9,014</b>	<b>2,363</b>	<b>10,067</b>	<b>795</b>	<b>22,239</b>
Inter-segment sales	-	<b>4,750</b>	-	-	<b>4,750</b>
Reportable segment revenue	<b>9,014</b>	<b>7,113</b>	<b>10,067</b>	<b>795</b>	<b>26,989</b>
Elimination of inter-segment revenue	-	<b>(4,750)</b>	-	-	<b>(4,750)</b>
	<b>9,014</b>	<b>2,363</b>	<b>10,067</b>	<b>795</b>	<b>22,239</b>
<i>Segment results:</i>					
Reportable segment profit/(loss)	<b>6,497</b>	<b>713</b>	<b>6,537</b>	<b>(698)</b>	<b>13,049</b>
Elimination of inter-segment loss					<b>578</b>
Reportable segment profit derived from the Group's external customers					<b>13,627</b>
Other revenue					<b>3,631</b>
Other net gain					<b>150</b>
Selling and distribution expenses					<b>(6,488)</b>
Administrative and other operating expenses					<b>(31,600)</b>
Finance income					<b>2,012</b>
Finance cost					<b>(4)</b>
Share of loss of an associate					<b>(773)</b>
Share of profit of joint ventures					<b>3,972</b>
Loss before taxation					<b>(15,473)</b>
Income tax					<b>-</b>
Loss for the period					<b>(15,473)</b>

The segment results and other segment items included in the loss for the six months ended 30 September 2020 are as follows:

	Six months ended 30 September 2020				Total \$'000
	CMDS \$'000	Logistics services \$'000	Recovered paper and materials \$'000	Tissue paper products \$'000	
<i>Segment revenue:</i>					
Sales to external customers	9,931	6,743	11,728	46	28,448
Inter-segment sales	–	5,387	–	–	5,387
Reportable segment revenue	9,931	12,130	11,728	46	33,835
Elimination of inter-segment revenue	–	(5,387)	–	–	(5,387)
	<u>9,931</u>	<u>6,743</u>	<u>11,728</u>	<u>46</u>	<u>28,448</u>
<i>Segment results:</i>					
Reportable segment profit	6,793	3,154	4,941	–	14,888
Elimination of inter-segment profit					(140)
Reportable segment profit derived from the Group's external customers					14,748
Other revenue					10,236
Other net loss					(602)
Selling and distribution expenses					(8,321)
Administrative and other operating expenses					(32,950)
Finance income					2,169
Finance cost					(44)
Share of profit of an associate					4,413
Share of profit of joint ventures					418
Loss before taxation					(9,933)
Income tax					–
Loss for the period					<u>(9,933)</u>

## 5 Other revenue

	2021 \$'000	2020 \$'000
Licence fee income	2,100	2,800
Service income	135	719
Management fee income	757	627
Subsidy income (note (i))	329	5,359
Others	310	731
	<u>3,631</u>	<u>10,236</u>

- (i) For the six months ended 30 September 2020, the Group successfully applied funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by The Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant, which amounted to government grants of approximately \$4,600,000 for the six months ended 30 September 2020. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 6 Loss before taxation

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
<b>(a) Finance income</b>		
Interest income from bank deposits	<b>(120)</b>	(440)
Interest income from loans to an associate	<b>(856)</b>	(422)
Interest income from loans to joint ventures	<b>(1,036)</b>	(1,307)
	<b>(2,012)</b>	(2,169)
<b>(b) Finance cost</b>		
Interest on lease liabilities	<b>4</b>	44
<b>(c) Other items</b>		
Cost of inventories sold	<b>4,438</b>	6,824
Depreciation charge:		
– Owned property, plant and equipment	<b>12,261</b>	12,878
– Right-of-use assets	<b>612</b>	1,236
(Gain)/Loss on disposal of property, plant and equipment	<b>(150)</b>	342
Short-term lease payments not included in the measurement of lease liabilities	<b>26</b>	212
Write off of property, plant and equipment	–	190
Foreign exchange loss, net	–	91

## 7 Income tax

No provision for Hong Kong Profits Tax for the six months ended 30 September 2021 and 2020 has been made in respect of the subsidiaries in Hong Kong as either the tax losses brought forward from previous years exceed the estimated assessable profits for the period or the subsidiaries have no estimated assessable profits in Hong Kong.

## 8 Loss per share

### (a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to equity shareholders of the Company of \$14,590,000 (six months ended 30 September 2020: \$9,933,000) and the weighted average of 4,823,009,000 (2020: 4,823,009,000) ordinary shares in issue during the interim period.

### (b) Diluted loss per share

No adjustment had been made to the basic loss per share presented for the six months ended 30 September 2021 and 30 September 2020 in respect of a dilution as the outstanding share options had an anti-dilutive effect on the basic loss per share presented.

## 9 Dividends

No dividends has been paid or declared by the Company for the six months ended 30 September 2021 (2020: Nil).

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

During the six months ended 30 September 2021, the Group disposed and wrote off items of property, plant and equipment with aggregate net book value of \$371,000 (2020: \$1,991,000).

## 11 Interests in an associate

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Share of net assets	73,377	74,149
Loans to an associate (note 11(a))	34,165	34,165
Amount due from an associate (note 11(b))	2,181	1,324
	<u>109,723</u>	<u>109,638</u>
Represented by:		
Non-current portion	84,765	91,231
Current portion	24,958	18,407
	<u>109,723</u>	<u>109,638</u>

### (a) Loans to an associate

- (i) Loan of RMB14,400,000 (equivalent to approximately \$17,083,000) at 30 September 2021 (31 March 2021: \$17,083,000) which is unsecured, interest-bearing at the rate of 5% per annum. The loan will be repaid by instalments of RMB9,600,000 (equivalent to approximately \$11,389,000) and RMB4,800,000 (equivalent to approximately \$5,694,000) on 16 March 2022 and 16 March 2023 respectively; and

- (ii) Loan of RMB14,400,000 (equivalent to approximately \$17,083,000) at 30 September 2021 (31 March 2021: \$17,083,000) which is unsecured, interest-bearing at the rate of 5% per annum. The loan will be repaid by instalments of RMB9,600,000 (equivalent to approximately \$11,389,000) and RMB4,800,000 (equivalent to approximately \$5,694,000) on 28 September 2022 and 28 September 2023 respectively.

**(b) Amount due from an associate**

The amount due from an associate at 30 September 2021 and 31 March 2021 are unsecured, interest-free and has no fixed terms of repayment.

**12 Interests in joint ventures**

	<b>At 30 September 2021 \$'000</b>	At 31 March 2021 \$'000
Share of net liabilities	<b>(9,409)</b>	(13,425)
Loans to joint ventures ( <i>note 12(a)</i> )	<b>19,500</b>	39,482
Amounts due from joint ventures ( <i>note 12(b)</i> )	<b>23,570</b>	19,702
	<b>33,661</b>	45,759
Represented by:		
Non-current portion	<b>8,225</b>	8,866
Current portion	<b>25,436</b>	36,893
	<b>33,661</b>	45,759

On 26 March 2020, the Group entered into a shareholders' agreement with a third party to set up Smart City Logistics Hong Kong Limited ("Smart City"), a joint venture company at the consideration of \$25,000. On 13 May 2020, Smart City was incorporated in Hong Kong for the purpose of providing services for logistics of wastes in Hong Kong. The Group is entitled to share 25% of the financial results of Smart City.

RGF Environmental New Material Limited ("RGF HK") set up a wholly owned subsidiary in Jiangmen City of the PRC, namely 绿色未来环保新材料 (广东) 有限公司 ("RGF GD"). The Group is entitled to share 49% of the financial results of RGF HK and its subsidiary (together "RGF"). On 31 July 2021, RGF HK sold its entire interest in RGF GD to 2 directors of RGF HK, at cash consideration amounted to RMB236,000 (equivalent to approximately \$280,000).

**(a) Loans to joint ventures**

- (i) Loan of \$7,500,000 (31 March 2021: \$7,500,000) which is unsecured, interest-bearing at the rate of HIBOR plus 4% per annum is repayable on 19 February 2022;

(iii) Loan of \$12,000,000 (31 March 2021: \$12,000,000) which is unsecured, interest-bearing at the rate of HIBOR plus 4% per annum. The loan will be repaid by instalments, of which \$4,500,000 is repayable on demand and the remaining \$7,500,000 is repayable on 2 May 2022; and

(iii) Loan of \$19,982,000 had been fully repaid by a joint venture during the six months ended 30 September 2021.

**(b) Amounts due from joint ventures**

The amounts due from joint ventures at 30 September 2021 and 31 March 2021 are unsecured, interest-free and has no fixed terms of repayment.

**13 Trade receivables**

	<b>At 30 September 2021 \$'000</b>	At 31 March 2021 \$'000
Trade receivables	<b>7,677</b>	8,189
Less: Loss allowance	<b>(2,556)</b>	(2,556)
Trade receivables, net	<b><u>5,121</u></b>	<b><u>5,633</u></b>

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

	<b>At 30 September 2021 \$'000</b>	At 31 March 2021 \$'000
0 – 30 days	<b>4,826</b>	5,467
31 – 60 days	<b>177</b>	93
61 – 90 days	<b>36</b>	21
91 – 120 days	<b>116</b>	5
Over 120 days	<b><u>2,522</u></b>	<u>2,603</u>
	<b>7,677</b>	8,189
Less: Loss allowance	<b>(2,556)</b>	(2,556)
	<b><u>5,121</u></b>	<b><u>5,633</u></b>

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

## 14 Trade payables

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Trade payables	<u>820</u>	<u>1,092</u>

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

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
Current	147	581
1 – 30 days	143	73
31 – 60 days	65	29
61 – 90 days	4	11
91 – 120 days	5	8
Over 120 days	<u>456</u>	<u>390</u>
	<u>820</u>	<u>1,092</u>

## 15 Share capital and reserves

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

	At 30 September 2021 \$'000	At 31 March 2021 \$'000
<b>Authorised:</b>		
5,000,000,000 ordinary shares of \$0.10 each	<u>500,000</u>	<u>500,000</u>

### (b) Issued share capital of the Company

	Number of ordinary shares '000	Amount \$'000
<b>Issued and fully paid:</b>		
At 1 April 2020, 30 September 2020, 31 March 2021, 1 April 2021 and 30 September 2021	<u>4,823,009</u>	<u>482,301</u>

**(c) Equity settled share-based transactions**

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

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

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

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

Date of grant	Initial exercise price	Exercisable period	Number of share options			Remaining contractual life
			Outstanding at 1 April 2021	Lapsed during the period	Outstanding at 30 September 2021	
<b>Directors</b>						
7 September 2016	0.128	7 September 2017 to 6 September 2022	86,400,000	(8,800,000)	77,600,000	0.9 years
<b>Employees</b>						
7 September 2016	0.128	7 September 2017 to 6 September 2022	13,000,000	(1,300,000)	11,700,000	0.9 years
			<u>99,400,000</u>	<u>(10,100,000)</u>	<u>89,300,000</u>	

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 expense of Nil (2020: Nil) related to equity settled share-based payment transactions during the six months ended 30 September 2021.

## 16 Commitments

Capital commitments outstanding at the end of the reporting period not provided for in the interim financial report were as follows:

	<b>At 30 September 2021 \$'000</b>	At 31 March 2021 \$'000
<b>Contracted but not provided for</b>		
Acquisition of property, plant and equipment	<b>745</b>	–
Investment in I-Talent Paper Product (HK) Limited (“I-Talent”)	–	510
	<b>745</b>	510

On 25 August 2020, the Group entered into a shareholders' agreement with a third party to establish I-Talent for the purpose of developing business in trading and manufacturing of assorted paper products. The Group's total commitment to the investment in I-Talent was \$510,000 for capital contribution as at 31 March 2021. During the 6 months ended 30 September 2021, the capital injection had been completed and the Group holds 51% equity interest in I-Talent.

During the six months ended 30 September 2021, the Group entered into purchase agreement with a third party vendor to acquire plant and machineries for the Group's CMDS business, with total commitment of approximately \$745,000 outstanding at 30 September 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATIONS

Hong Kong has been facing the waste management problem as quantities of solid waste being disposed at landfills is high and the recycling rate is relatively low. Stringent global regulations related to waste have made it challenging for Hong Kong's waste recycling industry. The complete ban on imports of waste in Mainland China in 2021 and the embodiment of Basel Convention have adversely affected the local recycling industry while the ongoing global outbreak of COVID-19 pandemic continues to hinder the pace of economic recovery globally. However, as the impacts of COVID-19 subside, the recycling business is expected to gather pace, albeit slowly. Future policy initiatives by the Hong Kong SAR government on waste management and municipal solid waste, including the Producer Responsibility Scheme implemented for municipal solid waste, plastic bags and plastic beverage containers, are part of the solutions of waste management that lead to new opportunities for the recycling industry.

### FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the six months ended 30 September 2021 (the "Current Period") amounted to HK\$14.6 million, an increase of approximately HK\$4.7 million loss when compared to the net loss of HK\$9.9 million for the six months ended 30 September 2020 (the "Last Period").

	<b>6 months ended 30.09.2021 HK\$'000</b>	6 months ended 30.09.2020 HK\$'000	<b>Fav./ (Unfav.) Change HK\$'000</b>	<b>%</b>
<b>Results of Operating Segments</b>	<b>5,367</b>	7,554	<b>(2,187)</b>	<b>(29.0%)</b>
<b>Net Corporate expenses</b>	<b>(23,156)</b>	(22,318)	<b>(838)</b>	<b>(3.8%)</b>
	<b>(17,789)</b>	(14,764)	<b>(3,025)</b>	<b>(20.5%)</b>
<b>Share of results of an associate</b>	<b>(773)</b>	4,413	<b>(5,186)</b>	<b>(117.5%)</b>
<b>Share of results of joint ventures</b>	<b>3,972</b>	418	<b>3,554</b>	<b>850.2%</b>
<b>Loss attributable to equity shareholders of the Company</b>	<b>(14,590)</b>	(9,933)	<b>(4,657)</b>	<b>(46.9%)</b>

Loss attributable to equity shareholders of the Company increased in the Current Period, as there was subsidy income of HK\$5.4 million received from the Hong Kong SAR government in the Last Period. Net corporate expenses maintained at the same level as the Last Period. The share of profits of joint ventures of the Group for the Current Period was HK\$4.0 million, an increase of HK\$3.6 million when compared to HK\$0.4 million in the Last Period. During the Current Period, the Group has recognised a share of loss of HK\$0.8 million of its hazardous waste treatment project, an associate acquired in January 2020, while a share of profit of HK\$4.4 million was recorded in the Last Period. There was a decrease in both treatment volume and average treatment prices of hazardous waste during the Current Period as industrial productivity in Mainland was yet to be back to the Pre-COVID-19 level.

## Revenue Analysis

	<b>6 months ended 30.09.2021 HK\$'000</b>	6 months ended 30.09.2020 HK\$'000	<b>Fav./ (Unfav.) Change HK\$'000</b>	<b>%</b>
Sales of Recovered Paper	<b>10,044</b>	9,810	<b>234</b>	<b>2.4%</b>
CMDS service income	<b>9,014</b>	9,931	<b>(917)</b>	<b>(9.2%)</b>
Logistics service income	<b>2,363</b>	6,743	<b>(4,380)</b>	<b>(65.0%)</b>
Sales of tissue paper products	<b>795</b>	46	<b>749</b>	<b>1,628.3%</b>
Sales of other waste materials	<b>23</b>	25	<b>(2)</b>	<b>(8.0%)</b>
Sales of Recycled LPDE Pellets	<b>–</b>	1,893	<b>(1,893)</b>	<b>(100.0%)</b>
	<b><u>22,239</u></b>	<b><u>28,448</u></b>	<b><u>(6,209)</u></b>	<b><u>(21.8%)</u></b>

The revenue of **Recovered Paper** business increased to approximately HK\$10.0 million, an increase of approximately HK\$0.2 million or 2.4% when compared to the Last Period, due to increase in average selling price of 17.8% during the Current Period. The Group decided to cease the operation of outside recovered paper depots in May 2020, given the worsening of performance of the segment. Sales volume dropped by 13.1%. However, the gross profit and gross profit margin of recovered paper trading have increased from HK\$4.7 million to HK\$6.6 million and from 47.6% to 65.9% respectively due to the recent increase in average selling price.

Sales revenue of recovered office paper generated from the CMDS services has increased by 15.1%, mainly due to the increase in average selling price of 11.4%. The demand for recovered office paper has been relatively less affected by external risks compared to other types of recovered paper, its sales volume recorded an increase of 3.4%.

**Confidential Material Destruction Services (“CMDS”)** service income maintained at HK\$9.0 million which recorded a slight decrease of HK\$0.9 million or 9.2% when compared to the Last Period. Despite the measures implemented to control the coronavirus outbreak in Hong Kong since the beginning of 2020 and thus affected the collection volume of confidential papers from government departments and other business organisations, total collection volume had not been reduced as much as we expected due to volume intake from new customers. With the relaxation of the control measures in recent months, we hope to improve our collection volume in order to compensate for the decreasing trend in service income.

The joint venture with ALBA Group for treatment and recycling of **waste electrical and electronic equipment (“WEEE”)** contributed income of HK\$6.0 million to the Group for the six months ended 30 September 2021. We are confident that the WEEE operation will continue to grow and bring further revenue to the Group. Our **Logistics** Division plays a major role in the transportation of WEEE items. **Logistics** service income has decreased by HK\$4.4 million or 65.0% to HK\$2.4 million in the Current Period, it was mainly due to the lower rate of WEEE household collection charges applied since July 2020.

RGF Environmental New Material Limited, our joint venture for the production of **recycled engineering plastic pellets**, has been operating under difficult conditions due to tightening of restraints under the Basel Convention on import and export of wastes, while the global manufacturing sector was at a standstill for quite some time due to the pandemic lockdown which further undermined sales volume and profit margin. However, despite external challenges, we have currently transformed the current business model into an OEM solution provider for plastic wastes. In the Current Period, share of results from this joint venture has been improved by HK\$3.5 million, which reflects the cost optimisation of change of business model.

The investment in Dugong IWS HAZ Limited (“DI”) in January 2020 represents not only a geographical expansion to Mainland China but also our investment in a new type of business, **treatment of hazardous waste**. Environmental policies in the Mainland China offer vast opportunities for waste treatment. The Sino-US trade war, COVID-19 pandemic and intense market competition are factors affecting performance and profit margin, thus resulting a net loss in the Current Period. Notwithstanding, the second phase expansion of its Lianyungang plant in Jiangsu is due to be operational and, its new project in Kaifeng, Henan is expected to commence operations in 2022. We expect to see growth in capacity and revenue and be one of the major profit contributors to the Group’s financial results.

### **Gross Profit and Gross Profit Margin**

The Gross Profit of the Group for the Current Period was HK\$13.6 million, a slight decrease of HK\$1.1 million or 7.5% when compared to the Last Period. However, the gross profit margin has increased from 51.8% to 61.3%, mainly due to the shift of the Group’s focus on businesses with higher profit margins.

## **Selling, Distribution, Administrative and Other Operating Expenses**

Selling, distribution, administrative and other operating expenses amounted to a total of HK\$38.1 million, representing a reduction of HK\$3.2 million when compared to the Last Period. The reduction in these expenditures was due to the continuing cost control measures initiated by the management throughout the Current Period.

## **Loss/Earnings Before Interest, Tax, Depreciation and Amortisation (“LBITDA/EBITDA”)**

The Group recorded a LBITDA of HK\$4.6 million in the Current Period while an EBITDA of HK\$2.1 million was achieved in which an amount of HK\$5.4 million being total subsidy income received in the Last Period.

## **Liquidity and Financial Resources**

As at 30 September 2021, the Group had unrestricted bank deposits and cash of approximately HK\$87.0 million (31 March 2021: HK\$78.3 million). The Group had no bank loans and overdrafts as at 30 September 2021 (31 March 2021: Nil).

As at 30 September 2021, the Group had net current assets of approximately HK\$139.9 million, compared to net current assets of approximately HK\$135.3 million as at 31 March 2021. The current ratio of the Group was 10.9 as at 30 September 2021 compared to 10.0 as at 31 March 2021.

The Group will continue to monitor its cash position and explore all possible financing options as and when required.

## **Foreign Exchange Exposure**

The Group mainly operates in Hong Kong with most of its sales denominated in Hong Kong dollars. Most of raw materials purchases are denominated in Hong Kong dollars. Furthermore, most of the Group’s monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars. Certain associate/joint venture companies have local currency project loans in place and these are naturally hedged against the investments in same local currency of the entity concerned.

For the six months ended 30 September 2021, the Group recorded a net foreign exchange loss of Nil (six months ended 30 September 2020: loss of HK\$0.1 million). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

## **Major Capital Expenditure and Commitments**

During the Current Period, the Group incurred approximately HK\$1.0 million mainly for the capital expenditure in respect of the headquarters of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 30 September 2021, the Group has capital

commitments of approximately HK\$0.7 million, which are mainly related to the plant and machineries of CMDS business. Details of the capital commitment of the Group are set out in Note 16.

### **Capital Structure**

Details of the capital structure of the Company are set out in Note 15.

### **Contingent Liabilities**

At 30 September 2021, the Group has, upon legal advice, lodged certain claims against its former director and employee and the outcomes of which remain to be seen.

### **Employees and Remuneration Policies**

The Group employed approximately 119 employees in Hong Kong as at 30 September 2021. Employee costs, including directors' emoluments, amounted to HK\$21.6 million for the six months ended 30 September 2021 (six months ended 30 September 2020: HK\$21.4 million). All of the Group companies are equal opportunity employers, with the selection and promotion of employees based on suitability for the position offered. The Group also believes that, with proper training and guidance, people with intellectual disabilities can be capable, loyal and conscientious workers to contribute to society. By providing job opportunities to people with intellectual disabilities, we can enhance their social integration and assist them in seeking open employment.

The Group considers health and safety of employees as its first priority. We strictly comply with relevant laws and regulations related to occupational health and safety. A Safety Management Committee is in place to ensure occupational health and safety policies are up-to-date, by serving as a channel to facilitate actions related to safety issues within the Group.

In addition to the mandatory MPF contributions by both employer and employees, the Group offers all full-time employees a comprehensive benefits package which includes discretionary performance bonus, annual leave, sick leave, maternity and paternity leave, marriage leave and compassionate leave entitlements, healthcare benefits and labour insurance.

### **OUTLOOK AND PROSPECT**

The impacts of stringent global regulatory regimes and the COVID-19 pandemic continue to pose challenges to the recycling businesses. Despite a rather volatile business environment, we will continue to manage and monitor risks in a professional manner, while transform ourselves into a high value-added business.

We will continue to maintain high-quality CMDS services and an efficient logistics fleet, optimization of the WEEE collection service and treatment and ensure smooth operations of the hazardous waste treatment facilities in Mainland China. The resumption of tissue paper manufacturing aims to cater for the growing domestic demand resulting from

a change of living habits and the increase in health awareness and is expected to bring new sources of income to the Group. 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, and we will take all necessary measures including tight cost controls for ensuring a stable operational and financial status.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2021 (2020 interim: HK\$Nil).

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company is committed to maintain a high standard of corporate governance and has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company has complied with the code provisions set out in the CG Code throughout the six months ended 30 September 2021.

The Company will continue improving its corporate governance that is conducive to conduct and growth of its business, and reviewing regularly its governance practices to ensure compliance with the regulatory requirements, thereby meeting the expectations of shareholders and investors.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors.

Having made specific enquiries by the Company with the Directors, all Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2021.

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

The Company has also adopted Code for Securities Transactions by Relevant Employees (the “Own Code”) on no less exacting terms than the Model Code for governing securities transactions by employees who are likely to be in possession of inside information of the Company or its securities. No incident of non-compliance of the Own Code by any relevant employee was noted by the Company during the six months ended 30 September 2021.

## **AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS**

The Audit Committee of the Company 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.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited interim financial report of the Group for the six months ended 30 September 2021 with the management and the external auditor, KPMG. The unaudited interim financial report of the Group for the six months ended 30 September 2021 has been reviewed by the Company's external auditor, KPMG, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by International Auditing and Assurance Standards Board and International Accounting Standard 34 "Interim Financial Reporting" issued by International Accounting Standards Board.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2021.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement is published on the Company's website (www.iwsg.hk) and the designated website of the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 September 2021 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the above websites in due course.

By order of the Board

**Integrated Waste Solutions Group Holdings Limited**

**Cheng Chi Ming, Brian**

*Chairman*

Hong Kong, 26 November 2021

*As at the date of this announcement, the Board comprises two executive Directors, namely, Messrs. Lam King Sang and Tam Sui Kin, Chris; three non-executive Directors, namely, Messrs. Cheng Chi Ming, Brian (Chairman), Tsang On Yip, Patrick 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.*