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)

VERY SUBSTANTIAL DISPOSAL - SURRENDER OF LEASE

AGREEMENT

As disclosed in the April Announcement, on 30 April 2025, IWS Promotion, an indirect wholly owned subsidiary of the Company, made the Offer to HKSTP, offering to surrender the Lease at zero cost to HKSTP. Following the making of the Offer, IWS Promotion and HKSTP entered into the Agreement on 18 July 2025.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Agreement as calculated under Rule 14.07 of the Listing Rules exceeds 75%, the surrender of the Lease pursuant to the Agreement constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements thereunder.

GENERAL

A circular containing, among other things, (i) further details of the Agreement and the Premises; (ii) financial information and other information of the Group; (iii) the unaudited pro forma financial information of the Group; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 15 August 2025 as additional time is needed, in particular, to prepare the pro forma information and other financial information of the Group to be included in the circular.

As the surrender of the Lease is conditional upon fulfilment of the condition precedent set out in the Agreement, it may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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The major terms of the Agreement are set out below:

Date: 18 July 2025

Parties: (i) IWS Promotion

(ii) HKSTP

HKSTP, being a public body incorporated under the Hong Kong Science and Technology Parks Corporation Ordinance (Chapter 565 of the Laws of Hong Kong), is an Independent Third Party.

Subject matter

The surrender of the Lease by IWS Promotion to HKSTP.

Consideration

Zero cost to HKSTP

Condition precedent

Completion of the Agreement is subject to the approval of the Shareholders having been obtained in compliance with the requirements of Chapter 14 of the Listing Rules.

The condition precedent may not be waived. If the condition precedent has not been fulfilled on or before the Surrender Date, either party shall be entitled to treat the Agreement as void from the beginning and rescind the Agreement by giving a written notice to the other party.

Completion

The surrender of the Lease shall be completed on or before the Surrender Date, upon which IWS Promotion shall execute the Deed of Surrender and vacate and deliver to HKSTP vacant possession of the Premises free from encumbrances.

Other major terms

Pursuant to the Agreement:

(1) IWS Promotion shall on or before the Surrender Date (a) carry out and complete all the reinstatement works of the Premises and (b) submit to HKSTP all the building plans and certificates, at IWS Promotion's own cost to the satisfaction of HKSTP;

(2) IWS Promotion shall at its own expense and in all respects to the satisfaction of HKSTP engage an independent consultant to carry out and complete a soil and ground contamination assessment in respect of the Premises and submit a written report to HKSTP at least three months (or such other period as specified by HKSTP) prior to the delivery of vacant possession of the Premises to HKSTP;

(3) upon demand in writing made by HKSTP before the Surrender Date, IWS Promotion shall at its own expense and in all respects to the satisfaction of HKSTP carry out and complete, in such manner as HKSTP shall specify, such soil and groundwater decontamination or other works as shall be required by HKSTP to the Premises;

(4) IWS Promotion shall solely bear and pay for all costs including HKSTP's solicitors' fees and disbursements (including but not limited to registration fee and stamp duty) for and incidental to the preparation and execution of the Agreement, the Deed of Surrender and other related or ancillary documents;

(5) IWS Promotion shall indemnify HKSTP against any cost, expense, liability, loss, claim or proceedings or demands whatsoever arising out of (i) any contamination (including but not limited to soil and groundwater contamination) to the Premises and to the adjacent land or any building(s) or structure(s) thereon in connection with the occupation, use of or activities conducted on the Premises by IWS Promotion, (ii) any latent inherent and structural defect of the Premises, or (iii) any structure, erection, construction or building work (including minor work) in the Premises which is unauthorized or illegal or in any way diverges or deviates from any plan approved by the Building Authority; and

(6) upon completion of the surrender of the Lease, HKSTP shall release IWS Promotion from all liabilities of IWS Promotion arising from or in connection with the under-utilisation of the Premises.

REASONS FOR ENTERING INTO THE AGREEMENT

The Group is principally engaged in the trading of recovered paper and materials, provision of confidential materials destruction services ("**CMDS**"), manufacturing of recycling plastic pellets, and provision of logistics services in Hong Kong. The Group also has indirect shareholding interest in a disposal and recycling of waste electrical and electronic equipment (WEEE) project in Hong Kong and a comprehensive supply chain solutions provider, An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司, NEEQ: 870009), in Guandong Province, the People's Republic of China.

Under the Deed of Lease, IWS Promotion is granted, among others, the right to use the Premises located in Tseung Kwan O Industrial Estate with a piece of land with an area of approximately 12,277 square metres 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 CMDS operations, logistics operations and general office administrative purposes.

The aforesaid resultant under-utilisation deviates from the requirements under the Deed of Lease and HKSTP had in July 2024 issued a warning letter to IWS Promotion seeking a rectification proposal for such under-utilisation. 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 minimise the financial and operational impact that may arise from the under-utilisation of the Premises as further discussed 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 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 IWS Promotion to identify 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.

The Board has made every effort to extract value from the Lease since receiving the warning letter from HKSTP in July 2024. However, despite these efforts, no favourable outcome has been achieved. As the August 2025 Deadline approaches, to prevent any further potentially negative impact on the Group such as any enforcement action that HKSTP may take against IWS Promotion, the Board decided to proceed with the making of the Offer which appears to be the only feasible option.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable and the Agreement and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PREMISES

The Premises comprise a 4 storeys industrial building of gross floor area of 30,693 square metres (including roof floor of 765 square metres) as a comprehensive waste recovery centre and are used for the Group's business operations on trading of recovered paper and materials, provision of CMDS, manufacturing of recycling plastic pellets and provision of logistics services in Hong Kong.

INFORMATION ON HKSTP

HKSTP is a public body incorporated under the Hong Kong Science and Technology Parks Corporation Ordinance (Chapter 565 of the Laws of Hong Kong) to foster innovation and technology development in Hong Kong. HKSTP manages facilities and provides value-added services for the technology, research and development sector in Hong Kong.

FINANCIAL IMPLICATIONS AND USE OF PROCEEDS FROM THE SURRENDER OF THE LEASE

Based on the Company's annual results announcement for the year ended 31 March 2025, the net book value of the Premises recorded on the Company's consolidated statement of financial position as at 31 March 2025 amounted to approximately HK$151 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 (the "**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 the terms of the Agreement, will also be recognised in the P&L Statement.

Based on the above, it is expected that the Group will realise a loss on the surrender of the Lease of approximately HK$156 million, which is calculated by reference to (i) the zero consideration of surrender of the Lease; (ii) the net book value of the Premises of approximately HK$151 million as at 31 March 2025; and (iii) the estimated transaction expenses incidental to the surrender of the Lease.

Shareholders should note that the actual amount of the loss on the surrender of the Lease to be recorded in the financial statements of the Group will be subject to audit and therefore may vary from the figure provided above.

In addition, as mentioned in the paragraph headed "Reasons for entering into the Agreement" above, the Premises are currently being used for, among others, the CMDS operations. Apart from CMDS operations, the Group is also principally engaged in the (i) provision of logistics services (the "**Logistics Business**"); (ii) sales of recovered paper and materials (the "**Recovered Paper and Materials Business**"); and (iii) sales of tissue paper products. The Logistics Business and the Recovered Paper and Materials Business are in large part ancillary to the business of CMDS. 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. In this respect as at the date of this announcement, the Company is in negotiations with HKSTP regarding leasing an alternative site located in Tseung Kwan O area so as to continue its businesses. It should be noted that there is no guarantee that the Company will be able to secure such replacement site on terms acceptable to the Company. According to the terms of the Agreement, IWS Promotion shall deliver vacant possession of the Premises to HKSTP on or before the Surrender Date. In the event that the Company fails to secure a replacement site before the Surrender Date, there may be disruptions and/or suspension of the Company's business operations. Further announcement(s) will be made if and when appropriate.

Since the Lease will be surrendered at zero cost to HKSTP, no proceeds will be generated from the surrender of the Lease.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:

"Agreement"	the letter agreement relating to the surrender of the Lease entered into between HKSTP and IWS Promotion on 18 July 2025
"April Announcement"	the announcement dated 30 April 2025 of the Company relating to, among others, the making of the Offer

"Board"	the board of Directors
"Company"	Integrated Waste Solutions Group Holdings Limited, (stock code: 923), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Deed of Lease"	a deed of lease dated 21 March 2017 between HKSTP and IWS Promotion
"Deed of Surrender"	the deed of surrender, in such form and substance to be discussed and agreed between IWS Promotion and HKSTP and to be signed between IWS Promotion and HKSTP for effecting the surrender of the Lease
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among others, the Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSTP"	Hong Kong Science and Technology Parks Corporation, a public body incorporated under the Hong Kong Science and Technology Parks Corporation Ordinance (Chapter 565 of the Laws of Hong Kong)
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party"	a third party independent of the Company and its connected persons (as defined in the Listing Rules), and "Independent Third Parties" shall be construed accordingly
"IWS Promotion"	IWS Promotion Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Lease"	the lease in respect of the Premises granted by HKSTP to IWS Promotion pursuant to the Deed of Lease

"Offer"	the written conditional offer made by IWS Promotion on 30 April 2025 to HKSTP offering to surrender the Lease to HKSTP at zero cost
"Premises"	all that piece or parcel of land situate at Tseung Kwan O, Sai Kung, New Territories and known and registered in the Land Registry as Subsection 3 of Section S of Tseung Kwan O Town Lot No.39 and Extensions Thereto, together with any factory and other erections and buildings that have or may be erected and built thereon
"Share(s)"	ordinary share(s) of HK$0.10 each in the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Surrender Date"	30 April 2026 or such other date as may be agreed by HKSTP in writing
"%"	per cent.

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

Hong Kong, 18 July 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, Mr. Cheng Chi Ming, Brian (Chairman), Mr. 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.