IWS

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

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

INSIDE INFORMATION
POSSIBLE VERY SUBSTANTIAL DISPOSAL - SURRENDER OF LEASE

This announcement is made by Integrated Waste Solutions Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the "**Board**") of directors (the "**Directors**") of the Company announces that on 30 April 2025 (after trading hours), IWS Promotion Limited ("**IWS Promotion**"), a wholly owned subsidiary of the Company, made a written conditional offer (the "**Offer**") to Hong Kong Science and Technology Parks Corporation (the "**HKSTP**", a public body incorporated under the Hong Kong Science and Technology Parks Corporation Ordinance (Chapter 565 of the Laws of Hong Kong)), offering to surrender at zero cost to HKSTP the lease (the "**Lease**") granted by HKSTP to IWS Promotion pursuant to a deed of lease (the "**Deed of Lease**") dated 21 March 2017. The Offer is open for acceptance by HKSTP for a period of 90 days (or such longer period as IWS Promotion may notify the HKSTP in writing from time to time) from the date of the Offer.

If and when the Offer is accepted by HKSTP during the period it remains open for acceptance, a legally binding agreement between IWS Promotion and HKSTP with respect to the surrender of the Lease will be constituted upon the terms and conditions set out in the Offer. The surrender of the Lease pursuant to acceptance of the Offer may constitute a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules.

BACKGROUND

Under the Lease, IWS Promotion is granted, among others, the right to use a piece of land with an area of approximately 12,277 square metres located in Tseung Kwan O Industrial Estate together with the buildings and structures constructed thereon (the "**Premises**") for a comprehensive waste recovery centre. The term of the Lease is from 8 November 2010 to 27 June 2047. After the discontinuance of part of the Group's recycling business (being its waste plastic recycling operation) in January 2024, the relevant part of the Premises originally designated for this operation has since been left vacant. As at the date of this announcement, the remaining parts of the Premises are being used only for the Group's confidential material destruction services ("**CMDS**") operations, logistics operations and general office administrative purposes.

The aforesaid resultant under-utilization deviates from the requirements under the Deed of Lease.

HKSTP had in July 2024 issued a warning letter to IWS Promotion seeking a rectification proposal. Pursuant to the Deed of Lease, HKSTP may, by notice in writing, re-enter and take back possession of the Premises if IWS Promotion has not remedied the situation to the satisfaction of HKSTP. In addition, HKSTP may also claim any annual rent and unpaid premium or other monies due to it from IWS Promotion or in respect of any breach, non-observance or non-performance by IWS Promotion of the terms, conditions and covenants of the Deed of Lease.

In view of the prevailing global economic environment, the Group considers the resumption of its waste plastic recycling operation would further erode its financial position. Therefore, the Group has been exploring other ways to minimize the financial and operational impact that may arise from the under-utilization of the Premises as further discussed in the paragraph headed "Reasons for making the Offer" below, including surrendering the Lease to HKSTP in accordance with the terms and procedures set out in the Deed of Lease and identifying a third party to take up the Lease, but without success. After numerous negotiations between IWS Promotion and HKSTP and having exhausted all possible options, the Offer appears to be the only feasible option under the current economic and market conditions.

The Offer is made with the condition precedent that if the Offer is accepted by HKSTP, completion of the surrender of the Lease at zero cost to HKSTP is subject to the approval of the shareholders of the Company having been obtained in compliance with the requirements of Chapter 14 of the Listing Rules. The major terms of the Offer include:

(a) the Lease shall be surrendered to HKSTP at zero cost to HKSTP;

(b) subject to the fulfilment of the condition mentioned above, the surrender of the Lease shall be effected by way of a deed of surrender (the "**Deed of Surrender**") between HKSTP and IWS Promotion to be executed on a date to be mutually agreed between HKSTP and IWS Promotion, which shall not be later than four (4) months (or such longer period as may from time to time be agreed between HKSTP and IWS Promotion) from the date (the "**Acceptance Date**") on which HKSTP accepts the Offer in writing and IWS Promotion shall deliver the vacant possession of the Premises to HKSTP on the date to be specified in the Deed of Surrender;

(c) IWS Promotion shall, as required by HKSTP, at its own expense engage an independent consultant to conduct an examination of, and prepare and issue a report on, the contamination to the Premises, with a scope approved by HKSTP;

(d) IWS Promotion shall bear all costs (including legal costs) and expenses to be incurred by HKSTP in connection with the acceptance of the Offer and the preparation and execution of the Deed of Surrender; and

(e) subject to and at the completion of the surrender of the Lease, HKSTP shall unconditionally and irrevocably waive all the liabilities of IWS Promotion arising from or in connection with the under-utilization of the Premises and release and discharge IWS Promotion from all of such liabilities.

REASONS FOR MAKING THE OFFER

The decision to make the Offer was reached by the Board after having considered and exhausted all other options. The Group's efforts include previously making an offer to surrender the Lease at a price payable by HKSTP (to be determined by a prescribed formula under the Deed of Lease) but this offer was rejected by HKSTP at its discretion. As an alternative, HKSTP has set a deadline of August 2025 for identifying a buyer (the "**August 2025 Deadline**"). In this respect, the Group had attempted to identify a third party buyer to take up the Premises by way of assignment of the Lease but to no avail. The efforts of procuring potential buyers were hindered by factors such as the fact that the use of the Premises cannot be changed unless with the approval of HKSTP and the required payment of additional premium to HKSTP. HKSTP has indicated that enforcement action would be taken against IWS Promotion for non-compliance after the August 2025 Deadline as appropriate.

POTENTIAL IMPACTS ON THE GROUP WHICH MAY RESULT FROM THE SURRENDER OF THE LEASE

As at 30 September 2024, the net book value of the Premises recorded on the Company's consolidated statement of financial position amounted to approximately HK$515 million. It is expected that upon surrender of the Lease, any remaining net book value of the Premises at the time would be derecognised and give rise to a one-off loss to be recognised in the Company's consolidated statement of profit or loss and other comprehensive income ("**P&L Statement**"). Expenses incurred incidental to the surrender of the Lease such as professional and legal fees, including those incurred by HKSTP and borne by IWS Promotion in accordance with (d) above, will also be recognised in the P&L Statement.

In addition, as mentioned in the paragraph headed "Background" above, the Premises are currently being used for, among others, the CMDS operations. Following the surrender of the Lease, the Premises will no longer be available for conducting such business. The Board is currently evaluating the potential impact and exploring alternatives. Further announcement(s) will be made if and when appropriate.

The Company wishes to emphasize that no legally binding agreement in relation to the surrender of the Lease has been constituted as at the date of this announcement. Shareholders and potential investors of the Company should note that the Offer is subject to, among others, acceptance by HKSTP and fulfilment of condition precedent, and the surrender of the Lease pursuant to the Offer may or may not materialise. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

By order of the Board
Integrated Waste Solutions Group Holdings Limited
Cheng Chi Ming, Brian
Chairman

Hong Kong, 30 April 2025

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) and Lee Chi Hin, Jacob and Ms. Luey Sisi, Doris; and three independent non-executive Directors, namely, Messrs. Chow Shiu Wing, Joseph, Wong Man Chung, Francis and Chan Ting Bond, Michael.