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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 2022

Financial Highlights

	6 months ended 30.09.2022 HK\$'M	6 months ended 30.09.2021 HK\$'M	Change HK\$'M	%
(Unaudited)				
Revenue	22.2	22.2	(0.0)	(0.1)
Gross Profit	13.8	13.6	0.2	1.5
Loss attributable to equity shareholders of the Company	(14.6)	(14.6)	0.0	0.3
Loss per share (HK cent)	(0.3)	(0.3)	0.0	0.3

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 September	
	<i>Note</i>	2022	2021
		\$'000	\$'000
Revenue	4	22,210	22,239
Cost of sales and services		<u>(8,382)</u>	<u>(8,612)</u>
Gross profit		13,828	13,627
Other revenue	5	6,260	3,631
Other net (loss)/gain	6	(5,867)	150
Selling and distribution expenses		(5,675)	(6,488)
Administrative and other operating expenses		<u>(30,251)</u>	<u>(31,600)</u>
Operating loss		(21,705)	(20,680)
Finance income	7(a)	1,863	2,012
Finance costs	7(b)	(5)	(4)
Share of profit/(loss) of an associate		1,392	(773)
Share of profit of joint ventures		<u>3,315</u>	<u>3,972</u>
Loss before taxation	7	(15,140)	(15,473)
Income tax	8	<u>–</u>	<u>–</u>
Loss for the period		<u>(15,140)</u>	<u>(15,473)</u>
Attributable to:			
Equity shareholders of the Company	9	(14,553)	(14,590)
Non-controlling interests		<u>(587)</u>	<u>(883)</u>
Loss for the period		<u>(15,140)</u>	<u>(15,473)</u>
Basic and diluted loss per share	9	<u>(0.3) cent</u>	<u>(0.3) cent</u>

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

For the six months ended 30 September 2022 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
Loss for the period	<u>(15,140)</u>	<u>(15,473)</u>
Other comprehensive income for the period (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>(5,939)</u>	<u>45</u>
Other comprehensive income for the period	<u>(5,939)</u>	<u>45</u>
Total comprehensive income for the period	<u><u>(21,079)</u></u>	<u><u>(15,428)</u></u>
Attributable to:		
Equity shareholders of the Company	<u>(20,492)</u>	(14,545)
Non-controlling interests	<u>(587)</u>	<u>(883)</u>
Total comprehensive income for the period	<u><u>(21,079)</u></u>	<u><u>(15,428)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2022 \$'000	At 31 March 2022 \$'000
Non-current assets			
Property, plant and equipment and right-of-use assets	11	574,350	585,601
Interests in an associate	12	67,645	78,121
Interests in joint ventures	13	8,837	11,795
Deposits and prepayments		88	1,492
		<u>650,920</u>	<u>677,009</u>
Current assets			
Inventories		464	641
Trade receivables	14	4,372	2,847
Other receivables, deposits and prepayments		15,125	15,843
Amount due from an associate	12	35,510	32,803
Amounts due from joint ventures	13	26,203	27,411
Amount due from a related company		12	12
Bank deposits and cash		79,602	76,462
		<u>161,288</u>	<u>156,019</u>
Current liabilities			
Trade payables	15	720	756
Other payables and accruals		13,245	12,950
Amount due to a related company		10	10
		<u>13,975</u>	<u>13,716</u>
Net current assets		<u>147,313</u>	<u>142,303</u>
NET ASSETS		<u>798,233</u>	<u>819,312</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2022 – unaudited

(Expressed in Hong Kong dollars)

		At 30 September 2022 \$'000	At 31 March 2022 \$'000
CAPITAL AND RESERVES			
Share capital	16	482,301	482,301
Reserves		315,548	336,040
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Total equity attributable to equity shareholders of the Company		797,849	818,341
Non-controlling interests		384	971
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TOTAL EQUITY		798,233	819,312
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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.

These consolidated financial statements are 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 do not constitute the unaudited interim financial report of the Group for the six months ended 30 September 2022 but are 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 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 2022 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 Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*; and
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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 only, 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

	Six months ended	
	30 September	
	2022	2021
	\$'000	\$'000
Disaggregated by major products or service lines		
– Provision of CMDS	7,920	9,014
– Provision of logistics services	2,279	2,363
– Sales of recovered paper and materials	11,491	10,067
– Sales of tissue paper products	520	795
	22,210	22,239

The geographical location is based on the location at which goods were delivered or service was rendered. For the six months ended 30 September 2022 and 30 September 2021, all the Group's revenue is derived from Hong Kong.

The segment results and other segment items included in the loss for the six months ended 30 September 2022 are as follows:

	Six months ended 30 September 2022				
	CMDS	Logistics	Recovered	Tissue	Total
	\$'000	services	paper and	paper	\$'000
		\$'000	materials	products	\$'000
			\$'000	\$'000	
<i>Segment revenue:</i>					
Sales to external customers	7,920	2,279	11,491	520	22,210
Inter-segment sales	-	4,553	-	1	4,554
Reportable segment revenue	7,920	6,832	11,491	521	26,764
Elimination of inter-segment revenue	-	(4,553)	-	(1)	(4,554)
	7,920	2,279	11,491	520	22,210
<i>Segment results:</i>					
Reportable segment profit/(loss)	5,842	303	7,703	(542)	13,306
Elimination of inter-segment loss					522
Reportable segment profit derived from the Group's external customers					13,828
Other revenue					6,260
Other net loss					(5,867)
Selling and distribution expenses					(5,675)
Administrative and other operating expenses					(30,251)
Finance income					1,863
Finance costs					(5)
Share of profit of an associate					1,392
Share of profit of joint ventures					3,315
Loss before taxation					(15,140)
Income tax					-
Loss for the period					(15,140)

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

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

5 Other revenue

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
Licence fee income	2,100	2,100
Service income	40	135
Management fee income	757	757
Subsidy income (<i>note (i)</i>)	2,620	329
Others	743	310
	<u>6,260</u>	<u>3,631</u>

- (i) For the six months ended 30 September 2022, 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 \$2,620,000 for the six months ended 30 September 2022. 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 Other net (loss)/gain

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
Gain on disposals of property, plant and equipment, net	133	150
Foreign exchange loss, net	(6,000)	–
	<u>(5,867)</u>	<u>150</u>

7 Loss before taxation

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

	Six months ended	
	30 September	
	2022	2021
	\$'000	\$'000
(a) Finance income		
Interest income from bank deposits	(364)	(120)
Interest income from loans to an associate	(1,031)	(856)
Interest income from loans to joint ventures	(468)	(1,036)
	<u>(1,863)</u>	<u>(2,012)</u>
(b) Finance costs		
Interest on lease liabilities	–	4
Interest on loan from non-controlling interests shareholder	5	–
	<u>5</u>	<u>4</u>
(c) Other items		
Cost of inventories sold	4,323	4,438
Depreciation charge:		
– Owned property, plant and equipment	12,243	12,261
– Right-of-use assets	545	612
Short-term lease payments not included in the measurement of lease liabilities	23	26
	<u>23</u>	<u>26</u>

8 Income tax

No provision for Hong Kong Profits Tax for the six months ended 30 September 2022 and 30 September 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 period or the subsidiaries have no estimated assessable profits in Hong Kong.

9 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 \$14,553,000 (six months ended 30 September 2021: \$14,590,000) and the weighted average of 4,823,009,000 (2021: 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 2022 and 30 September 2021 in respect of a dilution as the outstanding share options had an anti-dilutive effect on the basic loss per share presented.

10 Dividends

No dividends has been paid or declared by the Company for the six months ended 30 September 2022 (2021: Nil).

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

During the six months ended 30 September 2022, the Group acquired items of property, plant and equipment and right-of-use assets with aggregate cost of \$1,541,000 (2021: \$271,000).

12 Interests in an associate

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Share of net assets	67,645	72,192
Loans to an associate (<i>note 12(a)</i>)	31,770	35,574
Amount due from an associate (<i>note 12(b)</i>)	3,740	3,158
	<u>103,155</u>	<u>110,924</u>
Represented by:		
Non-current portion	67,645	78,121
Current portion	35,510	32,803
	<u>103,155</u>	<u>110,924</u>

(a) Loans to an associate

- (i) Loan of RMB14,400,000 (equivalent to approximately \$15,885,000) at 30 September 2022 (31 March 2022: \$17,787,000) which is unsecured, interest-bearing at the rate of 5% per annum and repayable on 16 March 2023; and
- (ii) Loan of RMB14,400,000 (equivalent to approximately \$15,885,000) at 30 September 2022 (31 March 2022: \$17,787,000) which is unsecured, interest-bearing at the rate of 5% per annum and repayable on 28 September 2023.

(b) Amount due from an associate

The amount due from an associate at 30 September 2022 and 31 March 2022 is unsecured, interest-free and has no fixed terms of repayment.

13 Interests in joint ventures

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Share of net liabilities	(15,629)	(8,944)
Loans to joint ventures (<i>note 13(a)</i>)	19,500	19,500
Amounts due from joint ventures (<i>note 13(b)</i>)	31,169	28,650
	<u>35,040</u>	<u>39,206</u>
Represented by:		
Non-current portion	8,837	11,795
Current portion	26,203	27,411
	<u>35,040</u>	<u>39,206</u>

RGF Environmental New Material Limited (“RGF HK”) set up a wholly owned subsidiary in Jiangmen City of the PRC, namely 綠色未來環保新材料（廣東）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 \$19,500,000 (31 March 2022: \$19,500,000) which is unsecured, interest-bearing at the rate of HIBOR plus 4% per annum and repayable on demand; and
- (ii) Loan of \$19,982,000 which was unsecured, interest-bearing at the rate of 7% per annum and was repaid on 13 September 2021.

(b) Amounts due from joint ventures

The amounts due from joint ventures at 30 September 2022 and 31 March 2022 are unsecured, interest-free and has no fixed terms of repayment.

14 Trade receivables

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Trade receivables	5,010	3,485
Less: Loss allowance	(638)	(638)
	<hr/>	<hr/>
Trade receivables, net	4,372	2,847
	<hr/> <hr/>	<hr/> <hr/>

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:

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
0 – 30 days	4,080	2,496
31 – 60 days	159	147
61 – 90 days	44	65
91 – 120 days	71	53
Over 120 days	656	724
	<hr/>	<hr/>
	5,010	3,485
Less: Loss allowance	(638)	(638)
	<hr/>	<hr/>
	4,372	2,847
	<hr/> <hr/>	<hr/> <hr/>

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

15 Trade payables

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Trade payables	720	756
	<hr/> <hr/>	<hr/> <hr/>

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

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Current	129	345
1 – 30 days	116	46
31 – 60 days	46	48
61 – 90 days	48	12
91 – 120 days	5	4
Over 120 days	376	301
	720	756

16 Share capital

(a) *Authorised share capital of the Company*

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Authorised:		
5,000,000,000 ordinary shares of \$0.10 each	500,000	500,000

(b) *Issued share capital of the Company*

	Number of ordinary shares '000	Amount \$'000
Issued and fully paid:		
At 1 April 2021, 30 September 2021, 31 March 2022, 1 April 2022 and 30 September 2022	4,823,009	482,301

(c) Equity settled share-based transactions

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

- the closing price of the shares of the Company stated in the Stock Exchange’s daily quotation sheet of the business day on which an offer is made to an eligible participant;
- the average of the closing prices of the shares stated in the Stock Exchange’s daily quotation 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		
			Outstanding at 1 April 2022	Lapsed during the period	Outstanding at 30 September 2022
Directors					
7 September 2016	0.128	7 September 2017 to 6 September 2022	77,600,000	(77,600,000)	–
Employees					
7 September 2016	0.128	7 September 2017 to 6 September 2022	8,600,000	(8,600,000)	–
			<u>86,200,000</u>	<u>(86,200,000)</u>	<u>–</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.

No expense related to equity settled share-based payment transactions was recognised by the Group during the six months ended 30 September 2022 (2021: Nil).

17 Commitments

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

	At 30 September 2022 \$'000	At 31 March 2022 \$'000
Contracted but not provided for		
Acquisition of property, plant and equipment	10	–

On 25 August 2020, the Group entered into a shareholders' agreement with a third party to establish I-Talent Paper Product (HK) Limited ("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 year ended 31 March 2022, the capital injection had been completed and the Group holds 51% equity interest in I-Talent.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The COVID-19 pandemic has been having a drastic impact on all walks of life in Hong Kong, especially during the first half of 2022 when the 5th wave of COVID-19 prevailed from January to mid-April 2022. As the epidemic situation stabilizes gradually in Hong Kong and social and economic activities have been resumed though slowly, the recycling business is expected to gather pace and build its momentum for further growth.

FINANCIAL REVIEW

The loss attributable to equity shareholders of the Company for the six months ended 30 September 2022 (the “Current Period”) amounted to HK\$14.6 million, which is close to the net loss of HK\$14.6 million for the six months ended 30 September 2021 (the “Last Period”).

Net corporate expenses increased by HK\$4.1 million or 17.9% was mainly due to the recognition of foreign exchange loss of HK\$6.0 million in the Current Period, causing by the depreciation of the Renminbi. There was subsidy income received from the Hong Kong SAR government in respect of the Employment Support Scheme and together with an improvement in the operating results of an associate, the loss attributable to equity shareholders of the Company was maintained at the same level when compared to that of the Last Period.

	6 months ended 30.09.2022 HK\$'000	6 months ended 30.09.2021 HK\$'000	Fav./((Unfav.) Change HK\$'000	%
Results of Operating Segments	8,038	5,367	2,671	49.8
Net Corporate expenses	<u>(27,298)</u>	<u>(23,156)</u>	<u>(4,142)</u>	(17.9)
	(19,260)	(17,789)	(1,471)	(8.3)
Share of results of an associate	1,392	(773)	2,165	280.1
Share of results of joint ventures	<u>3,315</u>	<u>3,972</u>	<u>(657)</u>	(16.5)
Loss attributable to equity shareholders of the Company	<u><u>(14,553)</u></u>	<u><u>(14,590)</u></u>	<u><u>37</u></u>	0.3

Revenue Analysis

	6 months ended 30.09.2022 HK\$'000	6 months ended 30.09.2021 HK\$'000	Fav./ (Unfav.) Change HK\$'000	%
Sales of Recovered Paper	11,418	10,044	1,374	13.7
CMDS service income	7,920	9,014	(1,094)	(12.1)
Logistics service income	2,279	2,363	(84)	(3.6)
Sales of tissue paper products	520	795	(275)	(34.6)
Sales of other waste materials	73	23	50	217.4
	<u>22,210</u>	<u>22,239</u>	<u>(29)</u>	<u>(0.1)</u>

The revenue of **Recovered Paper** business increased to approximately HK\$11.4 million, an increase of approximately HK\$1.4 million or 13.7% when compared to the Last Period, due to increase in average selling price of 23.1% during the Current Period. The gross profit and gross profit margin of recovered paper trading have increased from HK\$6.6 million to HK\$7.7 million and from 65.9% to 67.7% respectively due to the increase in average selling price.

Sales revenue of recovered office paper generated from the CMDS services has increased by 13.6%, mainly due to the increase in average selling price of 23.4%.

Confidential Material Destruction Services (“CMDS”) service income maintained at HK\$7.9 million which recorded a decrease of HK\$1.1 million or 12.1% when compared to the Last Period. The segment performance was hit hard by the fifth wave of COVID-19 infection since February 2022. Serving a wide range of customers from government authorities to financial and professional institutions and private corporations in Hong Kong, the income from this segment has started to grow back steadily after the work from home rules and practices are rescinded.

The joint venture with ALBA Group for treatment and recycling of **waste electrical and electronic equipment (“WEEE”)** contributed income of HK\$6.6 million to the Group for the six months ended 30 September 2022, represents an increase of HK\$0.6 million or 10.0% compared to the Last Period. 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 slightly decreased by HK\$0.1 million or 3.6% to HK\$2.3 million in the Current Period.

RGF Environmental New Material Limited, our joint venture for the production of **recycled engineering plastic pellets**, which we have currently transformed the current business model into an OEM solution provider for plastic wastes. The loss incurred by this joint venture was substantially reduced since the year ended 31 March 2022 which reflects the cost optimization of change of business model.

The **Hazardous Waste Treatment** business in Mainland China, operating through Dugong IWS HAZ Limited, was still impacted negatively due to COVID-19 pandemic. The second phase of Lianyungang plant has commenced operations at the end of year ended 31 March 2022, with significant increase in waste treatment capacity and, its new project in Kaifeng, Henan is expected to commence operations in 2023. 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 Gross Profit of the Group for the Current Period was HK\$13.8 million, a slight increase of HK\$0.2 million or 1.5% when compared to the Last Period. The gross profit margin has been slightly increased from 61.3% to 62.3%, mainly due to the increase in gross profit margin of Recovered Paper as a result of the increase in average selling price.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK\$35.9 million, representing a reduction of HK\$2.2 million when compared to the Last Period. The reduction in these expenditures was due to the cost control measures initiated by the management throughout the Current Period.

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

LBITDA has been slightly improved by approximately HK\$0.4 million from HK\$4.6 million in the Last Period to HK\$4.2 million in the Current Period.

Liquidity and Financial Resources

As at 30 September 2022, the Group had unrestricted bank deposits and cash of approximately HK\$79.6 million (31 March 2022: HK\$76.5 million). The Group had no bank loans and overdrafts as at 30 September 2022 (31 March 2022: Nil).

As at 30 September 2022, the Group had net current assets of approximately HK\$147.3 million, compared to net current assets of approximately HK\$142.3 million as at 31 March 2022. The current ratio of the Group was 11.5 as at 30 September 2022 compared to 11.4 as at 31 March 2022.

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 2022, the Group recorded a net foreign exchange loss of HK\$6.0 million due to depreciation of the Renminbi during the Current Period (six months ended 30 September 2021: Nil). 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\$1.6 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 2022, the Group has no material capital expenditure commitments.

Capital Structure

Details of the capital structure of the Company are set out in Note 16.

Contingent Liabilities

At 30 September 2022, 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 102 employees in Hong Kong as at 30 September 2022. Employee costs, including directors' emoluments, amounted to HK\$19.3 million for the six months ended 30 September 2022 (six months ended 30 September 2021: HK\$21.6 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

In light of the recent resurgence of the COVID-19 pandemic situation in the Mainland China, strict prevention and control polices and measures are expected to remain in place which cast further uncertainties on our businesses. As in Hong Kong, following the relaxation of the control measures, we are optimistic on the positive impact derived to bring along growth. Our high-quality CMDS services equipped with an efficient logistics fleet, it is expected to continue to deliver stable revenue streams. Our joint venture operation in the treatment of WEEE will keep on the track of contributing a steady source of income as well as exploring opportunities to increase its revenue base for future growth. Whereas for hazardous waste treatment business, the improved operational efficiency and the newly commenced operation of Phase 2 facility of the Lianyungang joint venture and coupled with the targeted commencement of operation for the Kaifeng project early next year, these together would bring along improvement in its overall performance. The tissue paper manufacturing has been facing a highly competitive marketing environment and its operation remains difficult. Looking forward, we will continue to seek new business opportunities with an aim to enhance our shareholders' values and closely monitor the Group's exposure to the risks and uncertainties associated with the COVID-19 pandemic. We would also take all necessary measures to ensure a cost-efficient operation to achieve a stable financial status.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2022 (2021 interim: 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 2022.

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 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 six months ended 30 September 2022.

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. Lee Chi Hin, Jacob.

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 2022 with the management and the external auditor, KPMG. The unaudited interim financial report of the Group for the six months ended 30 September 2022 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 2022.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the Company's website (www.iwsg.com) and the designated website of the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 September 2022 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, 29 November 2022

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