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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

Annual Results

- Revenue decreased by 17.9%, to HK\$42.1 million
- Gross profit margin increased from 56.7% to 59.7%
- Loss attributable to equity shareholders of the Company increased by 15.4% to HK\$27.6 million
- Basic loss per share was HK0.6 cent (FY2021: HK0.5 cent)

The Board does not recommend the payment of any dividend for the year ended 31 March 2022.

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 2022. 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 2022 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 2022**

(Expressed in Hong Kong dollars)

	<i>Note</i>	2022 \$'000	2021 \$'000
Revenue	3	42,124	51,326
Cost of sales and services		<u>(16,964)</u>	<u>(22,241)</u>
Gross profit		25,160	29,085
Other revenue	4	12,179	16,798
Other net gain		2,362	1,004
Selling and distribution expenses		(13,220)	(16,706)
Administrative and other operating expenses		<u>(63,246)</u>	<u>(64,454)</u>
Operating loss		(36,765)	(34,273)
Finance income	5(b)	3,478	4,351
Finance costs	5(c)	(4)	(68)
Share of (loss)/profit of an associate		(2,373)	3,563
Share of profit of joint ventures		<u>6,436</u>	<u>2,312</u>
Loss before taxation	5	(29,228)	(24,115)
Income tax	6(a)	<u>—</u>	<u>—</u>
Loss for the year		<u>(29,228)</u>	<u>(24,115)</u>
Attributable to:			
Equity shareholders of the Company	7	(27,579)	(23,893)
Non-controlling interests		<u>(1,649)</u>	<u>(222)</u>
		<u>(29,228)</u>	<u>(24,115)</u>
Basic and diluted loss per share	7	<u>(0.6) cent</u>	<u>(0.5) cent</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 31 MARCH 2022**

(Expressed in Hong Kong dollars)

	2022	2021
	\$'000	\$'000
Loss for the year	(29,228)	(24,115)
Other comprehensive income for the year (net of nil 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	<u>461</u>	<u>1,140</u>
Other comprehensive income for the year	<u>461</u>	<u>1,140</u>
Total comprehensive income for the year	<u>(28,767)</u>	<u>(22,975)</u>
Attributable to:		
Equity shareholders of the Company	(27,118)	(22,753)
Non-controlling interests	<u>(1,649)</u>	<u>(222)</u>
Total comprehensive income for the year	<u>(28,767)</u>	<u>(22,975)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022*(Expressed in Hong Kong dollars)*

	<i>Note</i>	2022 \$'000	2021 \$'000
Non-current assets			
Property, plant and equipment and right-of-use assets	9	585,601	611,582
Interests in an associate	10	78,121	91,231
Interests in joint ventures	11	11,795	8,866
Deposits and prepayments		1,492	232
		677,009	711,911
Current assets			
Inventories		641	344
Trade receivables	12	2,847	5,633
Other receivables, deposits and prepayments		15,843	10,763
Amount due from an associate	10	32,803	18,407
Amounts due from joint ventures	11	27,411	36,893
Amount due from a related company		12	12
Bank deposits and cash		76,462	78,332
		156,019	150,384
Current liabilities			
Trade payables	13	756	1,092
Other payables and accruals		12,950	13,924
Lease liabilities		–	72
Amount due to a related company		10	10
		13,716	15,098
Net current assets		142,303	135,286
NET ASSETS		819,312	847,197
CAPITAL AND RESERVES			
Share capital	14	482,301	482,301
Reserves		336,040	363,158
Total equity attributable to equity shareholders of the Company		818,341	845,459
Non-controlling interests		971	1,738
TOTAL EQUITY		819,312	847,197

NOTES

(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 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.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2 Significant accounting policies

(a) Basis of preparation

The financial results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2022 but are extracted from those consolidated 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 2021 except for the changes stated as below.

(b) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*
- Amendment to IFRS 16, *COVID-19-Related Rent Concessions beyond 30 June 2021 (2021 amendment)*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to IFRS 16, *COVID-19-Related Rent Concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022. The application of the amendment does not have material impact to the Group’s consolidated financial statements for the year ended 31 March 2022.

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, 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 or losses.

Revenue from contracts with customers within the scope of IFRS 15

	2022	2021
	\$'000	\$'000
Disaggregated by major products or service lines		
– Provision of CMDS	15,944	20,452
– Provision of logistics services	4,431	9,429
– Sales of recovered paper and materials	20,110	21,221
– Sales of tissue paper products	1,639	224
	42,124	51,326

Revenue by geographic markets

	2022	2021
	\$'000	\$'000
Hong Kong	42,124	36,604
Mainland China	–	2,095
South Korea	–	12,627
	42,124	51,326

Specified non-current assets by geographic locations

	2022	2021
	\$'000	\$'000
Hong Kong	604,302	631,632
Mainland China	72,707	80,279
	677,009	711,911

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

For the year ended 31 March 2022, revenue of approximately \$18,410,000 (2021: \$12,627,000) is derived from two (2021: one) external customer(s) 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 2022 are as follows:

	CMDS \$'000	Logistics services \$'000	Recovered paper and materials \$'000	Tissue paper products \$'000	Total \$'000
<i>Segment revenue:</i>					
Sales to external customers	15,944	4,431	20,110	1,639	42,124
Inter-segment sales	-	9,428	-	-	9,428
Reportable segment revenue	15,944	13,859	20,110	1,639	51,552
Elimination of inter-segment revenue	-	(9,428)	-	-	(9,428)
	<u>15,944</u>	<u>4,431</u>	<u>20,110</u>	<u>1,639</u>	<u>42,124</u>
<i>Segment results:</i>					
Reportable segment profit/(loss)	11,176	1,465	12,672	(1,333)	23,980
Elimination of inter-segment loss					<u>1,180</u>
Reportable segment profit derived from the Group's external customers					25,160
Other revenue					12,179
Other net gain					2,362
Selling and distribution expenses					(13,220)
Administrative and other operating expenses					(63,246)
Finance income					3,478
Finance costs					(4)
Share of loss of an associate					(2,373)
Share of profit of joint ventures					<u>6,436</u>
Loss before taxation					(29,228)
Income tax					-
Loss for the year					<u>(29,228)</u>

The segment results and other segment items included in the loss for the year ended 31 March 2021 are as follows:

	CMDS \$'000	Logistics services \$'000	Recovered paper and materials \$'000	Tissue paper products \$'000	Total \$'000
<i>Segment revenue:</i>					
Sales to external customers	20,452	9,429	21,221	224	51,326
Inter-segment sales	–	10,280	–	–	10,280
Reportable segment revenue	20,452	19,709	21,221	224	61,606
Elimination of inter-segment revenue	–	(10,280)	–	–	(10,280)
	<u>20,452</u>	<u>9,429</u>	<u>21,221</u>	<u>224</u>	<u>51,326</u>
<i>Segment results:</i>					
Reportable segment profit/(loss)	13,964	4,365	10,889	(74)	29,144
Elimination of inter-segment profit					(59)
Reportable segment profit derived from the Group's external customers					29,085
Other revenue					16,798
Other net gain					1,004
Selling and distribution expenses					(16,706)
Administrative and other operating expenses					(64,454)
Finance income					4,351
Finance costs					(68)
Share of profit of an associate					3,563
Share of profit of joint ventures					2,312
Loss before taxation					(24,115)
Income tax					–
Loss for the year					<u>(24,115)</u>

4 Other revenue

	2022 \$'000	2021 \$'000
Licence fee income	4,200	4,900
Service income	201	1,348
Management fee income	1,514	1,384
Compensation income on profit guarantee arrangement (note 10(a))	5,260	–
Subsidy income (note(i))	329	7,892
Others	675	1,274
	<u>12,179</u>	<u>16,798</u>

- (i) For the year ended 31 March 2021, 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 \$6,900,000 for the year ended 31 March 2021. 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.

5 Loss before taxation

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

	2022	2021
	\$'000	\$'000
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	43,290	44,854
Contributions to defined contribution retirement plan	1,383	1,388
	44,673	46,242
Staff costs included in:		
– Cost of sales and services	8,599	9,194
– Selling and distribution expenses	11,491	12,115
– Administrative and other operating expenses	24,583	24,933
	44,673	46,242
(b) Finance income		
Interest income from banks deposits	(331)	(600)
Interest income from loans to joint ventures	(1,439)	(2,503)
Interest income from loans to an associate	(1,708)	(1,248)
	(3,478)	(4,351)
(c) Finance costs		
Interest on lease liabilities	4	68
(d) Other items		
Cost of inventories sold	9,216	10,540
Depreciation charge (note 9)		
– Owned property, plant and equipment	24,490	25,179
– Right-of-use assets	1,157	2,186
Provision for loss allowances	45	694
(Gain)/loss on disposals of property, plant and equipment, net	(392)	63
Write off of property, plant and equipment	–	190
Foreign exchange gain, net	(1,970)	(1,236)
Auditor's remuneration:		
– Audit services	1,900	1,900
– Other services	300	300

6 Income tax

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

No provision for Hong Kong Profits Tax for the years ended 31 March 2022 and 31 March 2021 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 and loss before taxation at applicable tax rates:

	2022 \$'000	2021 \$'000
Loss before taxation	<u>(29,228)</u>	<u>(24,115)</u>
Tax calculated at tax rates of 16.5% (2021: 16.5%)	(4,823)	(3,979)
Tax effects of non-taxable income	(3,023)	(4,543)
Tax effects of non-deductible expenses	1,736	3,059
Tax effects of tax losses not recognised	7,354	5,463
Tax effects of utilisation of tax losses previously not recognised	<u>(1,244)</u>	<u>–</u>
Income tax	<u>–</u>	<u>–</u>

(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 2022 is Nil (2021: Nil).

7 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 \$27,579,000 (2021: \$23,893,000) and the weighted average number of 4,823,009,000 (2021: 4,823,009,000) ordinary shares in issue during the year.

(a) Basic loss per share

Weighted average number of ordinary shares

	2022 '000	2021 '000
Issued ordinary shares at 1 April and weighted average number of ordinary shares at 31 March	<u>4,823,009</u>	<u>4,823,009</u>

(b) Diluted loss per share

No adjustment had been made to the basic loss per share presented for the years ended 31 March 2022 and 31 March 2021 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.

8 Dividends

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2022 (2021: Nil)

9 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	Ownership interests in leasehold land held for own use and other properties leased for own use \$'000	Total \$'000
Cost:								
At 1 April 2020	697,959	4,687	69,719	18,930	30,930	822,225	42,383	864,608
Additions	13	-	254	81	386	734	-	734
Write off	-	(693)	-	(276)	-	(969)	-	(969)
Disposals	-	(3,663)	(2,907)	(6,408)	(4,418)	(17,396)	(2,005)	(19,401)
At 31 March 2021 and 1 April 2021	697,972	331	67,066	12,327	26,898	804,594	40,378	844,972
Additions	-	-	246	33	307	586	-	586
Disposals	-	-	-	-	(3,699)	(3,699)	(1,688)	(5,387)
At 31 March 2022	697,972	331	67,312	12,360	23,506	801,481	38,690	840,171

	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	Ownership interests in leasehold land held for own use and other properties leased for own use \$'000	Total \$'000
Accumulated depreciation and impairment:								
At 1 April 2020	110,813	2,841	65,904	14,073	18,315	211,946	10,649	222,595
Charge for the year	21,547	110	905	1,092	1,525	25,179	2,186	27,365
Write off	-	(668)	-	(111)	-	(779)	-	(779)
Written back on disposal	-	(2,099)	(2,794)	(6,284)	(3,469)	(14,646)	(1,145)	(15,791)
At 31 March 2021 and 1 April 2021	132,360	184	64,015	8,770	16,371	221,700	11,690	233,390
Charge for the year	21,547	37	534	954	1,418	24,490	1,157	25,647
Written back on disposal	-	-	-	-	(2,779)	(2,779)	(1,688)	(4,467)
At 31 March 2022	153,907	221	64,549	9,724	15,010	243,411	11,159	254,570
Net book value:								
At 31 March 2022	544,065	110	1,763	2,636	8,496	558,070	27,531	585,601
At 31 March 2021	565,612	147	3,051	3,557	10,527	582,894	28,688	611,582

Impairment loss

No impairment loss was recognised nor reversed during the year ended 31 March 2022 and 31 March 2021.

(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	2022 \$'000	2021 \$'000
Ownership interests in leasehold land held for own use, carried at depreciated cost	(i)	27,531	28,621
Other properties leased for own use, carried at depreciated cost	(ii)	-	67
		27,531	28,688

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

	2022	2021
	\$'000	\$'000
Depreciation 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	67	1,096
	1,157	2,186
Interest on lease liabilities	4	68
Expense relating to short-term leases and other leases with remaining lease term ending on or before the end of reporting period	1,806	1,894

During the year, additions to right-of-use assets were Nil (2021: 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 25 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.

10 Interests in an associate

	2022	2021
	\$'000	\$'000
Share of net assets	72,192	74,149
Loans to an associate (<i>note 10(b)</i>)	35,574	34,165
Amount due from an associate (<i>note 10(c)</i>)	3,158	1,324
	110,924	109,638
Represented by:		
Non-current portion	78,121	91,231
Current portion	32,803	18,407
	110,924	109,638

(a) Compensation income on profit guarantee arrangement

During the year ended 31 March 2020, the Group entered into an agreement with a third party (the “Seller”) to acquire 40% issued shares in Dugong IWS HAZ Limited, which in turn holds 51% equity interests in Lianyungang Lvrn Environmental Protection Technology Co., Ltd. (“Lvrn”) and Dugong Environment Resource (Kaifeng) Co., Ltd. (together “Dugong IWS”).

The acquisition was completed on 23 January 2020. The total consideration of \$69,000,000 was fully paid to the Seller by cash at completion date.

A profit guarantee arrangement is included in the agreement. Under the arrangement, the Seller agreed to guarantee the aggregated net income audited in accordance with the Generally Accepted Accounting Principles of the People’s Republic of China (“PRC GAAP”) generated by Lvrn would not be less than RMB90,000,000 for the three years ended 31 December 2021. The Seller shall compensate the Group for any shortfall of the deemed profit attributable to the Group calculated in accordance with the shareholders’ agreement.

Based on the audited financial statements of Lvrn prepared in accordance with the PRC GAAP, the aggregate audited net income of Lvrn for the three years ended 31 December 2021 was approximately RMB69,124,000. Therefore, the Group has become entitled to receive from the Seller a sum of approximately RMB4,259,000 (equivalent to approximately \$5,260,000) as a result of a shortfall of approximately RMB20,876,000 between RMB90,000,000 and RMB69,124,000. As at 31 March 2022, the profit guarantee receivable from the Seller was recognised as other receivables in the consolidated statement of financial position and other revenue in the consolidated statement of profit or loss and other comprehensive income (see note 4).

(b) Loans to an associate

At 31 March 2022, loans to an associate comprised:

- Loan of RMB14,400,000 (equivalent to approximately \$17,787,000) (2021: RMB14,400,000 (equivalent to approximately \$17,083,000)) which is unsecured, interest-bearing at the rate of 5% per annum. The loan will be fully repaid on 16 March 2023; and
- Loan of RMB14,400,000 (equivalent to approximately \$17,787,000) (2021: RMB14,400,000 (equivalent to approximately \$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 \$11,858,000) and RMB4,800,000 (equivalent to approximately \$5,929,000) on 28 September 2022 and 28 September 2023 respectively.

(c) Amount due from an associate

The amount due from an associate at 31 March 2022 and 31 March 2021 is unsecured, interest-free and has no fixed terms of repayment.

11 Interests in joint ventures

	2022	2021
	\$'000	\$'000
Share of net liabilities	(8,944)	(13,425)
Loans to joint ventures (<i>note 11(a)</i>)	19,500	39,482
Amounts due from joint ventures (<i>note 11(b)</i>)	28,650	19,702
	39,206	45,759
Represented by:		
Non-current portion	11,795	8,866
Current portion	27,411	36,893
	39,206	45,759

(a) Loans to joint ventures

At 31 March 2022, loans to joint ventures of \$19,500,000 (2021: \$39,482,000) comprised:

- (i) loan of \$7,500,000 (2021: \$7,500,000) which is unsecured, interest-bearing at the rate of HIBOR plus 4% per annum and repayable on demand;
- (ii) loan of \$12,000,000 (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 within one year; and
- (iii) the balance at 31 March 2021 included a loan of \$19,982,000 which was unsecured, interest-bearing at the rate of 7% per annum. The loan was repaid on 13 September 2021.

(b) Amounts due from joint ventures

The amounts due from joint ventures at 31 March 2022 and 31 March 2021 are unsecured, interest-free and have no fixed terms of repayment.

12 Trade receivables

	2022	2021
	\$'000	\$'000
Trade receivables	3,485	8,189
Less: Loss allowance (<i>note 12(b)</i>)	(638)	(2,556)
Trade receivables, net	2,847	5,633

(a) Ageing analysis

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:

	2022	2021
	\$'000	\$'000
0 – 30 days	2,496	5,467
31 – 60 days	147	93
61 – 90 days	65	21
91 – 120 days	53	5
Over 120 days	724	2,603
	3,485	8,189
Less: Loss allowance (<i>note 12(b)</i>)	(638)	(2,556)
	2,847	5,633

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 in respect of trade receivables during the year

	2022	2021
	\$'000	\$'000
Balance at 1 April	2,556	3,877
Provision for loss allowances	45	694
Uncollectable amounts written off during the year	(1,963)	(2,015)
	638	2,556

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

- origination of new trade receivables net of those settled resulted in an increase in loss allowance of \$45,000 (2021: \$694,000);
- a write-off of trade receivables with a gross carrying amount of \$1,963,000 (2021: \$2,015,000); and

resulted in a decrease in loss allowance of \$1,918,000 (2021: \$1,321,000).

13 Trade payables

	2022	2021
	\$'000	\$'000
Trade payables	<u>756</u>	<u>1,092</u>

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

	2022	2021
	\$'000	\$'000
Current	345	581
1 – 30 days	46	73
31 – 60 days	48	29
61 – 90 days	12	11
91 – 120 days	4	8
Over 120 days	<u>301</u>	<u>390</u>
	<u><u>756</u></u>	<u><u>1,092</u></u>

14 Share capital

(a) *Authorised share capital of the Company*

	2022	2021
	\$'000	\$'000
Authorised:		
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
Issued and fully paid:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<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 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:

Date of grant	Initial exercise price \$	Exercisable period	Number of share options					Remaining contractual life
			Outstanding at 1 April 2020	Cancelled/lapsed during the year ended 31 March 2021	Outstanding at 31 March 2021 and 1 April 2021	Cancelled/lapsed during the year ended 31 March 2022	Outstanding at 31 March 2022	
Directors								
7 September 2016	0.128	7 September 2017 to 6 September 2022	86,400,000	–	86,400,000	(8,800,000)	77,600,000	0.4 year
Employees								
7 September 2016	0.128	7 September 2017 to 6 September 2022	15,100,000	(2,100,000)	13,000,000	(4,400,000)	8,600,000	0.4 year
			<u>101,500,000</u>	<u>(2,100,000)</u>	<u>99,400,000</u>	<u>(13,200,000)</u>	<u>86,200,000</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 historic volatility on the Company's shares (calculated based on the weighted average remaining life of the share options). Expected dividends are based on historic dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The Group recognised expenses of Nil (2021: Nil) related to equity settled share-based payment transactions paid during the year ended 31 March 2022.

15 Commitments

	2022	2021
	\$'000	\$'000

Contracted but not provided for

Investment in I-Talent Paper Product (HK) Limited ("I-Talent")	<u> -</u>	<u> 510</u>
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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. As at 31 March 2021, the Group's total commitment to the investment in I-Talent is \$510,000 for capital contribution. Upon completion of capital injection, the Group will hold 51% equity interest in I-Talent.

During the year ended 31 March 2022, the Group had fully paid the capital contribution of \$510,000.

GROUP REVIEW

Integrated Waste Solutions Group Holdings Limited is one of the major solid-waste solutions providers in Hong Kong, specialised in waste collection, recycling and treatment businesses. The Group provides waste management services related to Confidential Materials Destruction Services (“CMDS”), handling of Waste Electrical and Electronic Equipment (“WEEE”) and other recyclable waste to a broad range of customers in both public and private sectors.

Waste streams are becoming increasingly complex. The Group aims to address the current needs of its customers, while anticipating their evolving and growing needs in advance. Recognising the importance of our business in resolutions of the waste handling and disposal in Hong Kong and Mainland China, we have been diversifying our waste management and recycling business and expanding it to cover Mainland China. We have already invested in a hazardous waste treatment project in Lianyungang City, Jiangsu Province. The first phase of the project has become fully operational while the second phase commenced operations in March 2022. Thus, the total treatment capacity is being ramped up to handle more waste in a safe, efficient and sophisticated manner. The second invested hazardous waste treatment facility is located in Kaifeng City, Henan Province and which is under construction and expected to be operational in 2023.

MARKET REVIEW

The COVID-19 pandemic continues to impact the industry. While the Group continues to be optimistic about volume recovery, uncertainty remains because of the probability of new variants of the COVID-19 virus appearing in the future, which may lead to business suspension.

Stringent global regulations related to waste, such as the complete ban on imports of waste in China and acceptance of the Basel Convention, have made things challenging for Hong Kong’s waste recycling industry. Locally, the Municipal Solid Waste Charging Bill was passed during the financial year ended 31 March 2022 (the “Reporting Period”), a pivotal step towards reducing waste at various sources. Recent policy measures by the Hong Kong SAR government on waste management, including the Producer Responsibility Scheme (“PRS”) implemented for municipal solid waste, plastic bags and plastic beverage containers, are part of the solutions of waste management that bring new opportunities for the recycling industry.

FINANCIAL REVIEW

Loss attributable to equity shareholders of the Company for the year ended 31 March 2022 (“FY2022”) amounted to HK\$27.6 million, an increase of HK\$3.7 million compared to the year ended 31 March 2021 (“FY2021”).

	FY2022 HK\$'000	FY2021 HK\$'000	Fav./ (Unfav.) HK\$'000	Change %
Results of Operating Segments	7,869	13,998	(6,129)	(43.8)
Net Corporate expenses	(39,511)	(43,766)	4,255	9.7
	(31,642)	(29,768)	(1,874)	(6.3)
Share of results of an associate	(2,373)	3,563	(5,936)	(166.6)
Share of results of joint ventures	6,436	6,460	(24)	(0.4)
Non-operating item:				
Impairment loss of property, plant and equipment	–	(4,148)*	4,148	100.0
Loss attributable to equity shareholders of the Company	(27,579)	(23,893)	(3,686)	(15.4)

* The amount was recognized in the share of results of joint ventures of the Group in FY2021.

Loss attributable to equity shareholders of the Company increased in FY2022, as there was subsidy income of HK\$7.9 million received from the Hong Kong SAR government in FY2021. Net corporate expenses maintained at a similar level as FY2021. During FY2022, the Group has recognised a share of loss of HK\$2.4 million of its **hazardous waste treatment** project, an associate acquired in January 2020, while a share of profit of HK\$3.6 million was shared in FY2021.

	FY2022 HK\$'000	FY2021 HK\$'000	Fav./ (Unfav.) HK\$'000	Change %
Revenue Analysis				
Sales of recovered paper and materials				
– Sales of recovered paper	20,040	19,294	746	3.9
– Sales of recycled plastic pellets	–	1,893	(1,893)	(100.0)
– Sales of other waste materials	70	34	36	105.9
	20,110	21,221	(1,111)	(5.2)
CMDS service income	15,944	20,452	(4,508)	(22.0)
Sales of tissue paper products	1,639	224	1,415	631.7
Logistics service income	4,431	9,429	(4,998)	(53.0)
	42,124	51,326	(9,202)	(17.9)

Revenue from **Recovered Paper** business increased by HK\$0.7 million or 3.9%. Although the sales volume dropped, the performance was compensated by a rise in product price. We are constantly monitoring the external environment and shall take appropriate measures for long-term development.

Revenue of **Confidential Materials Destruction Services (“CMDS”)** dropped to approximately HK\$15.9 million, representing a 22.0% decrease. The segment performance was on track until a new COVID-19 virus variant hit hard the economy in February. Serving a wide range of customers from government authorities to financial and professional institutions and private corporations in Hong Kong, we expect the income from this segment to grow back steadily after the work from home rules and practices are rescinded.

RGF Environmental New Material Limited, our joint venture for the production of **recycled engineering plastic pellets**, which we have currently transformed its business model into an OEM solution provider for plastic wastes. The loss incurred by this joint venture in FY2022 was substantially reduced which reflects the cost optimization of change of business model.

The joint venture with ALBA Group for treatment and recycling of **waste electrical and electronic equipment (“WEEE”)** contributed income of HK\$10.4 million to the Group for FY2022. We are confident that the WEEE operation will continue to grow and bring further contribution to the Group. Our **Logistics** Division plays a major role in the transportation of WEEE items. **Logistics** services income decreased by HK\$5.0 million or 53.0% when compared to FY2021, it was mainly due to the lower rate of WEEE household collection charges applied since July 2020, and the lackluster performance was also due to COVID-19 driven volume declined in CMDS and door-to-door collection of WEEE.

The **Hazardous Waste Treatment** business in Mainland China, operating through Dugong IWS HAZ Limited, was impacted negatively due to COVID-19 pandemic. While the waste treatment volume remained stable, the performance of Lianyungang plant was affected by higher costs. The plant’s second phase commenced operations at the end of FY2022, with significant increase in total treatment capacity. Environmental policies in the Mainland China offer vast opportunities for waste treatment and we are confident that the joint venture will be a major profit contributor of the Group.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit of HK\$25.2 million in FY2022, a decrease of HK\$3.9 million or 13.5% when compared to FY2021. However, the gross profit margin of the Group has increased from 56.7% to 59.7%, 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\$76.5 million, representing a decrease of HK\$4.7 million compared to FY2021. The reduction in these expenditures was due to the continuing cost control measures initiated by the management throughout the year.

Loss before Interest, Tax, Depreciation and Amortisation (“LBITDA”)

The Group recorded a LBITDA of HK\$7.1 million in FY2022, while a LBITDA of HK\$1.0 million was recorded in which an amount of HK\$7.9 million being total subsidy income received from the HKSAR Government in FY2021.

Liquidity and Financial Resources

The Group operates a centralized treasury function to monitor its cash position, cashflow and funding requirements. 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 because 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 2022, the Group had unrestricted bank deposits and cash of approximately HK\$76.5 million (2021: HK\$78.3 million). The Group had no bank loans and overdrafts as at 31 March 2022 (2021: Nil).

As at 31 March 2022, the Group had net current assets of approximately HK\$142.3 million, as compared to approximately HK\$135.3 million as at 31 March 2021. The current ratio of the Group was 11.4 as at 31 March 2022 as compared to 10.0 as at 31 March 2021.

Foreign Exchange Exposure

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

For the year ended 31 March 2022, the Group recorded a net foreign exchange gain of HK\$2.0 million (2021: HK\$1.2 million) due to appreciation of the 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 capital expenditure of HK\$1.7 million for capital expenditure in respect of the headquarters of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2022, the Group has no material capital expenditure commitments.

Pledge of Assets

As at 31 March 2022, the Group had no restricted or pledged bank deposits (2021: Nil).

Capital Structure

Details of the capital structure of the Company are set out in Note 14.

Contingent Liabilities

As at 31 March 2022, the Group has, upon receiving legal advice, lodged certain claims against a former director and employee, the outcomes of which remain to be seen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group has been striving to become a trusted integrated waste solutions provider in Hong Kong and Mainland China. The Group's goals on environmental sustainability align with demand from its customers who want more of recovery from waste materials. We are committed to bearing our share of environmental and social responsibilities to ensure a sustainable future. By gradually integrating environmental, social and governance ("ESG") considerations into our daily business operations, we strive to contribute to resolution of sustainability issues.

The Group is committed to putting its people first, positioning them to serve and care for customers, the environment, the communities where we have operations and our shareholders. Details of our ESG performance has been published in the Group's ESG report available on websites of the Stock Exchange and the Group, 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 relationship with its key stakeholder groups.

Environmental Policy and Compliance

As an integrated waste solutions provider, we are committed to providing efficient waste management services and implementing effective practices to safeguard the environment. Quantitative environmental control objectives are in place, including water saving measures and wastewater reduction in accordance with our ISO 14001:2015 certified environmental management system.

The Group identifies environmental risks that its operations might entail and develops remedial initiatives on an ongoing basis. Control procedures and measures are implemented to mitigate the environmental impacts of our business operations, for example, our logistics fleet ensures emission control through strategic route planning.

We strictly adhere to all applicable environmental laws and regulations, including but not limited to the Waste Disposal Ordinance, Water Pollution Control Ordinance and Air Pollution Control Ordinance. During the year, we were not aware of any instance of non-compliance of laws and regulations that have a significant impact on the Group relating to environmental laws and regulations.

Engagement with Stakeholders

The Group spares no efforts to maintain a close relationship with its stakeholders. In order to ensure effective communication with internal and external stakeholders, we have established various communication channels to engage stakeholders from different sectors and backgrounds including employees, customers, investors, NGOs, suppliers and subcontractors. The process forms an integral part of the process of learning how the Group's operations have a substantive influence on the stakeholders' decision making.

Employees

Our success depends upon contribution of each employee, and the ability to give them the tools they need to safely execute their roles as well as to develop and excel in their careers. As of 31 March 2022, the Group had a total of 113 employees. Employee costs, including directors' emoluments, amounted to HK\$44.7 million for FY2022 (FY2021: HK\$46.2 million). In addition to compliance with relevant employment laws, we respect the rights of our employees and adhere to fair employment practices in recruitment, appraisal and provision of welfare and benefits. The Group respects each individual employee at every stage of employment and has zero tolerance to any form of discrimination. An employee grievance mechanism is in place to address employees' concerns and needs.

Focusing on the imperatives of keeping employees safe, we strictly comply with relevant laws and regulations related to occupational health and safety. A large number of our employees work as drivers, heavy equipment operators and sorters, jobs which carry inherent risks. We have enhanced employees' safety through our Safety Management Committee which serves as a governing body to facilitate actions related to safety issues within the Group.

We value the contribution of our employees to the Group and are committed to supporting their career development. A wide range of internal and external training schemes are offered to employees to enhance their professional skills. Our training and development programs include but not limited to Code of Conduct, safety, environmental protection, and professional development.

Customers

The Group is uniquely equipped to meet the needs of its customers related to waste management, both today and those evolving as we work together to create a more sustainable future. We have the expertise necessary to collect and handle waste efficiently and responsibly, maximizing resource value and minimizing environmental impact, so that both our customers and our environment can thrive. We engage our customers through an annual satisfaction survey and grievance mechanism, ensuring feedback is collected, rectification measures are taken, and service quality is improved on an ongoing basis.

Suppliers

We value the relationship with our suppliers and maintain a broad network of suppliers and subcontractors who share environmental and social responsibilities related to our operations. A selection criterion is in place to ensure the suppliers meet our standards on quality and ESG requirements, with priority given to suppliers with environment-friendly measures. For existing suppliers, we assess their performance annually based on price, product and service quality, cooperation, on-time delivery and performance in meeting environmental requirements. Suppliers with unsatisfactory performance are removed from our supplier list.

Community

The Group seeks opportunities to contribute to the well-being of the community where it operates. This year, we joined the campaign of Earth Hour to raise awareness among our employees on climate change, and donated tissue paper to nursery homes to support the community in combating the COVID-19 pandemic.

PROSPECTS

Although uncertainty remains with respect to the probability of resurgence of COVID-19 variants or other pandemic conditions which could impact our business in the future and hinder growth, we continue to be optimistic about volume recovery. We expect stable revenue streams coming from our high-quality CMDS services and an efficient logistics fleet. Our joint venture operations in WEEE, hazardous waste treatment and tissue paper manufacturing will also bring steady sources of income.

Transforming itself into a high value-added business, the Group will continue to strive towards the goal of becoming one of the most reputable integrated waste solutions providers in Hong Kong and Greater China.

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 24 August 2022 to Tuesday, 30 August 2022 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 2022 annual general meeting of the Company to be held on Tuesday, 30 August 2022, 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 Tuesday, 23 August 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's share during the year ended 31 March 2022.

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 2022.

The Company has, in order to strengthen its overall corporate governance and without prejudice to the principles of the CG Code, established various policies focusing, in particular, on risk management, internal communication and internal control mechanisms. These policies, subject to regular review from time to time by the Board of Directors, stipulate for staff compliance the necessary policies and instructions on corporate governance, finance and accounting, human resources and administration. The Company will continue improving its corporate governance that is conducive to the conduct and growth of its business, and aligning the corporate value of good governance with its purpose, value and strategy, 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 2022.

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 year ended 31 March 2022.

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 2022 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 2022. 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 2022 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 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.iwsggh.com). The annual report of the Company for the year ended 31 March 2022 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 2022

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.