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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)

**MAJOR TRANSACTION
TENANCY AGREEMENT**

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“August Circular”	the circular dated 20 August 2025 of the Company relating to, among others, the Surrender Agreement
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“CMDSL”	Confidential Materials Destruction Service Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“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
“CTF Nominee”	Chow Tai Fook Nominee Limited
“Director(s)”	director(s) of the Company
“Existing Lease”	the lease in respect of the Existing Premises granted by HKSTP to IWS Promotion pursuant to a deed of lease dated 21 March 2017 between HKSTP and IWS Promotion
“Existing 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
“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
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board

DEFINITIONS

“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
“Landlord”	Strathgeath Investment Limited, a company incorporated in Hong Kong with limited liability
“Latest Practicable Date”	25 March 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Lease”	the lease in respect of the New Premises granted by the Landlord to CMDSL
“New Premises”	Units B1-B23 on the Ground Floor, Jumbo Plaza, No. 6 Choi Fai Street, Sheung Shui, New Territories, Hong Kong
“Prestige Safe”	Prestige Safe Limited
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Smart On”	Smart On Resources Ltd.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Surrender Agreement”	the letter agreement relating to the surrender of the Existing Lease entered into between HKSTP and IWS Promotion on 18 July 2025
“Tenancy Agreement”	the tenancy agreement dated 23 March 2026 and entered into between the Landlord and CMDSL relating to the leasing of the New Premises by the Landlord to CMDSL
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Lam King Sang
Mr. Tam Sui Kin, Chris

Non-executive Directors:

Mr. Cheng Chi Ming, Brian (*Chairman*)
Mr. Lee Chi Hin, Jacob
Ms. Luey Sisi, Doris

Independent non-executive Directors:

Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis
Mr. Chan Ting Bond, Michael

Registered office:

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal place of business in Hong Kong:

Integrated Waste Solutions Building
8 Chun Cheong Street
Tseung Kwan O Industrial Estate
New Territories
Hong Kong

30 March 2026

To the Shareholders

Dear Sir or Madam

MAJOR TRANSACTION TENANCY AGREEMENT

INTRODUCTION

Reference is made to the announcements of the Company dated 9 March 2026, 19 March 2026 and 23 March 2026, respectively, in relation to, among others, the Tenancy Agreement. As disclosed in the August Circular, as at 15 August 2025 (being the latest practicable date prior to the printing of the August Circular for ascertaining certain information contained therein), the Company was in negotiations with HKSTP regarding leasing an alternative site located in Tseung Kwan O area so as to continue its businesses, and the Company and HKSTP had principally agreed on the key commercial terms and conditions for leasing the alternative site. Nevertheless, the Company has concurrently been scouting for other potential sites through various property agents.

Before concluding the leasing of the aforesaid alternative site with HKSTP, the Group has identified another alternative site located in Sheung Shui which, as the Board considers, is on balance more suitable for the Group to continue its businesses taking into account the operations of the Group as a whole. As a result, CMDSL entered into the Tenancy Agreement with the Landlord for the leasing of the New Premises on 23 March 2026.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) further details of the Tenancy Agreement and the transactions contemplated thereunder; (ii) financial information and other information of the Group; and (iii) such other information as required under the Listing Rules.

TENANCY AGREEMENT

The major terms of the Tenancy Agreement are set out below:

Date: 23 March 2026

Parties: (i) the Landlord, as landlord
(ii) CMDSL, an indirect wholly owned subsidiary of the Company, as tenant

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties.

Subject matters

The leasing of the New Premises by the Landlord to CMDSL

Use of the New Premises

The New Premises, with a lettable floor area of approximately 62,120 square feet, shall be used for industrial purpose and other lawful purposes as permitted under the government grant relating to the New Premises only.

Term

Three years commencing on 1 April 2026 and expiring on 31 March 2029 (both dates inclusive)

CMDSL is given an option to renew the Tenancy Agreement upon its expiration for a further term of two years at the market rental, provided that CMDSL shall give a written notice to the Landlord three months in advance before the expiration of the Tenancy Agreement of its intention for renewal and have no breach of the conditions of the Tenancy Agreement during the initial term.

The Company will comply with all applicable requirements under the Listing Rules in relation to the above renewal should CMDSL decide to exercise the option to renew the Tenancy Agreement as mentioned above.

Rent

HK\$880,000 per calendar month inclusive of rates and management fees to be paid monthly in advance, which will be funded by the internal resources of the Group

CMDSL shall have a rent free period from 1 April 2026 to 31 May 2026, during which period CMDSL is liable to pay rates, government rent, management fee and other charges in respect of the New Premises.

The rent was determined between the Landlord and CMDSL after arm's length negotiation with reference to the prevailing market rental of sites nearby and of similar size.

LETTER FROM THE BOARD

Deposit

To secure the due performance and observance of the terms and conditions on the part of CMDSL to be performed and observed as contained in the Tenancy Agreement, CMDSL shall pay to the Landlord upon the signing of the Tenancy Agreement a rental deposit of HK\$1,760,000.

After the determination or sooner determination of the Tenancy Agreement and provided that the rent, rates, government rent and management fees as stipulated in the Tenancy Agreement shall have been duly paid and all other terms and conditions contained in the Tenancy Agreement shall have been duly performed and observed by CMDSL, the Landlord shall return to CMDSL the above deposit without interest within a period of 30 days after CMDSL shall have duly delivered up vacant possession of the New Premises to the Landlord. If there shall be any rent or charges in arrears, the Landlord may apply the above deposit to pay off the arrears, and if there shall be any breach of any of the terms and conditions of the Tenancy Agreement by CMDSL, the Landlord shall pay or apply the above deposit or portion of it as shall be required towards remedying such breach in so far as this may be possible.

No alienation

CMDSL shall not assign, underlet or otherwise part with the possession of the New Premises or any part of it either by way of sub-letting, lending, sharing or other means whereby any organisation, company, firm or person not a party to the Tenancy Agreement obtains the use or possession of the New Premises or any part of it irrespective of whether any rental or other consideration is given for such use or possession and in the event of any such transfer, sub-letting, sharing, assignment or parting with the possession of the New Premises (whether for monetary or other consideration or not) the Tenancy Agreement shall at the option of the Landlord immediately be determined and CMDSL shall immediately surrender the New Premises to the Landlord with vacant possession.

However, the above prohibitions shall not apply to the use of the New Premises or any part of it by the Group for conducting its principal activities during the term of the Tenancy Agreement, provided that should CMDSL cease to be a subsidiary of the Company, the above prohibitions shall immediately apply to the Group.

Default

If:

- (a) the rent stipulated by the Tenancy Agreement or any part of it shall be unpaid for 15 days after becoming payable (whether legally or formally demanded or not); or
- (b) CMDSL shall fail or neglect to perform or observe any term and condition contained in the Tenancy Agreement and on CMDSL's part to be performed or observed; or
- (c) CMDSL or other person in whom for the time being the term of the Tenancy Agreement shall be vested shall become bankrupt or in the case of a limited company shall go into liquidation or if a petition in bankruptcy against CMDSL, or a petition for the winding up of CMDSL shall have been filed or if CMDSL shall enter into any composition or arrangement with creditors or shall suffer CMDSL's goods to be levied on execution,

then and in any of the above cases it shall be lawful for the Landlord at any time thereafter to determine the Tenancy Agreement and to re-enter the New Premises or any part of it in the name of the whole but without prejudice to any right of action of the Landlord in respect of any breach of CMDSL's terms and conditions contained in the Tenancy Agreement.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENT

The Group is principally engaged in the trading of recovered paper and materials, provision of confidential materials destruction services, 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 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 Guangdong Province, the People's Republic of China.

As disclosed in the August Circular, IWS Promotion has entered into the Surrender Agreement with HKSTP to surrender the Existing Lease, which was approved by the Shareholders at the extraordinary general meeting of the Company held on 5 September 2025. Pursuant to the terms of the Surrender Agreement, IWS Promotion shall surrender the Existing Lease and deliver vacant possession of the Existing Premises to HKSTP on or before 30 April 2026 unless extended by HKSTP. As at 15 August 2025 (being the latest practicable date prior to the printing of the August Circular for ascertaining certain information contained therein), the Company was in negotiations with HKSTP regarding leasing an alternative site located in Tseung Kwan O area so as to continue its businesses, and the Company and HKSTP had principally agreed on the key commercial terms and conditions for leasing the alternative site. Nevertheless, the Company has concurrently been scouting for other potential sites through various property agents.

Before concluding the leasing of the alternative site with HKSTP, the Group has identified another alternative site located in Sheung Shui (i.e. the New Premises) which, as the Board considers, is on balance more suitable for the Group to continue its businesses taking into account the operations of the Group as a whole. It is intended that the Company will be relocated to the New Premises upon the surrender of the Existing Lease in accordance with the terms of the Surrender Agreement. The Group targets to complete the relocation no later than 30 September 2026 and is presently engaged with a positive discussion with HKSTP for an extension of the date of surrendering the Existing Lease and delivering vacant possession of the Existing Premises to that date. In the unlikely event that such extension is not granted or otherwise agreed upon by HKSTP and IWS Promotion is required to deliver vacant possession of the Existing Premises by 30 April 2026, the business operations of the Group will be temporarily suspended until the relocation to the New Premises has been completed. Based on the present discussion with HKSTP, the Directors believe that the likelihood of the aforesaid temporary suspension in the Group's business operations is low. The Company will make announcement(s) to keep the public informed of any material development in this regard as and when appropriate. The Company is endeavouring to ensure a smooth transition of the Group's operations to the New Premises and there should not be any material impact on the business operations arising from the relocation. The Company has arranged to obtain an unsecured, interest-bearing loan from CTF Nominee, a controlling shareholder of the Company, to, among others, finance the relocation and renovation costs to be incurred by the Company in connection with the New Premises. The aforementioned loan constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules but is fully exempt under Rule 14A.90 of the Listing Rules as the loan will be on normal commercial terms or better and will be unsecured.

Based on the above and the prevailing market rental of sites nearby and of similar size, the Directors (including the independent non-executive Directors) consider that the terms of the Tenancy Agreement (including the monthly rent) are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ON THE LANDLORD

The Landlord is a company incorporated in Hong Kong with limited liability and principally engaged in real estate activities. It is ultimately owned as to approximately 49.85%, 12.31%, 12.31% and 10% by the estate of the late Chung Ming Fai, Cheung Lin Wee, Cheung Ying Wai, Eric and Cheung Kee Wee respectively, each of whom was or is a businessman. The remaining 15.53% is ultimately owned by several individuals each owning less than 2%.

IMPLICATION UNDER THE LISTING RULES

According to IFRS 16, the Company will recognise the New Lease as a right-of-use asset in the sum of approximately HK\$45,300,000 (subject to adjustment based on, among others, the applicable discount rate) which shall be the present value of the total rent payable under the Tenancy Agreement. The recognition of such a right-of-use asset is regarded as an acquisition of asset under Rule 14.04(1)(a) of the Listing Rules. As the highest applicable percentage ratio as calculated under Rule 14.07 of the Listing Rules in respect of the Tenancy Agreement exceeds 25% but is less than 100%, the obtaining of the New Lease pursuant to the Tenancy Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements thereunder.

To the best knowledge, information and belief of the Directors after making reasonable enquiries, as at the Latest Practicable Date, neither the Landlord nor its close associates held any Shares and therefore no Shareholder is required to abstain from voting on the proposed resolution(s) to approve the Tenancy Agreement and the transactions contemplated thereunder in general meeting of the Shareholders. As at the Latest Practicable Date, CTF Nominee, Smart On and Prestige Safe were holding 1,530,601,835 Shares, 732,550,000 Shares and 479,362,193 Shares respectively, representing in aggregate approximately 56.86% of the issued share capital of the Company. Smart On is an indirect wholly owned subsidiary of CTF Nominee; whereas Prestige Safe and CTF Nominee are direct subsidiaries of Chow Tai Fook (Holding) Limited. Therefore the Directors consider that CTF Nominee, Smart On and Prestige Safe constitute a closely allied group of Shareholders within the meaning of Rule 14.45 of the Listing Rules. Accordingly, the Company has obtained written approvals for the Tenancy Agreement from CTF Nominee, Smart On and Prestige Safe to dispense with the holding of a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
On behalf of the Board
Integrated Waste Solutions Group Holdings Limited
Cheng Chi Ming, Brian
Chairman

1. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three years ended 31 March 2025, respectively, have been set out in the Company's annual reports for the year ended 31 March 2023 (from pages 57 to 127), the year ended 31 March 2024 (from pages 54 to 119) and the year ended 31 March 2025 (from pages 47 to 115).

All annual reports of the Company have been posted on the website of the Company at www.iwsg.com and of the Stock Exchange at www.hkexnews.hk.

2. INDEBTEDNESS STATEMENT

As at the close of business on 28 February 2026, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had:

Loan from a controlling shareholder and loan from non-controlling interests

As at the close of business on 28 February 2026, the Group had an interest-bearing loan due to a controlling shareholder of HK\$50,000,000 which is unguaranteed, unsecured and repayable on 15 December 2026; and an interest-bearing loan from non-controlling interests of approximately HK\$400,000 which is unguaranteed, unsecured and repayable on demand.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 28 February 2026, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

The Directors are of the opinion that, after taking into account the grant of the New Lease and the financial resources available to the Group, including internal resources, the existing cash and bank balances, and the provision of the HK\$80,000,000 loan facility by the controlling shareholder, the working capital available to the Group is sufficient for the Group's requirements for at least the next 12 months from the date of this circular in the absence of any unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Although there is a gradual recovery in consumption confidence and an improvement in business sentiment recently, the Hong Kong economy is still facing external uncertainties arising from the ongoing impact of trade barriers, geopolitical tensions and the US trade policies which continue to pose significant risks to the global financial stability. In the recycled materials market, demand for recovered materials and the average unit prices remained relatively stable. Despite the fact that market conditions remained competitive throughout the period under review, the Group has continued to focus on maintaining the highest standards of security, confidentiality, and service continuity for our clients.

Looking ahead, the Group remains cautiously optimistic about the evolving opportunities in the environmental services sector despite ongoing economic uncertainties. We expect stable revenue streams from our high-quality Confidential Materials Destruction Services ("CMDS") and an efficient logistics fleet, and anticipate growth opportunities bringing from the regulatory expansions in Waste Electrical and Electronic Equipment ("WEEE") recycling in Hong Kong and our associated company, An Jie Supply Chain Management Co., Ltd., in Chinese Mainland. Shifting market dynamics in logistics and supply chain management, especially related to new energy technologies and chemical logistics, offers avenues for expansion. While price competition remains intense, the Group is focused on differentiating through superior service quality, safety and compliance to capitalise on structural

growth trends in these sectors. Although the surrender of the lease to HKSTP might have short-term disruptions to the Group's business operations, we will endeavour to minimise such impact and continue enhancing our capabilities and maintaining our competitive edge in order to deliver sustainable solutions and enhance share value in the long term. Moreover, the Group will continue to adopt its prudent cost management approach to attain greater operational efficiency.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EFFECTS OF THE OBTAINING OF THE NEW LEASE ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Pursuant to IFRS 16, the Group will recognise the New Lease as a right-of-use asset. Accordingly, the entering into of the Tenancy Agreement will be regarded as an acquisition of asset under the Listing Rules. The consideration for the acquisition of the right-of-use asset recognised by the Group pursuant to IFRS 16 is approximately HK\$45,300,000 and a lease liability amounting to approximately HK\$44,000,000 will be recognised.

The right-of-use asset recognised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received. A lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate.

Pursuant to IFRS 16, the Group will recognise the depreciation charge for the right-of-use asset over its useful life on a straight-line basis, and interest expense on the lease liability in the consolidated statement of profit and loss and other comprehensive income. The annual depreciation amount for the right-of-use asset is approximately HK\$9,100,000. The interest on lease liability is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The interest expense for the first year is approximately HK\$2,100,000 and it will decrease over time as the lease liability is paid.

It is expected that, subject to audit, there will be no material financial impact on the earnings of the Group after the obtaining of the New Lease.

Set out below is the management discussion and analysis of the Group for the three years ended 31 March 2023, 2024 and 2025, which are extracted respectively from the Company's annual reports for the year ended 31 March 2023 (from pages 10 to 18), the year ended 31 March 2024 (from pages 9 to 17) and the year ended 31 March 2025 (from pages 9 to 17).

1. For the year ended 31 March 2023

GROUP REVIEW

Integrated Waste Solutions Group Holdings Limited is a leading solid-waste solutions provider in Hong Kong, specializing in waste collection, recycling, and treatment businesses. Our Group offers waste management services related to Confidential Materials Destruction Services (“**CMDS**”), Waste Electrical and Electronic Equipment (“**WEEE**”) treatment and recycling, and other recyclable waste to a diverse range of customers in both the public and private sectors.

As a responsible business, we understand the importance of our role in resolving waste handling and disposal issues in Hong Kong and Mainland China, and we strive to address our customers' current and evolving needs proactively. Therefore, we have been diversifying our waste management and recycling businesses and expanding them to cover Mainland China. Our hazardous waste treatment project in Lianyungang City, Jiangsu Province, is fully operational and to increase our total treatment capacity, our second hazardous waste treatment facility located in Kaifeng City, Henan Province, commenced operations in January 2023.

MARKET REVIEW

The Group is cautiously optimistic about a potential volume recovery in the aftermath of the global pandemic. Recent policy measures by the Hong Kong SAR government on waste management, such as the Producer Responsibility Scheme (“**PRS**”) implemented for municipal solid waste, plastic bags, and plastic beverage containers, present new opportunities for the recycling industry and are part of the solutions to efficient waste management.

FINANCIAL REVIEW

Loss attributable to equity shareholders of the Company for the year ended 31 March 2023 (“**FY2023**”) amounted to HK\$39.8 million, an increase of HK\$12.2 million compared to the year ended 31 March 2022 (“**FY2022**”).

Results of operating segments improved by HK\$2.4 million, as there was subsidy income of HK\$2.6 million received from the Hong Kong SAR government in FY2023. Net corporate expenses, however, increased by HK\$7.9 million or 20.1%, was mainly due to the recognition of foreign exchange loss of HK\$4.2 million in FY2023 (FY2022: foreign exchange gain of HK\$2.0 million), causing by the depreciation of the Renminbi.

APPENDIX II MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Due to the decline in profitability of the business, an impairment loss on property, plant and equipment of HK\$16.7 million was provided by the joint venture, RGF Environmental New Material Limited (“**RGF**”), during the year ended 31 March 2023. Accordingly, the Group has recognized its share of HK\$8.2 million loss in the share of results of joint ventures for the year.

	FY2023 <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>	Fav./ (Unfav.) <i>HK\$'000</i>	Change %
Results of Operating Segments	10,295	7,869	2,426	30.8
Net Corporate expenses	<u>(47,452)</u>	<u>(39,511)</u>	<u>(7,941)</u>	(20.1)
	<u>(37,157)</u>	<u>(31,642)</u>	<u>(5,515)</u>	(17.4)
Share of results of an associate	(2,111)	(2,373)	262	(11.0)
Share of results of joint ventures	7,647	6,436	1,211	18.8
Non-operating item:				
Impairment loss of property, plant and equipment	<u>(8,179)*</u>	<u>—</u>	<u>(8,179)</u>	N/A
Loss attributable to equity shareholders of the Company	<u>(39,800)</u>	<u>(27,579)</u>	<u>(12,221)</u>	(44.3)

* The amount was recognized in the share of results of joint ventures of the Group in FY2023.

Revenue Analysis

	FY2023 <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>	Fav./ (Unfav.) <i>HK\$'000</i>	Change %
Sales of recovered paper and materials				
— Sales of recovered paper	21,882	20,040	1,842	9.2
— Sales of other waste materials	181	70	111	158.6
	22,063	20,110	1,953	9.7
CMDS service income	15,848	15,944	(96)	(0.6)
Sales of tissue paper products	809	1,639	(830)	(50.6)
Logistics service income	<u>3,618</u>	<u>4,431</u>	<u>(813)</u>	(18.3)
	<u>42,338</u>	<u>42,124</u>	<u>214</u>	0.5

The Group’s revenue from **Recovered Paper** business increased by HK\$1.8 million or 9.2% despite a drop in sales volume of 3.2%. This stable performance was due to a rise in product price of 12.8%. Sales revenue of recovered office paper generated from the CMDS services has increased by 1.3%, due to the increase in selling price of 13.0%. We are continuously exploring opportunities to acquire new clients and taking appropriate measures for long-term development.

The Group's revenue from service income of **CMDS** decreased slightly by HK\$0.1 million or 0.6%, to approximately HK\$15.8 million. The overall sentiment and activity level improved, and the segment's performance was on track, particularly after the impact of COVID-19 subsided since January 2023. With a diverse customer base that includes government authorities, financial and professional institutions, and private corporations in Hong Kong, we expect the income from this segment to steadily improve.

Our joint venture with ALBA Group for the treatment and recycling of **WEEE** contributed income of HK\$12.3 million to the Group in FY2023, represents an increase of HK\$1.8 million or 17.4% compared to FY2022. We are confident that the Group will be able to expand the scope of WEEE operation to enhance revenue growth.

Our **Logistics** division primarily focuses on providing support services to other business segments of the Group, and it also plays a major role in the transportation of WEEE items. In FY2023, the number of trips decreased due to the impact of COVID-19, and service income declined by HK\$0.8 million or 18.3%.

RGF, our joint venture for the production of **recycled engineering plastic pellets**, has transformed itself into an OEM solution provider for plastic wastes. During the year ended 31 March 2023, an impairment loss on property, plant and equipment of HK\$16.7 million was provided by the joint venture due to the decline in profitability of the business. Accordingly, the Group has recognized its share of HK\$8.2 million loss in the share of results of joint ventures for the year.

The Group's **Hazardous Waste Treatment** project in Mainland China operates through Dugong IWS HAZ Limited. While the operation in Lianyungang, Jiangsu, was impacted by the shutdown of operations due to the COVID-19 pandemic, our second project located in Kaifeng, Henan, commenced operations in January 2023. Environmental policies in Mainland China offer vast opportunities for waste treatment, and we are confident that the total treatment capacity will continue to ramp up, which will boost the Group's revenue.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit of HK\$25.0 million in FY2023, which decreased by HK\$0.2 million or 0.6% when compared to FY2022. The gross profit margin of the Group decreased slightly from 59.7% in FY2022 to 59.0% in FY2023. Both gross profit and gross profit margin of FY2023 remained stable as FY2022.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK\$73.0 million, representing a decrease of HK\$3.4 million compared to FY2022. The reduction in these expenditures was due to the cost control measures initiated by the management throughout the year.

Loss Before Interest, Tax, Depreciation and Amortisation ("LBITDA")

With the increase in total share of loss from joint ventures and associate, together with the recognition of foreign exchange loss in FY2023, LBITDA for the year rose by approximately HK\$12.5 million, from HK\$7.1 million in FY2022 to HK\$19.6 million in FY2023.

Liquidity and Financial Resources

The Group operates a centralized treasury function to monitor its cash position, cashflow and funding requirements. The Group recognizes 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 year ended 31 March 2023, the Group had no financing exercise undertaken, except for the grant of loan from non-controlling interests shareholder of HK\$0.4 million which is unsecured and repayable on demand, and all capital expenditure incurred was financed by internal resources.

As at 31 March 2023, the Group had unrestricted bank deposits and cash of approximately HK\$74.4 million (2022: HK\$76.5 million). The Group had no bank loans and overdrafts as at 31 March 2023 and accordingly no gearing ratio was presented (2022: Nil).

As at 31 March 2023, the Group had net current assets of approximately HK\$117.6 million, as compared to approximately HK\$142.3 million as at 31 March 2022. The current ratio of the Group was 9.7 as at 31 March 2023 as compared to 11.4 as at 31 March 2022.

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 Hong Kong dollars, Renminbi and United States 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 2023, the Group recorded a net foreign exchange loss of HK\$4.2 million (2022: foreign exchange gain of HK\$2.0 million) due to depreciation 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 approximately HK\$1.7 million for the capital expenditure in respect of the headquarters of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2023, the Group has capital commitments of approximately HK\$0.6 million, which are mainly related to the acquisition of I.T. infrastructure.

Pledge of Assets

As at 31 March 2023, the Group had no restricted or pledged bank deposits (2022: Nil).

Capital Structure

Details of the capital structure and the share scheme of the Company are set out in Note 22 to the financial statements for the year ended 31 March 2023 on pages 117 to 120 of the Company's 2023 Annual Report.

Investments in associate/joint ventures

Details of the Group's investments in associate/joint ventures are set out in Notes 13 and 14 to the financial statements for the year ended 31 March 2023 on pages 100 to 109 of the Company's 2023 Annual Report.

Contingent Liabilities

As at 31 March 2023, 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 is a trusted integrated waste solutions provider in Hong Kong and Mainland China, with a commitment to sustainability that aligns with the demand from our customers for more recovery from waste materials. We recognize our share of environmental and social responsibilities and are dedicated to ensuring a sustainable future. By integrating environmental, social, and governance (“ESG”) considerations into our daily business operations, we aim to contribute to the resolution of sustainability issues.

We have published details of our ESG performance in the Group’s ESG report, which is available on the 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 our relationship with our 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. We have set quantitative environmental objectives, including water-saving measures and wastewater reduction, in accordance with our ISO 14001:2015 certified environmental management system.

The Group identifies environmental risks that our operations might entail and develops remedial initiatives on an ongoing basis. We implement control procedures and measures to mitigate the environmental impacts of our business operations, such as strategic route planning to ensure emission control in our logistics fleet. During the year, we expanded our rooftop solar energy system by adding another 430 panels and conducted an LED retrofit in our CMDS workshop.

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 Reporting Period, we were not aware of any instances of non-compliance with laws and regulations that have a significant impact on the Group relating to environmental laws and regulations.

Engagement with Stakeholders

The Group values its relationship with stakeholders and spares no effort to maintain close ties with them. We have established various communication channels to engage stakeholders from different sectors and backgrounds, including employees, customers, investors, NGOs, suppliers, and subcontractors. This process forms an integral part of our determination of the influence our operations have on stakeholders’ decision-making and the impact on the environment, economy, and community.

We believe that engaging with our stakeholders is crucial to understanding their expectations and needs. This enables us to develop and implement effective strategies that address their concerns and contribute to the sustainable development of our business.

Employees

At the Group, we recognize that our success depends on the contribution of each employee, and we strive to provide them with the tools they need to safely execute their roles and develop and excel in their careers. As of 31 March 2023, we had a total of 98 employees, and employee costs, including directors’ emoluments, amounted to HK\$40.4 million for FY2023 (FY2022: HK\$44.7 million).

In addition to complying with relevant employment laws, we respect the rights of our employees and adhere to fair employment practices in recruitment, appraisal, and the provision of welfare and benefits. We recognize each individual employee at every stage of employment and have zero tolerance for any form of discrimination. An employee grievance mechanism is in place to address employees' concerns and needs.

A large number of our employees work as drivers, heavy equipment operators, and sorters, jobs that involve risk hazards. Our Safety Management Committee is responsible for overseeing employees' health and safety and ensuring compliance with relevant laws and regulations related to occupational health and safety. During the Reporting Period, our CMDS and RGF operations were both awarded accolades for health and safety.

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

Customers

The Group is uniquely equipped to meet the needs of our customers related to waste management, both today and in the future as we work together to create a more sustainable world. 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 that feedback is collected, rectification measures are taken, and service quality is improved on an ongoing basis. This allows us to understand our customers' needs and expectations, and tailor our services to meet those requirements. We believe that open communication with our customers is essential to building long-term relationships and contributing to the sustainable development of our business.

By continuously improving our services and processes, we aim to be the preferred partner for waste management solutions for our customers. We are committed to providing quality services that exceed our customers' expectations while minimizing our environmental impact.

Suppliers

We value our relationship with our suppliers and maintain a broad network of suppliers and subcontractors who share environmental and social responsibilities related to our operations. We have a selection criterion in place to ensure 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.

We believe that working closely with our suppliers and subcontractors is essential to achieving our sustainability goals. By selecting and working with suppliers who share our values and commitment to sustainability, we can create a more sustainable supply chain and minimize our environmental impact.

Community

We seek opportunities to contribute to the well-being of the communities where we operate. This year, we collaborated with an NGO to offer free logistic services for waste collection, with the goal of expanding this service in the future. We believe that this initiative can help to reduce the environmental impact of waste and promote sustainable waste management practices.

We also continued to participate in Earth Hour, an annual global event that raises awareness about climate change. This event is an opportunity for us to engage our employees and encourage them to take action to reduce their carbon footprint. By participating in this event, we hope to inspire our employees to adopt environmentally friendly practices in their daily lives and contribute to a more sustainable future.

PROSPECTS

Although there is still uncertainty regarding the possibility of a resurgence of COVID-19 variants or other pandemic conditions that could impact our business in the future, we remain optimistic about volume recovery. We expect stable revenue streams from our high-quality CMDS services and an efficient logistics fleet. Additionally, our joint venture operations in WEEE and hazardous waste treatment will also provide steady sources of income.

As we transform into a high value-added business, we will continue to strive towards our goal of becoming one of the most reputable integrated waste solutions providers in Hong Kong and Greater China. We are committed to providing innovative and sustainable solutions that meet our customers' evolving needs while minimizing our environmental impact. We will continue to invest in technology, infrastructure, and talent development to enhance our capabilities and maintain our competitive edge.

We believe that our commitment to sustainability and our strong relationship with our stakeholders, including customers, employees, and suppliers, will enable us to navigate the challenges ahead and emerge as a more resilient and successful business. We remain focused on creating long-term value for all our stakeholders and contributing to the sustainable development of our communities.

2. For the year ended 31 March 2024

GROUP REVIEW

Integrated Waste Solutions Group Holdings Limited (“**IWS**”) is a premier waste management solutions provider in Hong Kong with a comprehensive suite of services covering waste collection, recycling and treatment. The Group provides waste management services such as Confidential Materials Destruction Services (“**CMDS**”) and disposal and recycling of Waste Electrical and Electronic Equipment (“**WEEE**”) as well as some other recyclable waste, to a broad range of customers in both public and private sectors.

In response to the waste handling industry's dynamic landscape, we have diversified our operations and expanded into Mainland China. Hazardous waste treatment projects in Lianyungang City, Jiangsu Province, and Kaifeng City, Henan Province constitute strategic expansion to handle more of hazardous waste safely and efficiently, thereby contributing to more sustainable growth of the nation's economy.

Aligning with the Group's goal of transforming itself into a high-value-added integrated waste solutions provider in Hong Kong and Mainland China, the Group has invested in An Jie Supply Chain Management Co., Ltd. (“**An Jie**”), securities of which are listed on the National Equities Exchange And Quotations (NEEQ: 870009). An Jie's operations cover comprehensive supply chain solutions, including logistics, warehousing services and transportation of hazardous chemicals. An Jie is one of the leading operators in Guangdong Province and holds specific licenses to transport and handle hazardous chemical items which include lithium-ion batteries and raw materials used in its production in the fast-growing new energy sector.

MARKET REVIEW

The global economy has started recovering post-pandemic but challenges still linger in terms of growth in overall consumption in various segments of the economy. The waste management industry has been significantly impacted by the pandemic as there have been significant declines in industrial activities and consumption of goods and paper generation, which has consequently influenced composition of the waste generated as well as the recycling dynamics.

Intense competition, particularly in hazardous waste treatment segment in Mainland China, continues to alter the industry dynamics in different ways. Waste management firms are proactively adjusting their operational strategies to sustain competitiveness amid evolving market conditions. In the post-pandemic economic climate, waste generation patterns have changed because industrial demand is showing signs of stagnation.

Despite these challenges, the Group expects new growth opportunities to emerge in the wake of expanding waste handling and recycling regulations in Hong Kong and Mainland China. The upcoming enhancement of the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment (“WPRS”), effective 1 July 2024, will bring more electrical equipment in the ambit of the Scheme. This expansion is expected to boost volume and revenue in the WEEE recycling industry. The Group has already started preparing to effectively seize this opportunity and remains confident of navigating the associated regulatory changes.

FINANCIAL REVIEW

Loss attributable to equity shareholders of the Company for the year ended 31 March 2024 (“FY2024”) amounted to HK\$64.7 million, an increase of HK\$24.9 million compared to the year ended 31 March 2023 (“FY2023”).

	FY2024	FY2023	Fav./(Unfav.)	Change
	HK\$'000	HK\$'000	HK\$'000	%
Results of operating segments	7,359	10,295	(2,936)	(28.5)
Net corporate expenses	(49,334)	(47,452)	(1,882)	(4.0)
	<u>(41,975)</u>	<u>(37,157)</u>	<u>(4,818)</u>	<u>(13.0)</u>
Share of results of associates	(8,726)	(2,111)	(6,615)	(313.4)
Share of results of joint ventures	8,154	7,647	507	6.6
Non-operating item:				
Impairment of interests in a joint venture	<u>(22,185)</u>	<u>(8,179)</u> *	<u>(14,006)</u>	<u>(171.2)</u>
Loss attributable to equity shareholders of the Company	<u>(64,732)</u>	<u>(39,800)</u>	<u>(24,932)</u>	<u>(62.6)</u>

* The amount was recognised in the share in results of joint ventures of the Group in FY2023.

Revenue Analysis

	FY2024	FY2023	Fav./(Unfav.)	Change
	HK\$'000	HK\$'000	HK\$'000	%
Sales of recovered paper and materials				
— Sales of recovered paper	21,335	21,882	(547)	(2.5)
— Sales of other waste materials	175	181	(6)	(3.3)
	21,510	22,063	(553)	(2.5)
CMDS service income	17,899	15,848	2,051	12.9
Sales of tissue paper products	991	809	182	22.5
Logistics service income	2,298	3,618	(1,320)	(36.5)
	42,698	42,338	360	0.9

The Group's revenue from **Recovered Paper** business slightly decreased by HK\$0.6 million or 2.5% due to a small drop in volume and prices. In the post-pandemic era, many economic activities are yet to pick up which affect our recycled paper collection and hence reduction in sales. Sales revenue from recovered office paper generated from the CMDS services decreased by HK\$0.8 million. Accordingly, the gross profit of recovered paper trading decreased from HK\$13.4 million to HK\$12.7 million, while gross profit margin remain stable at 61.3% in FY2023 and 59.5% in FY2024.

The Group's revenue from **CMDS** increased to approximately HK\$17.9 million, representing a 12.9% rise. The increase in CMDS revenue was primarily driven by the non-paper segment, largely due to successful acquisitions of new clients. Additionally, the paper segment also recorded a slight increase in revenue.

Our joint venture with the ALBA Group for **WEEE** treatment and recycling experienced a decrease in profit by 8.2% to HK\$45.0 million, primarily due to lower consumption of new equipment by the economy and the lack of government subsidies in FY2024. Despite these challenges, the Group foresees significant growth opportunities stemming from the upcoming enlargement of WEEE recycling regulations which will cover small electrical appliances and computers, which would drive an increase in WEEE processing volumes and the associated revenue. The management team is actively preparing for this expansion and is confident of its ability to handle the increased workload effectively and seize the opportunities created by regulatory changes.

Our **Logistics** division primarily focuses on providing support services to other business segments of the Group, and it also plays a major role in the transportation of WEEE items to the treatment plant of our joint venture. However, logistics service income has decreased by HK\$1.3 million or 36.5% to HK\$2.3 million in FY2024, as our joint venture has undertaken certain logistic function since July 2022 due to its cost optimization strategy. The challenges arisen from lackluster economic conditions and weak retail sales also lead to a decline in number of trips and a reduction in service income. Subdued consumer spending on electrical and electronic products has impacted demand for transportation and distribution services.

The Group's **Hazardous Waste Treatment** business in Mainland China operates through Dugong IWS HAZ Limited. This business has faced challenging market conditions characterised by intense price competition and stagnant demand, affecting profitability and growth adversely. The share of loss in this associate has increased by HK\$6.4 million compared to FY2023.

An Jie, in which the Group has made an investment, operates in the logistics and supply chain sector with a focus on new energy and hazardous materials transportation. An Jie's business scope includes handling lithium batteries and raw materials for renewable energy and electric vehicles. An Jie also specialises in on-site material management, daily customer deliveries, and backend distribution services for finished products. The Group is optimistic about An Jie's growth prospects, especially in the new energy sector, which offers significant growth opportunities.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit of HK\$25.3 million in FY2024, slightly increased by HK\$0.3 million or 1.4% when compared to FY2023, due to the increase in revenue of CMDs driven by increase in service income from non-paper segment. The gross profit margin of the Group also increased slightly from 59.0% in FY2023 to 59.4% in FY2024.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK\$75.4 million, representing a slight increase of HK\$2.4 million or 3.2% compared to FY2023.

Loss before Interest, Tax, Depreciation and Amortisation ("LBITDA")

Owing to the provision for impairment loss on the amounts due from a joint venture and increase in share of losses from associates, LBITDA for the year rose by approximately HK\$23.6 million, from HK\$19.6 million in FY2023 to HK\$43.2 million in FY2024.

Liquidity and Financial Resources

The Group operates a centralised treasury function to monitor its cashflow and funding requirements. The Group considers it prudent to finance long-term growth by long-term modes of financing and especially prefers equity when appropriate since it does not increase recurring finance costs. The Group acknowledges that it may encounter difficulties in raising funds from financial institutions by way of debt because of its recent financial performance. During the year ended 31 March 2024, a 3-year unsecured interest-bearing loan of HK\$50.0 million was granted by the controlling shareholder, Chow Tai Fook Nominee Limited, to finance part of the purchase consideration of interests in An Jie. The loan is repayable in full on 15 December 2026.

As at 31 March 2024, the Group had unrestricted bank deposits and cash of approximately HK\$50.7 million (2023: HK\$74.4 million). The Group had a loan from non-controlling interests of approximately HK\$0.4 million which is unsecured and repayable on demand (2023: HK\$0.4 million). The Group had no bank loans and overdrafts as at 31 March 2024 (2023: Nil). The Group has a positive net debt balance of HK\$0.3 million (cash in hand less loan from a controlling shareholder and loan from non-controlling interests) and accordingly no gearing ratio (net debt over total equity) was presented (2023: Nil).

As at 31 March 2024, the Group had net current assets of approximately HK\$72.4 million, as compared to approximately HK\$117.6 million as at 31 March 2023. The current ratio of the Group was 7.7 as at 31 March 2024 as compared to 9.7 as at 31 March 2023.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong and most of its sales are denominated in Hong Kong dollars. Most of the raw materials purchases are denominated in Hong Kong dollars. Furthermore, most of the Group's monetary assets and liabilities are denominated in Hong Kong dollars, Renminbi and United States 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 2024, the Group recorded a net foreign exchange loss of HK\$2.0 million (2023: HK\$4.2 million) due to depreciation of the Renminbi during the year. The Group has not used any forward contracts or other means to hedge its foreign currency exposure.

Major Capital Expenditure and Commitments

During the year ended 31 March 2024, the Group incurred HK\$4.8 million for the capital expenditure in respect of headquarters of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2024, the Group has no material capital expenditure commitments.

Pledge of Assets

As at 31 March 2024, the Group had no pledge of assets (2023: Nil).

Capital Structure

Details of the capital structure and the share scheme of the Company are set out in Note 24 to the financial statements for the year ended 31 March 2024 on page 112 of the Company's 2024 Annual Report.

Investments in associates/joint ventures

Details of the Group's investments in associates/joint ventures are set out in Notes 13 and 14 to the financial statements for the year ended 31 March 2024 on pages 96 to 104 of the Company's 2024 Annual Report. In January 2024, the Group has invested in 13.16% of An Jie Supply Chain Management Co., Ltd. ("An Jie"), securities of which are listed on the National Equities Exchange And Quotations (NEEQ: 870009). The investment constituted a very substantial acquisition of the Company under the Listing Rules. Summarised financial information of An Jie is also set out in Note 13 to the financial statements on pages 99 to 100 of the Company's 2024 Annual Report.

Contingent Liabilities

As at 31 March 2024, the Group had, upon receiving legal advice, lodged certain claims against a former director and employee, the outcome of which remains uncertain.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is a reputable integrated waste solutions provider in Hong Kong and Mainland China, committed to sustainability and meeting the evolving demands of its customers for enhanced waste recovery practices. We recognise our environmental and social responsibilities and are dedicated to contribute to shaping a sustainable future for the society and the economy. By embedding environmental, social, and governance ("ESG") considerations in our daily business operations, we strive to address sustainability challenges effectively.

Our ESG performance is detailed in the annual ESG report, accessible on both the Stock Exchange and our company website. This report is in compliance with the ESG Reporting Guide set out in Appendix C2 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules") and explains the Group's environmental policy and its relationship with key stakeholder groups.

Environmental Policy and Compliance

As an integrated waste solutions provider, we are committed to delivering efficient waste management services while prioritising environmental protection. Our commitment is reflected in the quantitative environmental targets we have set for ourselves, such as implementing water-saving measures and reducing wastewater, aligning with the ISO 14001:2015 certified environmental management system.

During the Reporting Period, all washroom faucets in the office area have been installed with water-saving devices, aiming to reduce water consumption by approximately 20%. The Group was able to secure assistance from the CLP Eco Building Fund, enabling the replacement of 215 sets of existing fluorescent lamps with new LED lamps in the workshop and warehouse areas of our headquarters. These new LED lamps are designed to operate at a significantly higher level of efficiency compared to the previous fluorescent lighting, providing equivalent illumination while consuming less energy.

We strictly comply with all relevant environmental laws and regulations, including the Waste Disposal Ordinance, Water Pollution Control Ordinance, and Air Pollution Control Ordinance. Throughout the Reporting Period, the Group remained vigilant and did not encounter any instances of non-compliance with these laws and regulations that could significantly impact its operations.

Stakeholders Engagement

The Group places high value on its relationships with stakeholders and is committed to maintaining regular interactions with them. We have established diverse communication channels to engage stakeholders from various sectors and backgrounds, including employees, customers, investors, NGOs, suppliers and subcontractors. This engagement process is integral to understanding the influence of our operations on stakeholders' decision-making processes and the broader impact on the environment, economy and community. For more information on our stakeholder engagement methods, please refer to our website, where we outline our approach aimed at fostering meaningful dialogue and collaboration with our stakeholders.

Employees

We deeply value the contribution of each employee and view this as integral to our success. We are committed to equipping our employees with the necessary tools and resources to safely and effectively perform their roles, while also supporting their professional development and growth within the Group. As at 31 March 2024, we had a total of 99 employees, and employee costs, including directors' emoluments, amounted to HK\$42.7 million for FY2024 (FY2023: HK\$40.4 million).

In addition to complying with applicable employment laws, we respect the rights of our employees and follow fair employment practices across recruitment, performance appraisal, and the provision of welfare and benefits. We value each employee at every stage of employment and maintain a zero-tolerance policy against discrimination of any kind. Our commitment to supporting our employees is reflected in the existence of an employee grievance mechanism designed to address and resolve any concerns or needs they may have. This ensures a supportive and inclusive workplace environment where every individual feels valued and respected.

A significant portion of our workforce comprises drivers, heavy equipment operators and sorters, whose work involves potential occupational safety risks. Our Safety Management Committee is responsible for overseeing employee health and safety, ensuring compliance with pertinent laws and regulations in this regard. During the Reporting Period, CMDS was certified as OSH Star Enterprise by the Occupational Safety and Health Council ("OSHC").

We highly value contributions of employees to the Group and remain committed to fostering their career development. We offer comprehensive internal and external training programmes aimed at enhancing their professional skills. These training initiatives cover topics such as the Code of Conduct, safety protocols, environmental protection and ongoing professional development.

Customers

The Group places strong emphasis on customer satisfaction and information security. An annual customer satisfaction survey is conducted to gain insights into customer needs and preferences, ensuring proactive engagement. During the Reporting Period, the Group achieved a customer

satisfaction rate of 90%, meeting its target. Each customer complaint is diligently investigated and analysed to devise personalised solutions, facilitating continuous enhancement of service quality. Grievance mechanism is in place to gather feedback, implement corrective actions, and consistently improve service standards.

In terms of information security, the Group has attained ISO 27001 certification, demonstrating a comprehensive approach to risk assessment and mitigation. The Information Management Committee identifies and assesses all information assets and associated risks and assigns responsible personnel for each risk, besides establishing standards and processes for security risk evaluation. The thorough risk analysis helps prioritise and manage risks effectively, leading to the formulation of policies, operational procedures, and contingency plans to prevent and mitigate potential information security incidents.

Annual training sessions on information security are provided by external consultant to equip various departments with updated knowledge and skills, ensuring a cohesive approach towards maintaining data integrity and safeguarding against security breaches. During the Reporting Period, there were no customer data leaks or security violations. The Group remains committed to customer-centricity and robust information security practices, fostering sustained growth and stakeholder confidence.

Suppliers

The Group highly values its relationships with suppliers and maintains an extensive network of partners who share our commitment to environmental and social responsibility. Our supplier selection process is rigorous, ensuring that all suppliers meet our stringent standards for ESG practices. Priority is given to suppliers who demonstrate proactive measures to minimise their environmental footprint.

Each year, we assess the performance of our existing suppliers based on various criteria including price competitiveness, product and service quality, cooperation, on-time delivery, and adherence to environmental standards. Suppliers who do not meet our expectations are carefully reviewed and, if necessary, replaced to maintain the highest standards in all aspects, across the entire supply chain. During the Reporting Period, 100% of the suppliers passed our verification processes. We believe by partnering with like-minded suppliers who share our values, we can collectively work towards creating a more sustainable supply chain and reduce our overall environmental impact.

Business Integrity

The Group ensures integrity in its business through proactive measures aimed at promoting ethical conduct and transparency in its operations. We conduct anti-corruption training for frontline staff, ensuring they understand ethical practices and the importance of accountability. Additionally, each of our directors participated in anti-corruption training last year. By prioritising comprehensive training initiatives, we aim to strengthen our culture of integrity and uphold our values of honesty and transparency in all aspects of our operations.

PROSPECTS

The economic recovery post-pandemic presents both challenges and opportunities for the Group. Despite shifts in waste generation patterns and intensified price competition, particularly in hazardous waste treatment segments, IWS remains confident in its ability to adapt and thrive. We anticipate substantial growth opportunities driven by forthcoming regulatory expansions in WEEE recycling in Hong Kong and are well-prepared to effectively manage regulatory changes and broaden the scope of our operations. The Group is well-positioned to deliver sustained value to stakeholders and capitalise on emerging opportunities in the evolving waste management industry.

Looking ahead, with a focus on strategic investments, operational optimisation and regulatory readiness, the Group is ready to adapt to and benefit from evolving market dynamics. As the industry undergoes transformation, the Group remains committed to delivering long-term value and sustainable solutions, solidifying its position as a premier waste management solutions provider in both Hong Kong and Mainland China.

3. For the year ended 31 March 2025

GROUP REVIEW

Integrated Waste Solutions Group Holdings Limited is a leading provider of integrated environmental services, offering a diversified business portfolio encompassing waste management, recycling and treatment, logistics, and supply chain management solutions. With operations spanning Hong Kong and Mainland China, the Group is dedicated to supporting both public and private sector clients in achieving sustainable resource management and ensuring regulatory compliance. Our business segments include Confidential Materials Destruction Services (“**CMDS**”), Recovered Paper and Materials Trading, Logistics Services, Waste Electrical and Electronic Equipment (“**WEEE**”) Treatment and Recycling (through a joint venture with ALBA), and Integrated Supply Chain Solutions (through an associate, An Jie Supply Chain Management Co., Ltd.).

In April 2025, the Group has made an offer to Hong Kong Science and Technology Parks Corporation (“**HKSTP**”) to surrender the lease of the Group’s headquarters at Tseung Kwan O. Following the cessation of plastic recycling and tissue paper production, with only CMDS and logistics operations remaining on-site, the premises have become underutilized, and the associated upkeep costs were no longer justified. As such, the Board approved the surrender of the lease to HKSTP as part of a broader effort to alleviate long-term financial pressures. Plans are now underway to relocate CMDS operations to a new facility, with a focus on maintaining the highest standards of security, confidentiality, and service continuity for our clients.

MARKET REVIEW

The economic environment in FY2025 remained challenging, with Hong Kong’s recovery progressing at a slow pace and global volatility impacting business sentiment. Sectors such as retail and manufacturing saw only marginal improvement, and demand in recycling-related industries remained sensitive to pricing fluctuations and policy shifts. Nevertheless, government initiatives to expand recycling regulations created new medium-term prospects for the environmental services industry.

In the recycled materials market, demand for recovered paper remained relatively stable, although average unit prices experienced a modest decline. Market conditions remained competitive, particularly in Mainland China, where the hazardous waste treatment segment had been negatively impacted.

Policy trends in both Hong Kong and Mainland China continued to shape the industry landscape. In July 2024, the HKSAR Government expanded the scope of regulated electrical equipment (“**REE**”) through the enhancement of WPRS to cover additional home appliances, opening the door to increased collection and processing volumes.

The logistics and supply chain sector also experienced shifts, particularly in segments related to new energy technologies. While overall demand remained moderate, market activity in energy storage and chemical logistics increased. Price competition intensified, but players that can differentiate on service quality and safety are likely to benefit from long-term structural trends. IWS continues to assess these opportunities in alignment with its long term strategy.

FINANCIAL REVIEW

Loss attributable to equity shareholders of the Company for the year ended 31 March 2025 (“FY2025”) amounted to HK\$490.1 million, an increase of HK\$425.4 million compared to the year ended 31 March 2024 (“FY2024”). The significant increase in loss was attributable to the impairment loss provision of HK\$356.6 million for the reduction in carrying value of the Group’s land and building at Tseung Kwan O and certain machinery as of 31 March 2025 and the increase in share of loss from and impairment provision for the Group’s interests in an associate.

During the year ended 31 March 2025, the Group’s land and buildings were in under-utilisation status. The Group assessed the recoverable amounts of the land and buildings and as a result the carrying amounts of the land and buildings were written down to their recoverable amount of HK\$151.0 million. The recoverable amount is determined based on the fair values less costs of disposal of the land and buildings, using depreciated replacement cost approach by reference to cost for placement of similar assets within the same industry, adjusted for all relevant forms of obsolescence and optimisation. The Group engaged an independent firm of surveyors (the “valuer”) to assist in the estimation of the fair value of the land and buildings. The valuer had considered factor of under-utilisation in the valuation, by discounting the building value with the utilisation rate of 54.0%. In the opinion of the valuer, temporarily or seasonally idle areas as well as those expected to be idle were not treated as permanently vacant in the utilisation assessment for valuation purposes. However, management considered that the areas within the land and buildings which are currently being idle would remain idle in the foreseeable future and the fact that the Group had attempted to identify a third party to take up the property but to no avail. Accordingly, management has adopted the current utilisation rate of 40.8% to determine the fair value of the Group’s land and buildings under the applicable accounting standards for impairment assessment purposes.

As announced by the Company on 30 April 2025, the Group had made an offer to HKSTP to surrender the lease of the Group’s land and buildings at zero cost (the “Surrender”). The aforementioned recoverable amount would be included in the loss on disposal of land and buildings should the Surrender be completed in the year ending 31 March 2026.

	FY2025	FY2024	Fav./(Unfav.)	Change
	HK\$'000	HK\$'000	HK\$'000	%
Results of Operating Segments	937	7,359	(6,422)	(87.3)
Net Corporate expenses	(50,816)	(49,334)	(1,482)	(3.0)
	<u>(49,879)</u>	<u>(41,975)</u>	<u>(7,904)</u>	<u>(18.8)</u>
Share of results of associates	(57,010)	(8,726)	(48,284)	(553.3)
Share of results of joint ventures	11,703	8,154	3,549	43.5
Non-operating/non-recurring items:				
Impairment of profit guarantee receivable	(4,564)	—	(4,564)	N/A
Impairment of property, plant and equipment and right-of-use assets	(356,569)	—	(356,569)	N/A
Impairment of interests in an associate	(33,826)	—	(33,826)	N/A
Impairment of interests in a joint venture	<u>—</u>	<u>(22,185)</u>	<u>22,185</u>	100.0
Loss attributable to equity shareholders of the Company	<u>(490,145)</u>	<u>(64,732)</u>	<u>(425,413)</u>	(657.2)

APPENDIX II MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Results of operating segments decreased by HK\$6.4 million or 87.3% which was mainly caused by the decline in profit margin of Recovered Paper and CMDS business in FY2025, and loss of income from RGF Environmental New Material Limited (“**RGF**”), our joint venture engaging in the provision of OEM solution for plastic wastes, which has suspended operation since January 2024 due to the unfavourable economic environment in this business segment.

The share of loss of associates has increased by HK\$48.3 million compared to FY2024, due to the Group’s **Hazardous Waste Treatment** business. The share of loss of this associate has increased by HK\$51.4 million as a result of the continued loss-making status and the impairment of non-current assets shared by the Group of approximately HK\$49.7 million. The Group has also recognised provision for impairment loss on the amounts due from and loans receivable from this associate and the profit guarantee receivable amounting to HK\$33.8 million and HK\$4.6 million respectively in FY2025, of which the Board considered the chance of recovery is remote.

Share of results of joint ventures has been improved by HK\$3.5 million or 43.5%, which was contributed by the reduction in share of loss of RGF and the improvement in profitability of our joint venture with ALBA Group.

Revenue Analysis

	FY2025 HK\$'000	FY2024 HK\$'000	Fav./ (Unfav.) HK\$'000	Change %
Sales of recovered paper and materials				
— Sales of recovered paper	25,863	21,335	4,528	21.2
— Sales of other waste materials	153	175	(22)	(12.6)
	26,016	21,510	4,506	20.9
CMDS service income	15,477	17,899	(2,422)	(13.5)
Sales of tissue paper products	1,061	991	70	7.1
Logistics service income	2,535	2,298	237	10.3
	45,089	42,698	2,391	5.6

Although average unit prices saw a slight decline of 4.7% due to market conditions, the revenue of **Recovered Paper** business increased year-on-year by HK\$4.5 million or 21.2%, to HK\$25.9 million, due to an increase in sales quantity of 27.2% during FY2025. The sales revenue of recovered office paper generated from the CMDS services has increased by HK\$3.5 million or 19.5%, contributed by the increase in sales quantity of 24.8%. As a result, total revenue for the segment improved by HK\$4.5 million or 20.9% despite margin pressure.

CMDS remained one of the core business segments for the Group. Service income has decreased by HK\$2.4 million or 13.5% to HK\$15.5 million, mainly caused by the reduction in revenue from non-paper destruction services and fee reduction of some paper services clients. The overall segment performance was still on track. The planned relocation of the CMDS operation, following the proposed lease surrender of the Tseung Kwan O premises, becomes our top priority, particularly in securing a site that meets stringent confidentiality and security standards.

The **WEEE** joint venture with ALBA Group remained operationally stable during the year, with no significant changes in scale or earnings contribution. Following the July 2024 update to HKSAR’s WEEE regulations, which expanded the scope of regulated appliances, the Group has been preparing for potential business opportunities. Discussions are also underway as the current contract with ALBA approaches expiry in 2027. During the reporting period, there was an increase in share of profit by HK\$0.4 million or 3.8% to HK\$11.7 million.

Logistics division primarily focuses on providing support services to other business segments of the Group, and it continued to support our operation in WEEE transport. Revenue increased by HK\$0.2 million or 10.3% despite inflationary pressures. The segment faced higher labour costs during the reporting period, while overall service demand remained stable.

With the continuous increase in operating costs and reduction in volume, the Group has decided to cease the production of **Tissue Paper**. During FY2025, the Group has shifted to carry out indent trading of tissue paper products which could maintain a positive trading margin.

The Group's **Hazardous Waste Treatment** business faced competitive pressure in Mainland China. As part of the Group's portfolio realignment, the Kaifeng operation was divested through our associated company to an independent third party. Due to negative business outlook of the industry, the Group will assess and review its investment in Hazardous Waste Treatment to consider available options with the adverse operating environment faced in this segment.

An Jie continued to operate in the specialised logistics sector, serving clients in the new energy vehicle ("NEV") and chemical industries. An Jie has contributed share of HK\$2.9 million profit to the Group in FY2025. Despite challenges such as intensified price competition and slower-than expected growth in NEV battery logistics, the business secured new contracts, including in the energy storage cabinet segment. The Group is now expanding tender participation and broadening its market coverage.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit of HK\$22.9 million in FY2025, decreased by HK\$2.4 million or 9.5% when compared to FY2024, mainly due to the decrease in profitability of Recovered Paper and CMDS. The gross profit margin of the Group also decreased from 59.4% in FY2024 to 50.9% in FY2025.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK\$73.8 million, representing a decrease of HK\$1.6 million or 2.2% compared to FY2024.

Loss before Interest, Tax, Depreciation and Amortisation ("LBITDA")

Owing to the provision for impairment loss on property, plant and equipment and right-of-use assets, impairment of amounts due from and loans receivable from an associate, and increase in share of loss of associates, LBITDA for the year rose by approximately HK\$421.6 million, from HK\$43.2 million in FY2024 to HK\$464.8 million in FY2025.

Liquidity and Financial Resources

The Group operates a centralised treasury function to monitor its cashflow and funding requirements. The Group considers it prudent to finance long-term growth by long-term modes of financing and especially prefers equity since it does not increase recurring finance costs. The Group acknowledges that it may encounter difficulties in raising funds from financial institutions by way of debt because of its recent financial performance. During the year ended 31 March 2025, the Group did not raise any finance and all capital expenditure incurred was financed by internal resources.

As at 31 March 2025, the Group had unrestricted bank deposits and cash of approximately HK\$43.1 million (2024: HK\$50.7 million).

The Group had a loan from non-controlling interests of approximately HK\$0.4 million which is unsecured and repayable on demand (2024: HK\$0.4 million) and a loan from a controlling shareholder of HK\$50.0 million which is unsecured and repayable in full on 15 December 2026 (2024: HK\$50.0

million) as at 31 March 2025. The Group had no bank loans and overdrafts as at 31 March 2025 (2024: Nil). The Group has a net debt balance of HK\$7.3 million (cash in hand less loan from a controlling shareholder and loan from non-controlling interests) and the gearing ratio of the Group (net debt over total equity) was 3.3% (2024: Nil).

As at 31 March 2025, the Group had net current assets of approximately HK\$44.8 million, as compared to approximately HK\$72.4 million as at 31 March 2024. The current ratio of the Group was 4.8 as at 31 March 2025 as compared to 7.7 as at 31 March 2024.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong and most of its sales are denominated in Hong Kong dollars. Most of the raw materials purchases are denominated in Hong Kong dollars. Furthermore, most of the Group's monetary assets and liabilities are denominated in Hong Kong dollars, Renminbi, and United States 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 2025, the Group recorded a net foreign exchange loss of HK\$1.1 million (2024: HK\$2.0 million) due to depreciation of the Renminbi during the year. The Group has not used any forward contracts or other means to hedge its foreign currency exposure.

Major Capital Expenditure and Commitments

During the reporting period, the Group incurred capital expenditure of HK\$0.2 million in respect of headquarters of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2025, the Group has no material capital expenditure commitments.

Pledge of Assets

As at 31 March 2025, the Group had no pledge of assets (2024: Nil).

Capital Structure

Details of the capital structure and the share scheme of the Company are set out in Note 24 to the financial statements for the year ended 31 March 2025 on page 107 of the Company's 2025 Annual Report.

Investments in associates/joint ventures

Details of the Group's investments in associates/joint ventures are set out in Notes 13 and 14 to the financial statements for the year ended 31 March 2025 on pages 88 to 97 of the Company's 2025 Annual Report. In January 2024, the Group has invested in 13.16% of An Jie Supply Chain Management Co., Ltd. ("An Jie"), securities of which are listed on the National Equities Exchange And Quotations (NEEQ: 870009). The investment constituted a very substantial acquisition of the Company under the Listing Rules. Summarised financial information of An Jie is also set out in Note 13 to the financial statements on pages 92 to 93 of the Company's 2025 Annual Report.

Contingent Liabilities

As at 31 March 2025, the Group had, upon receiving legal advice, lodged certain claims against a former director and employee, the outcome of which remains uncertain.

ENVIRONMENT, SOCIAL AND GOVERNANCE

The Group is a trusted provider of integrated waste solutions in Hong Kong and Mainland China, dedicated to advancing sustainability and supporting the transition to a circular economy. We fully recognize our environmental and social responsibilities and integrate Environmental, Social, and Governance (“ESG”) principles into our daily operations to address emerging challenges and deliver long-term value to our stakeholders.

Our ESG performance is disclosed in the annual ESG report, which is available on both the Stock Exchange and the Group’s official website. The report complies with Appendix C2 of the Listing Rules and provides a comprehensive overview of our environmental policies, performance metrics, and stakeholder engagement initiatives.

Environmental Policy and Compliance

As a leading provider of integrated waste solutions, we are committed to delivering effective waste management services while prioritizing environmental stewardship. This commitment is reflected in our ISO 14001:2015 certified environmental management system and the adoption of measurable targets, such as minimizing wastewater generation and conserving resources.

During the reporting period, we extended the installation of water flow controllers to the ground floor (G/F) and first floor (1/F) areas of the IWS Building, achieving a notable 31% reduction in water consumption. Additionally, the Group participated in the CLP Peak Demand Management Incentive Programme in 2024, contributing to reduced electricity consumption during designated peak periods. Overall, electricity consumption decreased by 31% compared to the previous year.

To further mitigate our environmental footprint, we are progressively increasing the use of B5 biodiesel in our vehicle fleet to replace traditional diesel. This initiative aims to lower carbon emissions while promoting cleaner and more sustainable transportation solutions.

The Group remains fully compliant with all applicable environmental laws and regulations, including the Waste Disposal Ordinance, Water Pollution Control Ordinance, and Air Pollution Control Ordinance. Importantly, no material instances of non-compliance were recorded during the reporting period, demonstrating our unwavering commitment to environmental compliance and best practices.

Stakeholders Engagement

The Group places great importance on building and maintaining strong relationships with its stakeholders and is committed to continuous engagement to better understand their needs, expectations, and concerns. By leveraging a variety of communication channels, we maintain regular and meaningful dialogue with key stakeholder groups, including employees, customers, investors, NGOs, suppliers, and subcontractors.

This proactive engagement enables us to identify the impact of our operations on stakeholder decision-making, as well as on the broader community, economy, and environment. It also helps us align our strategies with stakeholder priorities, enhancing mutual trust and collaboration.

Further details about our stakeholder engagement approach can be found on our website and in our annual ESG report, where we outline our efforts to promote open, transparent and constructive communication.

Employees

We deeply value the contribution of every employee, recognising their role as a cornerstone of the Group's success. We are committed to providing a safe, supportive working environment along with the necessary tools and training to help our people thrive professionally. As of 31 March 2025, the Group employed 114 staff members. Total employee costs, including directors' emoluments, amounted to HK\$41.9 million for FY2025 (FY2024: HK\$42.7 million).

In addition to full compliance with employment laws, the Group upholds fair and transparent practices in recruitment, performance evaluation, and employee benefits. We maintain a zero-tolerance policy against discrimination and are committed to fostering an inclusive, respectful workplace. During the reporting period, the Group updated the Employee Handbook to reflect the abolition of MPF offsetting, effective from 1 May 2025. The Occupational Health and Safety Policy was also updated on 31 December 2024 and posted at all workplaces. Regular safety trainings and inspections were conducted to promote a safe working environment.

Customers

The Group places strong emphasis on customer satisfaction and information security. During the Reporting Period, 500 customer satisfaction surveys were distributed, achieving an 87.6% satisfaction rate. All customer complaints were thoroughly investigated and addressed with tailored solutions to continuously enhance service quality. A grievance mechanism is in place to collect feedback and implement corrective actions for ongoing improvement.

On information security, the Group holds ISO/IEC 27001 Information Security Management certification. The Information Management Committee oversees risk identification, assessment and mitigation by assigning responsible personnel and establishing clear security standards and processes. Annual external training equips staff with the latest knowledge and skills to maintain data integrity and prevent breaches. Throughout the reporting period, no customer data leaks or security incidents were reported. The Group remains dedicated to upholding customer-centric service and strong information security to sustain growth and stakeholder trust.

Suppliers

The Group places great importance on its supplier relationships, maintaining a wide network of partners who align with our commitment to environmental and social responsibility. Our supplier selection process is stringent, prioritising those who actively minimise their environmental impact and uphold high ESG standards.

During the reporting period, we conducted audits on 12 key suppliers, with all suppliers passing the assessments successfully, as recorded in our supplier evaluation records. We evaluate suppliers annually on criteria including price competitiveness, product and service quality, cooperation, on-time delivery, and compliance with environmental requirements. Suppliers that fail to meet our standards are subject to review and potential replacement to ensure excellence across our supply chain. By collaborating with suppliers who share our sustainability values, we strengthen our collective efforts to build a responsible and environmentally conscious supply chain.

Business Integrity

The Group is committed to maintaining the highest standards of integrity and ethical conduct across all operations. During the reporting period, 68 employees completed the ICAC online anti-corruption training, accumulating a total of 34 training hours. We aim to foster a strong culture of honesty, accountability and compliance throughout the organisation through these regular training programs.

PROSPECTS

Looking ahead, the Group remains cautiously optimistic about the evolving opportunities in the environmental services sector despite ongoing economic uncertainties. The expansion of the WPRS in Hong Kong is expected to increase collection and processing volumes over the next few years, presenting promising growth prospects for our WEEE segment. We are actively preparing to participate in upcoming tenders and aim to leverage our joint venture with ALBA to capture these opportunities. Although the surrender of the lease to HKSTP might have short term disruptions to the Group's business operations, we will endeavour to minimise such impact and continue enhancing operational efficiency in core segments while integrating ESG principles to promote sustainability throughout our operations.

Shifting market dynamics in logistics and supply chain management, especially related to new energy technologies and chemical logistics, offer avenues for expansion. While price competition remains intense, the Group is focused on differentiating through superior service quality, safety and compliance to capitalise on structural growth trends in these sectors. By prioritising quality, safety, and regulatory compliance, alongside our commitment to environmental and social responsibility, the Group aims to deliver sustainable, long-term value to stakeholders across Hong Kong and Mainland China.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long position in underlying shares of an associated corporation of the Company — share options

As at the Latest Practicable Date, under the share option scheme of CTF Services Limited, a fellow subsidiary of the Company, the following Director had personal interests in share options to subscribe for ordinary shares of CTF Services Limited. Details of the share options of CTF Services Limited held by the relevant Director are as follows:

Name of Director	Date of grant	Exercisable period	Exercise Price per Share HK\$	Number of outstanding share options	Approximate percentage of shareholding
Cheng Chi Ming, Brian	23.12.2025	24.01.2026 - 23.01.2035	6.784*	1,844,015*	0.04%
	23.12.2025	24.01.2027 - 23.01.2035	6.784*	2,766,022*	0.06%
	23.12.2025	24.01.2028 - 23.01.2035	6.784*	4,610,038*	0.10%
	19.01.2026	19.01.2027 - 18.01.2036	8.390	1,844,040	0.04%
	19.01.2026	19.01.2028 - 18.01.2036	8.390	2,766,060	0.06%
	19.01.2026	19.01.2029 - 18.01.2036	8.390	4,610,100	0.10%
				<u>18,440,275</u>	<u>0.40%</u>

* After adjustments

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than the Directors or chief executive of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
Cheng Yu Tung Family (Holdings) Limited (<i>Note 1</i>)	Interest in controlled corporations	2,742,514,028	56.86%
Cheng Yu Tung Family (Holdings II) Limited (<i>Note 1</i>)	Interest in controlled corporations	2,742,514,028	56.86%
Chow Tai Fook Capital Limited (<i>Note 1</i>)	Interest in controlled corporations	2,742,514,028	56.86%
Chow Tai Fook (Holding) Limited (<i>Note 2</i>)	Interest in controlled corporations	2,742,514,028	56.86%
Chow Tai Fook Nominee Limited (<i>Note 3</i>)	(1) Beneficial owner (2) Interest in controlled corporations	(1) 1,530,601,835 (2) 732,550,000	(1) 31.74% (2) 15.19%
Victory Day Investments Limited (<i>Note 3</i>)	Interest in controlled corporation	732,550,000	15.19%
Smart On Resources Ltd. (<i>Note 3</i>)	Beneficial owner	732,550,000	15.19%
Prestige Safe Limited (<i>Note 2</i>)	Beneficial owner	479,362,193	9.94%
Firstrate Enterprises Limited (<i>Note 4</i>)	Beneficial owner	780,000,000	16.17%
Mr. Wong Kim Pun (<i>Note 4</i>)	Interest in a controlled corporation	780,000,000	16.17%

Notes:

- 1 As at the Latest Practicable Date, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited held approximately 48.98% and 46.65% interest in Chow Tai Fook Capital Limited respectively, which in turn held an approximately 81.03% interest in Chow Tai Fook (Holding) Limited. As such, each of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited and Chow Tai Fook Capital Limited is deemed to be interested in the 2,742,514,028 Shares.
- 2 Chow Tai Fook (Holding) Limited is the 100% holding company of Chow Tai Fook Nominee Limited and Prestige Safe Limited, and accordingly Chow Tai Fook (Holding) Limited is deemed to be interested in an aggregate of 2,742,514,028 Shares.
- 3 Chow Tai Fook Nominee Limited is the beneficial owner of 1,530,601,835 Shares and is interested in 732,550,000 Shares through its interest in a wholly-owned subsidiary, Victory Day Investments Limited, which in turn wholly-owns Smart On Resources Ltd.
- 4 Pursuant to the disclosure of interests notification received by the Company, Mr. Wong Kim Pun controls 100% interest in Firstrate Enterprises Limited and hence is deemed to be interested in 780,000,000 Shares held by Firstrate Enterprises Limited.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there was no other person who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within two years preceding the Latest Practicable Date and are, or may be, material:

- (a) the letter agreement relating to the surrender of the Existing Lease entered into between HKSTP and IWS Promotion on 18 July 2025; and
- (b) the Tenancy Agreement.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

5. LITIGATION

Save as disclosed below, so far as is known to the Directors, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date:

(a) High Court Action 1764 of 2013

On 17 September 2013, the Company commenced legal proceedings against: (i) Leung Kai Kuen (梁契權), (ii) Leung Tat Piu (梁達標), (iii) Cheng Chun Keung, Thomas (鄭振強), (iv) Ing Alan (吳初浩), (v) Mak Sau Ling and (vi) Wong Sze Chung Armstrong (together, the “**HCA1764/2013 Defendants**”) in the Court of First Instance of the High Court of Hong Kong, claiming the sum of HK\$30,712,531, alleging that the HCA1764/2013 Defendants were negligent and failed to perform their respective duties to inform, advise, remind and protect the Company to set up an effective financial monitoring system, causing loss and damages to the Company in the course of transferring monies to 惠州福和紙業有限公司 (“**Huizhou Fook Woo**”), an indirect wholly-owned subsidiary of

the Company at the material time, through two new agents which did not have any business connections with the Company or Huizhou Fook Woo. The Company has filed an amended-statement of claim on 7 July 2014. As at the Latest Practicable Date, (i) an interlocutory judgment had been entered against Leung Kai Kuen (梁契權) and under a separate claim made by the Company a bankruptcy order had been issued against him, which was subsequently extended by the Court of First Instance of the High Court of Hong Kong on 1 December 2020 pursuant to section 30A(3) of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) and was eventually discharged on 12 October 2024 after a bankruptcy period of eight years; (ii) the claim against each of Leung Tat Piu (梁達標), Wong Sze Chung Armstrong and Mak Sau Ling, respectively, had been settled and the action against each of them had been discontinued; and (iii) the action against each of Cheng Chun Keung, Thomas (鄭振強) and Ing Alan (吳初浩), respectively, was still pending.

(b) High Court Action 2377 of 2013

On 6 December 2013, the Company commenced legal proceedings against: (i) Leung Kai Kuen (梁契權), (ii) Liang Huizhen (梁惠珍), (iii) Wong Sze Chung Armstrong, (iv) Tam Wai Ming (譚偉明) (together, the “1st to 4th HCA2377/2013 Defendants”) and (v) Roma Appraisals Limited (羅馬國際評估有限公司)(the “5th HCA2377/2013 Defendant”) in the Court of First Instance of the High Court of Hong Kong, claiming the sum of (i) HK\$18,625,222 (against the 1st to 4th HCA2377/2013 Defendants); and (ii) HK\$40,000 (against the 5th HCA2377/2013 Defendant). As stated in the writ issued by the Company, it was alleged that the 1st to 4th HCA2377/2013 Defendants were in breach of their respective duties and conspired to commit fraudulent acts leading to the suspension of trading of Shares causing loss and damages to the Company. As at the Latest Practicable Date, (i) an interlocutory judgment had been entered against Leung Kai Kuen (梁契權) and under a separate claim made by the Company a bankruptcy order had been issued against him, which was subsequently extended by the Court of First Instance of the High Court of Hong Kong on 1 December 2020 pursuant to section 30A(3) of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) and was eventually discharged on 12 October 2024 after a bankruptcy period of eight years; (ii) the action against Liang Huizhen (梁惠珍) was still pending; and (iii) the claim against each of Wong Sze Chung Armstrong, Tam Wai Ming (譚偉明) and the 5th HCA2377/2013 Defendant, respectively, had been settled and the action against each of them had been discontinued.

(c) High Court Action 1465 of 2014

On 31 July 2014, the Company commenced legal proceedings against: (i) Leung Kai Kuen (梁契權), (ii) Cheng Chun Keung, Thomas (鄭振強), (iii) Shiu Wai Chung (蕭偉忠), (iv) Suntex Paper Machinery Import & Export Company Limited (順昌紙製品設備進出口有限公司) and (v) Leung Tat Piu (梁達標) (together, the “HCA1465/2014 Defendants”) in the Court of First Instance of the High Court of Hong Kong, claiming the sum of HK\$104,704,232. As stated in the writ issued by the Company, it was alleged that the HCA1465/2014 Defendants conspired to commit fraudulent acts defrauding and injuring the Company and were in breach of their respective duties leading the Company to transfer monies to its subsidiaries for the purchase of machinery from an Italian company specializing in the manufacture of machineries for processing/handling papers at an inflated price causing loss and damages to the Company. As at the Latest Practicable Date, (i) an interlocutory judgment had been entered against Leung Kai Kuen (梁契權) and under a separate claim made by the Company a bankruptcy order had been issued against him, which was subsequently extended by the Court of First Instance of the High Court of Hong Kong on 1 December 2020 pursuant to section 30A(3) of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) and was eventually discharged on 12 October 2024 after a bankruptcy period of eight years; (ii) the action against each of Cheng Chun Keung, Thomas (鄭振強) and Suntex Paper Machinery Import & Export Company Limited (順昌紙製品設備進出口有限公司), respectively, was still pending; and (iii) the claim against each of Leung Tat Piu (梁達標) and Shiu Wai Chung (蕭偉忠) had been settled and the action against him had been discontinued.

(d) High Court Action 2884 of 2015

On 5 December 2015, the Company as 1st Plaintiff together with Huizhou Fook Woo Paper Company Limited as 2nd Plaintiff commenced legal proceedings against Leung Kai Kuen (梁契權) (the “**HCA2884/2015 Defendant**”) in the Court of First Instance of the High Court of Hong Kong, claiming the sum of US\$17,883,920.00 (or its equivalent at around HK\$138,600,381.00 @HK\$7.75 to US\$1.00). As stated in the writ issued by the Company and Huizhou Fook Woo Paper Company Limited, it was alleged that the HCA2884/2015 Defendant under the Contract No.20110527001 entered between the 2nd Plaintiff and Burgeon Limited dated 27 May 2011 for the sale and purchase of a Waste Paper Sorting Machine procured the said sum to be paid by the Plaintiffs as a result of the HCA2884/2015 Defendant’s negligence, breach of his director/fiduciary/employee’s duties and/or equitable duty of fidelity. As at the Latest Practicable Date, an interlocutory judgment had been entered against the HCA2884/2015 Defendant and under a separate claim made by the Company a bankruptcy order had been issued against him, which was subsequently extended by the Court of First Instance of the High Court of Hong Kong on 1 December 2020 pursuant to section 30A(3) of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) and was eventually discharged on 12 October 2024 after a bankruptcy period of eight years.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any proposed Directors nor their respective close associates had any interests in a business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

7. INTERESTS IN CONTRACTS OR ARRANGEMENTS

So far as is known to the Directors, as at the Latest Practicable Date, none of the Directors or proposed Directors had any interest, direct or indirect, in any assets which have been, since 31 March 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

8. GENERAL

- (a) The registered office of the Company is at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Integrated Waste Solutions Building, 8 Chun Cheong Street, Tseung Kwan O Industrial Estate, New Territories, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The company secretary of the Company is Ms. Ng Sum Yu, Phyllis, who is a fellow member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and a lawyer of the Supreme Court of New South Wales, Australia.
- (e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.iwsgh.com) for 14 days commencing from the date of this circular:

- (a) the material contracts referred to in the section headed "Material Contracts" in this appendix.