比速科技集團國際有限公司

Bisu Technology Group International Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1372)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June 2018 *HK$'000*	Unaudited Six months ended 30 June 2017 *HK$'000*
Revenue	**498,258**	873,876
Gross profit	**9,227**	80,554
Gross profit margin (%)	**1.9%**	9.2%
(Loss)/profit attributable to equity holders of the Company	**(144,589)**	13,129
EBITDA[1]	**80,953**	89,953
Adjusted EBITDA[2]	**13,768**	90,237
(Loss)/Earnings per share — basic and diluted (HK cents)	**(72.3)**	6.6

1 EBITDA: (loss)/profit before tax + finance costs + depreciation + amortisation − interest income

2 Adjusted EBITDA: EBITDA + pre tax fair value gain on a financial asset at fair value through profit or loss + impairment of goodwill − gain on extinguishment of convertible bonds

The board (the "**Board**") of directors (the "**Directors**") of Bisu Technology Group International Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**period**") with comparative figures for the corresponding period in the previous year as follows. This condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Company (the "**Audit Committee**"):

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June 2018

	Notes	**Unaudited Six months ended 30 June 2018** *HK$'000*	Unaudited Six months ended 30 June 2017 *HK$'000*
REVENUE	*5*	**498,258**	873,876
Cost of sales	*6*	**(489,031)**	(793,322)
Gross profit		**9,227**	80,554
Other income and gains	*5*	**3,171**	7,145
Gain on extinguishment of convertible bonds	*13*	**80,212**	—
Administrative and selling expenses		**(29,313)**	(29,807)
Finance costs		**(33,139)**	(34,777)
Impairment of goodwill	*15*	**(174,933)**	—
Change in fair value of a financial asset at fair value through profit or loss	*10*	**—**	(284)
(Loss)/profit before tax	*6*	**(144,775)**	22,831
Income tax credit/(expense)	*7*	**186**	(9,702)
(Loss)/profit for the period attributable to owners of the parent		**(144,589)**	13,129

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

Six months ended 30 June 2018

	Notes	**Unaudited Six months ended 30 June 2018 HK$'000**	Unaudited Six months ended 30 June 2017 HK$'000
OTHER COMPREHENSIVE (LOSS)/ INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(19,308)**	42,653
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		**(19,308)**	42,653
Total comprehensive (loss)/income attributable to owners of the parent		**(163,897)**	55,782
(Loss)/earnings per share attributable to owners of the parent			
Basic (HK cents)	*9*	**(72.3)**	6.6
Diluted (HK cents)	*9*	**(72.3)**	6.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**46,152**	44,816
Goodwill	*15*	**316,960**	498,343
Intangible assets		**522,349**	556,230
Deposits		**—**	566
Total non-current assets		**885,461**	1,099,955
CURRENT ASSETS			
Inventories		**129,268**	62,776
Gross amount due from customers for contract work		**—**	66,530
Contract assets		**34,626**	—
Accounts and bills receivables	*11*	**976,665**	1,193,132
Tax recoverable		**4,997**	—
Prepayments, deposits and other receivables		**23,380**	18,536
Cash and cash equivalents		**28,930**	68,623
Total current assets		**1,197,866**	1,409,597
CURRENT LIABILITIES			
Accounts payable	*12*	**487,787**	669,677
Accruals of costs for contract work		**64,650**	63,867
Tax payable		**97**	13,210
Other payables and accruals		**29,959**	57,475
Interest-bearing bank and other borrowings		**59,940**	46,433
Convertible bonds	*13*	**—**	387,665
Total current liabilities		**642,433**	1,238,327
NET CURRENT ASSETS		**555,433**	171,270
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,440,894**	1,271,225

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

30 June 2018

	Notes	**Unaudited 30 June 2018** *HK$'000*	Audited 31 December 2017 *HK$'000*
NON-CURRENT LIABILITIES			
Convertible bonds	*13*	**334,003**	—
Promissory notes	*14*	**492,776**	473,918
Deferred tax liabilities		**90,538**	94,693
Total non-current liabilities		**917,317**	568,611
Net assets		**523,577**	702,614
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,000**	2,000
Equity component of convertible bonds	*13*	**375,576**	390,716
Reserves		**146,001**	309,898
Total equity		**523,577**	702,614

NOTES

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 1001, 10/F, Wing On Centre, 111 Connaught Road Central, Hong Kong.

During the six months ended 30 June 2018, the Group was principally engaged in the following principal activities:

— Development, production and sales of automotive engines (the "**Automotive Engines Business**")

— Civil engineering works and building construction and maintenance works (the "**Civil Engineering and Construction Business**")

In the opinion of the directors, the immediate holding company and the ultimate holding company is Youth Force Asia Ltd., a company incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard 34 *"Interim Financial Reporting"* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Except as disclosed below, the accounting policies and the basis of preparation adopted in the preparation of this condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

During the period, there have been a number of new amendments to standards that have come into effect, which the Group has adopted at their respective effective dates.

Except for HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments*, which nature and effect of the adoption are disclosed as below, the adoption of the above revised HKFRSs has had no significant financial effect on this unaudited condensed interim financial information.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS15 as an adjustment to the opening balance of retained earnings as at 1 January 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Performance obligation satisfied at "the point in time" or "over time"

(a) The Automotive Engines Business

The Group's contracts with customers for the sale of automotive engines generally include one performance obligation. The Group has concluded that revenue from sale of automotive engines should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. Therefore, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition.

(b) The Civil Engineering and Construction Business

The Group has assessed that its contracts with customers fulfil the criteria for recognising revenue over time under HKFRS 15. The Group has adopted the output method (i.e. recognise revenue on the basis of direct measurement of the value to the customer of the entity's performance to date) as the Group considers that an output method with reference to progress certificates issued by customers and any adjustment, where it is necessary and can be objectively determined, on the work progress would appropriately depict the transfer of control of goods or services to customers for individual projects under the new standard.

Costs to fulfil a contract

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, an entity shall recognise an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria: (i) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify; (ii) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) The costs are expected to be recovered. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

Accordingly, reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- "Contract assets" recognised in relation to contracting activities were previously presented as "Gross amount due from customers for contract work".

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied HKFRS 9 retrospectively in accordance with the transition requirements, with the initial application date of 1 January 2018. The Group has elected not to adjust the comparative information for the period beginning 1 January 2017, which the comparative information was prepared under classification and measurement requirements of HKAS 39.

Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's debt financial assets are, as follows:

- *Debt instruments at amortised cost* for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's accounts and other receivables.

Other financial assets are classified and subsequently measured, as follows:

- *Equity instruments* at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9.

- *Financial assets* at FVPL comprise derivative instruments and unquoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

Impairment

HKFRS 9 requires an impairment on trades and bills receivables, contract assets and deposits and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all of its deposits and other receivables, trades receivables and contract assets, respectively. The Group performed a detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables and contract assets. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

This condensed consolidated interim financial information has been prepared under the historical cost convention, except for financial asset at fair value through profit or loss, which have been measured at fair value. This condensed consolidated interim financial information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand unless otherwise indicated. Other than those subsidiaries established in the People's Republic of China (the "**PRC**") whose functional currency is Renminbi ("**RMB**"), the functional currency of the Group is HK$.

This condensed consolidated interim financial information has not been audited or reviewed by the Company's external auditors, but has been reviewed by the Audit Committee.

3. ESTIMATES

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and service and has two reportable operating segments as follows:

— Automotive engines segment — development, production and sales of automotive engines.

— Civil engineering and construction segment — civil engineering works and building construction and maintenance works.

Management monitors the results of the Group's operating segments separately for the purpose of making decision about resources allocations and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs, gain on extinguishment of convertible bonds as well as head office and corporate expenses are excluded from such measurement.

4. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

2018

	Unaudited For the six months ended 30 June		
	Automotive engines	**Civil engineering and construction**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue	**272,357**	**225,901**	**498,258**
Segment results	**(174,940)**	**(7,049)**	**(181,989)**
Gain on extinguishment of convertible bonds			**80,212**
Corporate and unallocated expenses			**(9,859)**
Finance costs			**(33,139)**
Loss before tax			**(144,775)**

2017

	Unaudited For the six months ended 30 June		
	Automotive engines	Civil engineering and construction	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	601,631	272,245	873,876
Segment results	70,293	(102)	70,191
Corporate and unallocated expenses			(12,583)
Finance costs			(34,777)
Profit before tax			22,831

5. REVENUE, OTHER INCOME AND GAINS

	Unaudited Six months ended 30 June 2018	Unaudited Six months ended 30 June 2017
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**272,357**	601,631
Contract revenue	**225,901**	272,245
	498,258	873,876
Other income and gains		
Rental income	**—**	4,214
Interest income	**5**	3
Consultancy fee income	**740**	742
Management fee income	**1,231**	1,130
Government subsidies*	**702**	111
Sundry income	**493**	945
	3,171	7,145

* Subsidies have been received from the Hong Kong Vocational Training Council, an institution established by the Government of the Hong Kong Special Administrative Region (the "**Government**"), for providing on-the-job training to graduate engineers. In addition, various government grants have been received for the business development in Chongqing Province, PRC. There are no unfulfilled conditions or contingencies relating to these subsidies.

6. (LOSS)/PROFIT BEFORE TAX

	Unaudited Six months ended 30 June 2018	Unaudited Six months ended 30 June 2017
	HK$'000	*HK$'000*
The Group's (loss)/profit before tax is arrived at after charging:		
Cost of sales		
Cost of inventories sold	**239,026**	500,120
Amortisation of intangible assets	**27,715**	29,546
Cost of services provided	**222,290**	263,656
	489,031	793,322
Depreciation	**2,973**	2,802
Employee benefits expenses (exclusive of directors' remuneration)	**13,822**	21,199
Directors' remuneration	**4,981**	5,796

7. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI. No provision for Hong Kong profits tax has been made for the six months ended 30 June 2018 as there was no assessable profits generated (2017: 16.5%) on the estimated assessable profits arising in Hong Kong for the period.

Chongqing Bisu Yunbo Motor Technology Limited, a wholly-owned subsidiary of the Group in the PRC, is subject to a preferential corporate income tax ("**CIT**") rate of 15% (2017: 15%).

	Unaudited Six months ended 30 June 2018 *HK$'000*	Unaudited Six months ended 30 June 2017 *HK$'000*
Current charge for the period		
— Hong Kong profits tax	**—**	3
— PRC CIT	**3,972**	14,131
— Deferred	**(4,158)**	(4,432)
Total tax (credit)/charge for the period	**(186)**	9,702

8. DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts for the six months ended 30 June 2018 and 2017 are based on the consolidated loss for the period attributable to owners of the Company of HK$144,589,000 (2017: profit of HK$13,129,000) and the weighted average number of 200,000,000 (2017: 200,000,000) ordinary shares in issue during the period.

No adjustment has been made to the basic (loss)/earnings per share amount presented for the six months ended 30 June 2018 and 2017 in respect of a dilution as the impact of the convertible bonds outstanding during the period had an anti-dilutive effect on the basic (loss)/earnings per share amount presented.

10. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Contingent consideration — profit guarantee *HK$'000*
At 1 January 2017 (Audited)	2,911
Change in fair value	(284)
As 30 June 2017 (Unaudited)	2,627
At 1 January 2018 (Audited)	—
Change in fair value	—
At 30 June 2018 (Unaudited)	**—**

Pursuant to the sale and purchase agreement (the "**Engines SPA**") entered into by the Group and Power Expert Global Limited ("**Power Expert**") for the acquisition of Well Surplus Enterprises Limited and its subsidiaries (the "**Automotive Engines Group**") in October 2015 (the "**Engines Acquisition**") and the third supplemental sale and purchase agreement (the "**3rd Engines SPA**") in December 2017, Power Expert has warranted and guaranteed to the Group that the audited consolidated profit after tax of the Automotive Engines Group (excluding any fair value adjustments arising from purchase price allocation upon the completion of the Engines Acquisition by the Group) as prepared in accordance with HKFRSs, for the two years ending 28 February 2017 and 2018 shall not be less than the aggregate sum of HK$170,000,000 (the "**1st Guaranteed Profit**") and HK$230,000,000 (the "**2nd Guaranteed Profit**") (i.e. in aggregate HK$400,000,000) (the "**Total Guaranteed Profit**").

In the event that the Total Guaranteed Profit has not been achieved, Power Expert shall compensate the Group. Details of the calculation of the compensation are set out in the Group's announcement date 31 December 2017 and the Company's circular dated 20 March 2018.

As at 30 June 2018, the directors of the Company determined that the fair value of the profit guarantee was HK$Nil as the Total Guaranteed Profit has already been met during the six months ended 30 June 2018.

The fair value of the profit guarantee was HK$2,627,000 as at 30 June 2017, which was determined by an independent professional valuer, based on the probabilistic flow method in which the cash flows for each year represent the difference between the guaranteed profit and the projected net profit. The directors of the Company estimated the projected net profits of the Automotive Engines Group under two different scenarios with respective scenario probabilities. The fair value of the profit guarantee was the probability-weighted average of the present values of the shortfalls between the guaranteed profits and the projected net profits under the four scenarios. A discount rate of 6.02% had been used to calculate the present value of cash flows of the profit guarantee.

10. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Below is a summary of a significant unobservable input to the valuation of the contingent consideration together with a quantitative sensitivity analysis as at 30 June 2017:

	Valuation technique	**Significant unobservable input**	**Sensitivity of fair value to the input**
Discounted financial instrument in respect of the profit guarantee	Probabilistic flow method	Discount rate 6.02%	1% increase/(decrease) in discount rate would result in (decrease)/increase in fair value by HK$16,000

11. ACCOUNTS AND BILLS RECEIVABLES

Accounts and bills receivables represented receivables for contract work and sale of automotive engines. The payment terms of contract work receivables are stipulated in the relevant contracts and the credit period is generally one month. The payment terms for receivables arising from sales of automotive engines are mainly on credit and the credit period is generally three months. The payment terms of bills receivable are stipulated in the relevant bills receivable from bank and its maturity period is ranging from 90 to 180 days. The carrying amounts of accounts and bills receivables approximate to their fair values.

	Unaudited 30 June 2018 ***HK$'000***	Audited 31 December 2017 *HK$'000*
Accounts receivable	**402,032**	1,191,019
Bills receivable	**574,633**	2,113
	976,665	1,193,132

As at 30 June 2018, retentions receivable included in accounts receivable amounted to HK$177,320,000 (31 December 2017: HK$175,761,000) and are repayable on terms ranging from two to three years.

11. ACCOUNTS AND BILLS RECEIVABLES *(Continued)*

The ageing analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	Unaudited 30 June 2018 ***HK$'000***	Audited 31 December 2017 *HK$'000*
Past due but not impaired:		
One to three months past due	**8,774**	154,384
Four to six months past due	**269**	236
Over six months past due	**362**	199
	9,405	154,819
Neither past due nor impaired	**392,627**	1,036,200
	402,032	1,191,019

As at 30 June 2018 and 31 December 2017, the bills receivable, based on the issue date, aged from one to two months.

Accounts receivable that were past due but not impaired relate to a few number of major customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Accounts receivable that are neither past due nor impaired relate to a number of independent customers for whom there was no recent history of default.

12. ACCOUNTS PAYABLE

An ageing analysis of accounts payable at the end of each reporting period, based on the invoice date, is as follows:

	Unaudited 30 June 2018	Audited 31 December 2017
	HK$'000	*HK$'000*
Current to three months	**482,205**	663,081
Four to six months	**3,121**	4,217
Over six months	**2,461**	2,379
	487,787	669,677

As at 30 June 2018, retentions payable included in accounts payable amounted to HK$13,521,000 (31 December 2017: HK$13,103,000), which are normally settled on terms ranging from two to three years. The carrying amounts of accounts payable approximate to their fair values.

Accounts payable are non-interest bearing and are normally settled on terms ranging from 7 to 120 days. The payment terms are stipulated in the relevant contracts.

13. CONVERTIBLE BONDS

The convertible bonds recognised in the consolidated statement of financial position are bifurcated into two components for accounting purpose, namely the liability component and the equity component, and the movements of these components during the reporting period are as follows:

	Liability component	**Equity component**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 31 December 2016 and 1 January 2017 (Audited)	359,818	390,716	750,534
Interest expense	27,847	—	27,847
At 31 December 2017 and 1 January 2018 (Audited)	387,665	390,716	778,381
Interest expense	11,410	—	11,410
Gain on extinguishment of convertible bonds	(65,072)	(15,140)	(80,212)
At 30 June 2018 (Unaudited)	**334,003**	**375,576**	**709,579**

13. CONVERTIBLE BONDS *(Continued)*

On 4 February 2016, the Company issued zero coupon convertible bonds with an aggregate principal amount of HK$390,000,000 to Power Expert as part of the consideration for the Engines Acquisition. The maturity date of the convertible bonds is on the second anniversary of the date of issuance (i.e. 4 February 2018). The convertible bonds bear no interest on the principal amount. No security or guarantee is granted in respect of the convertible bonds. The convertible bonds can be converted into 195,000,000 ordinary shares in the Company at the initial conversion price of HK$2.00 per conversion share (subject to adjustment pursuant to the terms of the convertible bonds). The Company may at any time before the maturity date by written notice redeem the convertible bonds at 100% of the principal amount. Any amount of the convertible bonds which is redeemed by the Company will forthwith be cancelled.

On 13 March 2018, the Company has executed the extension of the maturity date of the convertible bonds for 2 years from 4 February 2018 to 4 February 2020 (the "**CB Extension**"). Further details of the CB Extension are set out in the Company's announcement dated 31 December 2017 and the Company's circular dated 20 March 2018. As a result the liability and equity component was extinguished by approximately HK$65,072,000 and HK$15,140,000 respectively based on revaluation upon the date of execution, i.e. 13 March 2018. The revaluation was carried out by Moores Stephens Advisory Services Limited ("**Moores Stephens**"), an independent qualified professional valuer, not connected with the Group. On the other hand, the carrying amount has been charged with imputed interest, the outstanding principal amount of the convertible bonds remained approximately HK$334,003,000 for years with the maturity date due on 4 February 2020. At 30 June 2018 and 31 December 2017, no convertible bonds were converted and the outstanding principal amount of the convertible bonds was HK$390,000,000.

The convertible bonds with an aggregate principal amount of HK$390,000,000 were deposited with an escrow agent in favour of the Company as security for the 1st Guaranteed Profit and the 2nd Guaranteed Profit. The convertible bonds in the principal amounts of HK$165,750,000 and HK$224,250,000 shall be released to Power Expert if the audited consolidated profits after tax of the Automotive Engines Group for the two years ended 28 February 2017 and 2018 are equal to or more than the 1st Guaranteed Profit and the 2nd Guaranteed Profit, respectively, after the issue of the auditors' certificate for each period. As at 6 August 2018, the convertible bonds have been released to Power Expert.

14. PROMISSORY NOTES

	Unaudited 30 June 2018	Audited 31 December 2017
	HK$'000	*HK$'000*
First Note	**208,227**	199,893
Second Note	**284,549**	274,025
	492,776	473,918

14. PROMISSORY NOTES *(Continued)*

Notes:

On 4 February 2016, the Company issued two promissory notes with face values of HK$174,250,000 (the "**First Note**") and HK$235,750,000 (the "**Second Note**") in favour of Power Expert as part of the consideration for the Engines Acquisition. Both the First Note and Second Note carry interest at a rate of 10% per annum. The outstanding principal amounts plus any accrued interest will be repayable on the maturity date falling on the second anniversary of the date of the First Note and Second Note, i.e. 3 February 2018. The carrying amounts of the First Note and Second Note at period end were computed by discounting the face values of the notes by the effective interest rate.

On 31 December 2017, the Company had extended the maturity date of the First Note and Second Note for 2 years from 4 February 2018 to 4 February 2020 and the interest rate was adjusted downwards from 10% to 8% per annum, all accrued and outstanding interest shall be repaid on the extended maturity date of 4 February 2020. Further details are set out in the Company's announcement dated 31 December 2017 and the Company's circular dated 20 March 2018.

The carrying amounts of the First Note and Second Note at year end were computed by discounting the face values of the notes by the effective interest rate and the outstanding interest payable.

The promissory notes with an aggregate face value of HK$410,000,000 were deposited with an escrow agent in favour of the Company as security for the 1st Guaranteed Profit and the 2nd Guaranteed Profit. The promissory notes in the face values of HK$174,250,000 and HK$235,750,000 shall be released to Power Expert if the audited consolidated profits after tax of the Automotive Engines Group for the two years ending 28 February 2017 and 2018 are equal to or more than the 1st Guaranteed Profit and the 2nd Guaranteed Profit, respectively, after the issue of the auditors' certificate for each period. As at 6 August 2018, the two promissory notes have been released to Power Expert.

15. GOODWILL

	HK$'000
Six months ended 30 June 2018	
Net carrying amount:	
At 1 January 2018 (Audited)	**498,343**
Impairment charged for the period	**(174,933)**
Exchange realignment	**(6,450)**
At 30 June 2018 (Unaudited)	**316,960**
At 30 June 2018:	
Cost	**491,893**
Accumulated impairment	**(174,933)**
Net carrying amount	**316,960**

	HK$'000
Six months ended 30 June 2017	
Cost and net carrying amount:	
At 1 January 2017 (Audited)	463,257
Exchange realignment	14,540
At 30 June 2017 (Unaudited)	477,797

Goodwill acquired through a business combination is allocated to the cash-generating unit of the Automotive Engines Business (the "**Automotive Engines CGU**") for impairment testing.

15. GOODWILL *(Continued)*

Impairment test of goodwill

The recoverable amount of the Automotive Engines CGU was determined based on a value in use calculation using cash flow projections of financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections was 15.31%. Management has determined the sales growth rate based on the sales volume stipulated in the automotive engine sales framework agreements entered into by the Group and the Automotive Engines Group (the "**Automotive Engine Sales Framework Agreements**"). The cash flow projections of the Automotive Engines Business beyond the five-year period of financial budgets are extrapolated using a growth rate of 3%, which did not exceed the long term average growth rate of the industry. The discount rate used is before tax and reflects specific risks relating to the units.

Assumptions were used in the value in use calculation of the Automotive Engines CGU for 30 June 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Sales growth rate — The sales growth rates on product types of the Group are based on the sales volume stipulated in the Automotive Engine Sales Framework Agreements.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the Automotive Engines CGU.

During the period ended 30 June 2018, the Group recognised impairment losses of HK$174,933,000 in connection with goodwill allocated to Automotive Engines CGU. The impairment losses are made based on the results of impairment tests for the goodwill using their values in use in accordance with HKAS 36 with reference to a valuation performed by Moores Stephens. The impairment loss was mainly attributable to the Group's customers suffered the intensifying competition in the PRC's passenger vehicle industry which resulted in adjusting the market strategies and slowed down the agreed number of sale contracts.

16. CONTINGENT LIABILITIES

As of 30 June 2018, the Group had the following contingent liabilities:

(a) The guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract customers amounted to HK$20,456,000 (31 December 2017: HK$23,105,000).

(b) In the ordinary course of the Group's construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's sub-contractors in accidents arising out of and in the course of their employment. The directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL REVIEW

During the period under review, the Group has engaged in two business segments, which are (i) the Automotive Engines Business; and (ii) the Civil Engineering and Construction Business.

For the six months ended 30 June 2018, the Group recorded a consolidated revenue of approximately HK$498.3 million (six months ended 30 June 2017: approximately HK$873.9 million). The Group recorded a loss of HK$144.6 million for the six months ended 30 June 2018 as compared to a profit of HK$13.1 million for the six months ended 30 June 2017. Such result was primarily attributable to the following factors:

1) the gross profit was recorded a significant decline to approximately HK$9.2 million for the six months ended 30 June 2018 as compared to the six months ended 30 June 2017 amounted approximately HK$80.6 million, which was due to a decline of approximately 43.0% in revenue primarily due to the reduction of sales to our segmental customers who operated under keen market competition in the Automotive Engines Business. In addition, in the first half of 2018, the China's sport utility vehicle ("**SUV**") market experienced an obvious slowdown. Demand for SUV in China shifted from very rapid growth over the past few years to negative growth towards the middle of 2018. The intense market competition in China, the high base in terms of sales volume in corresponding period last year and the elimination of purchase tax subsidies at the beginning of 2018 are believed to be the key reasons behind the slowdown of demand;

2) the impairment on goodwill in relation to the acquisition of the Automotive Engines Business in February 2016 was provided. Such impairment loss is primarily attributable to the fact that the financial performance of Automotive Engines Business is less than expected for the six months ended 30 June 2018 as abovementioned. Therefore, impairment of goodwill of HK$174.9 million was recorded for the six months ended 30 June 2018.

	2018			2017		
	Automotive engines	**Civil engineering and construction**	**Total**	Automotive engines	Civil engineering and construction	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**272,357**	**225,901**	**498,258**	601,631	272,245	873,876
Cost of sales (Excluded amortisation)	**(239,026)**	**(222,290)**	**(461,316)**	(500,120)	(263,656)	(763,776)
Gross profit	**33,331**	**3,611**	**36,942**	101,511	8,589	110,100
Gross profit %	**12.2%**	**1.6%**	**7.4%**	16.9%	3.2%	12.6%
Revenue	**272,357**	**225,901**	**498,258**	601,631	272,245	873,876
Cost of sales (Included amortisation)	**(266,741)**	**(222,290)**	**(489,031)**	(529,666)	(263,656)	(793,322)
Gross profit	**5,616**	**3,611**	**9,227**	71,965	8,589	80,554
Gross profit %	**2.1%**	**1.6%**	**1.9%**	12.0%	3.2%	9.2%

Gross profit decreased by 88.6% to approximately HK$9.2 million (six months ended 30 June 2017: approximately HK$80.6 million) with the gross profit ratio at approximately 1.9% (six months ended 30 June 2017: approximately 9.2%).

The decline in gross profit margin was primarily attributable to (i) the significant drop of sales volume in automotive engines which adversely affected the economies of scale; and (ii) the accelerated intangible assets' amortisation for automotive engines with poor sales performance during the current period.

Basic and diluted loss per share for the six months ended 30 June 2018 were approximately HK$72.3 cents (six months ended 30 June 2017: basic and diluted profit per share of approximately HK$6.6 cents).

Automotive Engines Business

During the period ended 30 June 2018, revenue generated from the Automotive Engines Business decreased 54.7% to approximately HK$272.4 million (six months ended 30 June 2017: approximately HK$601.6 million), represented approximately 54.7% (six months ended 30 June 2017: approximately 68.8%) of the total revenue of the Group.

In the first half of 2018, sales orders from our top segmental customers decreased significantly. Accordingly, average monthly production of automotive engines decreased approximately 75.8% from 8,418 units per month for the six months ended 30 June 2017 to 2,039 units per month for the year ended 30 June 2018. Notwithstanding the sale quantities was significantly decreased by approximately 75.8%, the revenue decreased by approximately 54.7%, which were mainly attributable to the change in product mix (i.e. higher proportion of higher-priced models and thus higher average selling price).

Excluding the amortisation of intangible assets amounting to approximately HK$27.7 million (six months ended 30 June 2017: approximately HK$29.5 million), the gross profit margin of the Automotive Engines Business decreased from approximately 16.9% for the six months ended 30 June 2017 to approximately 12.2% for the six months ended 30 June 2018. The decline in gross profit margin was a result of the significant drop of sales volume in automotive engines which adversely affected the economies of scale.

The segment results of the Automotive Engines Business for the six months ended 30 June 2018 was approximately HK$23.5 million (six months ended 30 June 2017: approximately HK$95.4 million) excluding the impairment of goodwill of approximately HK$174.9 million (six months ended 30 June 2017: Nil) the amortisation of intangible assets and deferred tax credit amounting to approximately HK$27.7 million (six months ended 30 June 2017: approximately HK$29.5 million) and approximately HK$4.2 million (six months ended 30 June 2017: approximately HK4.4 million) respectively, which merely represented an accounting treatment on the acquisition but no cash flow effect to the Group.

Civil Engineering and Construction Business

All of the Group's contracts undertaken for both civil engineering construction business and building construction and maintenance business were for customers which are independent third parties including certain departments of the Government of Hong Kong, public utilities companies and private organisations in Hong Kong.

During the six months ended 30 June 2018, the revenue of Group's civil engineering works and building construction and maintenance works were approximately HK$225.9 million (six months ended 30 June 2017: approximately HK$272.2 million). For the period under review, included in the turnover was: (i) revenue from civil engineering works of approximately HK$218.1 million (six months ended 30 June 2017: approximately HK$242.2 million); and (ii) revenue from building construction and maintenance works of approximately HK$7.8 million (six months ended 30 June 2017: approximately HK$30.0 million).

The overall gross profit margin of this segment for the six months ended 30 June 2018 was 1.6% (six months ended 30 June 2017: 3.2%). As of 30 June 2018, the Group had 15 significant projects in progress. Two of them were building construction and maintenance projects while the remaining were civil engineering construction projects.

As of 30 June 2018, the total contract sum and the total outstanding values of the Group's substantial projects in progress were approximately HK$1,662.0 million and HK$392.0 million respectively.

During the six months ended 30 June 2018, the Group was awarded with the following new substantial contract:

- Provision of Works for Integrated Blockwiring Infrastructure

PROSPECTS

The SUV market recorded its slowest growth of 13.3% in 2017, compared to 40–50% annual expansion from 2013–2016. At end-December 2017, SUV accounted for about 41% of the total passenger vehicle market. Given the high-base effect, the SUV market to continue grow at low teens during the first half of 2018, relatively similar with 2017.

The Group's Automotive Engines Business has continued to suffered during the six months ended 30 June 2018, as market competition intensifies, while it lacks a strong product pipeline to compete with rivals. The Group will actively seek for opportunities to develop new product pipeline. Meanwhile, the Group will also continuously focus on research and development to develop automotive engines with high quality and advanced features to enhance market penetration and brand recognition. Also, expanding distribution channels and sourcing other suppliers to provide materials with stable quality and with lower cost are the future goals to enhance competitiveness from the automotive engines market.

On the other hand, although the operating environment of the construction business is expected to remain tough in the coming years such as continuously rising wages and cost of construction materials and shortage of skilled labour, the Board is confident that the Group would be capable of securing promising business opportunities given its vast experience in handling a wide variety of construction works. The Group will continue to adopt a prudent approach when submitting new tenders. In addition, the Group will make use of its competitive strengths by continuing to improve its quality of service and competitiveness to capitalise on the trend of increasing civil engineering construction works projects in Hong Kong in the coming years to further strengthen the Group's business growth.

Looking forward, the Directors are cautious about the prospect of the Group's operation and business approach, and we expect that the adverse operation environment will continue to affect the business of the Group in 2018. In order to strengthen the Group's competitive edge in a dynamic market, the Group pursue to reinforce the cost control initiatives to continually rationalise its operations to enhance efficiency and optimise costs.

We would continue to try our best to develop business with growth potential to the Group, with an aim to improve our performance and maximise the interests of our shareholders.

CAPITAL STRUCTURE, FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 30 June 2018, the Group had cash and cash equivalents of approximately HK$28.9 million, representing a decrease of approximately 57.9% from approximately HK$68.6 million as at 31 December 2017. The decrease was mainly attributable to the increase of net cash flows used in operating activities.

The Group's cash and cash equivalents were denominated in HK$ and RMB.

As at 30 June 2018, the total assets were approximately HK$2,083.3 million, representing a decrease of approximately 17.0% from approximately HK$2,509.6 million as at 31 December 2017. The decrease was mainly due to (i) the decrease in accounts and bill receivable which decrease represented at HK$216.5 million; and (ii) the impairment of goodwill of approximately HK$174.9 million as abovementioned.

As at 30 June 2018, the total liabilities were approximately HK$1,560.0 million, representing a decrease of approximately 13.7% from approximately HK$1,806.9 million as at 31 December 2017. The decrease was mainly due to the decrease in accounts payable and the revaluation of convertible bonds.

As at 30 June 2018, the net current assets were approximately HK$555.4 (31 December 2017: approximately HK$171.3 million). The significant decrease was attributable to the reclassification of the convertible bonds which extended to 4 February 2020. Current ratio is calculated by dividing current assets by current liabilities. Current ratio of the Group was approximately 1.9 as at 30 June 2018 (31 December 2017: approximately 1.1). Gearing ratio is calculated based on the amount of net cash and bank balances (interest-bearing borrowings, liability component of the convertible bonds and promissory notes less cash and cash equivalent) divided by the total equity. As at 30 June 2018, the Group's gearing ratio was therefore approximately 163.8% (31 December 2017: approximately 119.5%.)

As at 30 June 2018, the Group had banking facilities of HK$34.0 million (31 December 2017: HK$34.0 million) which HK$11.1 million (2017: HK$7.1 million) was not utilised and was secured by corporate guarantees.

CONVERTIBLE BONDS

On 4 February 2016, the Company issued zero coupon convertible bonds with an aggregate principal amount of HK$390.0 million to Power Expert as part of the consideration for the acquisition of 100% equity interest in Well Surplus Enterprises Limited and its subsidiaries in October 2015. The maturity date of the convertible bonds is on the second anniversary of the date of issuance (i.e. 3 February 2018). Pursuant to the 3rd Engines SPA dated 31 December 2017, the maturity date of the convertible bond was extended for 2 years from 4 February 2018 to 4 February 2020. The convertible bonds bear no interest on the principal amount. No security or guarantee is granted in respect of the convertible bonds.

The convertible bonds can be converted into 195,000,000 ordinary shares in the Company at the initial conversion price of HK$2.00 per conversion share (subject to adjustment pursuant to the terms of the convertible bonds). The Company may at any time before the maturity date by written notice redeem the convertible bonds at 100% of the principal amount. Any amount of the convertible bonds which is redeemed by the Company will forthwith be cancelled. At 30 June 2018 and 30 June 2017, no convertible bonds were converted and the outstanding principal amount of the convertible bonds was HK$390.0 million.

As at 31 December 2017, the convertible bonds with an aggregate principal amount of HK$390.0 million were deposited with an escrow agent in favour of the Company as security for the 1st Guaranteed Profit (i.e. HK$170.0 million for the year ended 28 February 2017) and the 2nd Guaranteed Profit (i.e. HK$230.0 million for the year ended 28 February 2018). The convertible bonds in the principal amounts of approximately HK$165.8 million and HK$224.3 million shall be released to Power Expert if the audited consolidated profits after tax of the Automotive Engines Group for the two years ended 28 February 2017 and 2018 are equal to or more than the 1st Guaranteed Profit and the 2nd Guaranteed Profit, respectively, after the issue of the auditors' certificate for each period. On 13 March 2018, the Company has executed the extension of the maturity date of the convertible bonds for 2 years from 4 February 2018 to 4 February 2020. Further details of the CB Extension are set out in the Company's announcement dated 31 December 2017 and the Company's circular dated 20 March 2018. As a result the liability and equity component was extinguished by approximately HK$65.1 million and HK$15.1 million respectively based on revaluation upon maturity. On the other hand, the carrying amount has been charged with imputed interest, the outstanding principal amount of the convertible bonds remained approximately HK$334.0 million for years with the maturity date due on 4 February 2020.

With reference to the auditors' certificates, the total actual profit was approximately HK$449.1 million, which is more than the Total Guaranteed Profit. As such, the Power Expert and the Company have procured the escrow agent to release the promissory notes to the Power Expert in the principal amount of HK$235,750,000 and the convertible bonds in the principal amount of HK$224,250,000 on 6 August 2018. As at 6 August 2018, all the promissory notes and the convertible bonds deposited with the escrow agent have been released to the vendor.

CONTINGENT LIABILITIES

Details of the Group's and the Company's contingent liabilities are set out in note 16 to the condensed consolidated interim financial information.

CHANGE OF DIRECTORS AND COMMITTEE MEMBER

With effect from the conclusion of the annual general meeting of the Company (the "**AGM**") held on 12 June 2018, Mr. Lo Kin Ching Joseph ("**Mr. Lo**") has decided not stand for re-election at the AGM and will retire as an executive Director, the chairman of the Board and the chairman of the nomination committee of the Company (the "**Nomination Committee**") as he intends to devote more time to other business and pursuits of personal and community interests.

After the retirement of Mr. Lo, Mr. Chan Kai Wing, an independent non-executive director of the Company, has been appointed as the chairman of the Nomination Committee with effect from 12 June 2018 after the AGM.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed above, there was no other significant event after the reporting period and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had approximately 729 employees (31 December 2017: 896) in Hong Kong and the PRC. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Other staff benefits include bonuses awarded on a discretionary basis, mandatory provident fund scheme for Hong Kong employees, state-sponsored retirement plans for PRC employees.

NO MATERIAL CHANGE

Save as disclosed above, during the six months ended 30 June 2018, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 2017.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

REVIEWED BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, Mr. Chan Kai Wing (Chairman), Ms. Chu Yin Yin Georgiana and Mr. Yip Tai Him, with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee has reviewed with management the principal accounting policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules since 11 December 2013, the date on which dealings in its shares first commence on the Stock Exchange. For the six months ended 30 June 2018, the Company has complied with the code provisions set out in the CG Code with the following exception:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. After the resignation of Mr. Lo Kin Ching Joseph, the Company does not have the title of chairman of the Board. However, all directors are ensured properly to be briefed on issues arising at board meetings and are ensured to be received, in a timely manner, adequate information which must be accurate, clear, complete and reliable. Therefore, it can collectively achieve effective functioning of the Board.

Code provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.

Code provision E.1.2 of the CG Code requires the chairman of the Board should attend the annual general meeting of the Company. The chairman of the Board did not attend the annual general meeting of the Company held on 12 June 2018 (the "**2018 AGM**") due to his other commitment. Mr. Wong Hin Shek, the executive Director, who took the chair of the 2018 AGM, and other members of the Board (including the chairman of each of the Audit Committee and the remuneration committee of the Company and the members of the Nomination Committee) attended the 2018 AGM to ensure effective communication with the shareholders of the Company.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' dealings in the Company's securities. Following specific enquiry made to the Directors, each of them has confirmed their compliance with the required standard set out in the Model Code throughout the period from 1 January 2018 to 30 June 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed minimum public float under the Listing Rules.

PUBLICATION OF THE INTERIM RESULTS AND 2017 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bisu-tech.com). The 2018 interim report of the Company, containing all the information required by the Listing Rules, will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude to all of our staff for their hard work and dedication. I would also like to thank our business partners and associates, bankers and auditors for their continued trust, as well as you, our shareholders, for your constant support.

By order of the Board
Bisu Technology Group International Limited
Wong Hin Shek
Executive Director

Hong Kong, 28 August 2018

As at the date of this announcement, the executive Directors are Mr. Wong Hin Shek and Mr. Xing Bin; and the independent non-executive Directors are Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him and Mr. Chan Kai Wing.