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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Bisu Technology Group International Limited (the "**Company**") hereby announces the consolidated financial results of the Company and its subsidiaries (collectively refer to as the "**Group**") for the year ended 31 December 2018, together with comparative figures for the year ended 31 December 2017.

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2018 *HK$'000*	Year ended 31 December 2017 *HK$'000*
Revenue	**743,414**	2,026,599
Gross profit	**11,782**	188,950
Gross profit margin	**1.6%**	9.3%
(Loss)/profit attributable to owners of the parent	**(703,767)**	37,713
Total assets	**1,307,390**	2,509,552
Total liabilities	**1,400,349**	1,806,938
Net (liabilities)/assets	**(92,959)**	702,614
Gearing ratio	**N/A***	119.5%

* The gearing ratio as at 31 December 2018 is not available because the Group reported a negative equity attributable to owners of the parent as at 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	6	**743,414**	2,026,599
Cost of sales		**(731,632)**	(1,837,649)
Gross profit		**11,782**	188,950
Other income and gains/(loss), net	6	**86,357**	26,241
Administrative expenses		**(180,834)**	(52,109)
Research and development costs		**(6,163)**	(23,140)
Finance costs		**(75,107)**	(67,139)
Change in fair value of a financial asset at fair value through profit or loss		**—**	(2,911)
Impairment of goodwill	11	**(174,933)**	—
Impairment of intangible assets	12	**(430,928)**	—
(LOSS)/PROFIT BEFORE TAX	7	**(769,826)**	69,892
Income tax credit/(expense)	8	**66,059**	(32,179)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**(703,767)**	37,713
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		**(56,699)**	113,529
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(56,699)**	113,529
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		**(760,466)**	151,242
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	10		
Basic *(HK cents)*		**(351.9)**	18.9
Diluted *(HK cents)*		**(351.9)**	16.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**38,592**	44,816
Goodwill	*11*	**297,552**	498,343
Intangible assets	*12*	**88,618**	556,230
Deposits		**—**	566
Accounts and bills receivables	*13*	**256,395**	—
Total non-current assets		**681,157**	1,099,955
CURRENT ASSETS			
Inventories		**106,804**	62,776
Gross amount due from customers for contract work		**—**	66,530
Contract assets		**197,521**	—
Accounts and bills receivables	*13*	**260,859**	1,193,132
Prepayments, deposits and other receivables		**34,078**	18,536
Cash and cash equivalents		**26,971**	68,623
Total current assets		**626,233**	1,409,597
CURRENT LIABILITIES			
Accounts payable	*14*	**340,760**	669,677
Tax payable		**2,776**	13,210
Other payables and accruals		**87,728**	121,342
Interest-bearing bank and other borrowings		**64,255**	46,433
Convertible bonds	*15*	**—**	387,665
Total current liabilities		**495,519**	1,238,327
NET CURRENT ASSETS		**130,714**	171,270
TOTAL ASSETS LESS CURRENT LIABILITIES		**811,871**	1,271,225

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing borrowing		**6,000**	—
Other payable		**7,944**	—
Convertible bonds	*15*	**352,411**	—
Promissory notes	*16*	**512,387**	473,918
Deferred tax liabilities		**26,088**	94,693
Total non-current liabilities		**904,830**	568,611
Net (liabilities)/assets		**(92,959)**	702,614
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,000**	2,000
Equity component of convertible bonds	*15*	**375,576**	390,716
Reserves		**(470,535)**	309,898
(Deficiency in assets)/total equity		**(92,959)**	702,614

NOTES TO FINANCIAL RESULTS
31 December 2018

1. CORPORATE AND GROUP INFORMATION

Bisu Technology Group International Limited (the "**Company**") is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is located at 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 reporting period, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the following principal activities:

- Development, production and sale of the 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 PRESENTATION

Despite the Group incurred a net loss of HK$703,767,000 for the year ended 31 December 2018; and the Group has net liabilities of HK$92,959,000, amount due to a shareholder of HK$7,500,000, interest-bearing bank and other borrowing of HK$64,255,000, convertible bonds with an aggregate principal amount of HK$390,000,000 and the carrying amount of promissory notes of HK$512,387,000 as at 31 December 2018, in the opinion of the directors, the Group will have sufficient working capital to finance its operation and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group and after taking into consideration the following:

(i) supplemental letters to loan agreements were signed with its lenders subsequent to the end of reporting period, which agreed to extend the repayment dates of outstanding loan amounts of HK$31,500,000, HK$7,600,000 and HK$5,000,000 as at 31 December 2018, to 1 August 2020, 27 September 2020 and 23 July 2020, respectively;

(ii) the holder of convertible bonds ("**CB**") and promissory notes ("**PN**") has agreed to extend the maturity date of the existing CB and PN (which are both currently due on 20 February 2020), upon the request by the Company;

(iii) subsequent to the end of reporting period, a major shareholder of the Company has agreed to provide continuous financial support to the Group as and when required, and not to demand for repayment of the amount due by the Group until it is in the position to repay without impairing its liquidity and financial position;

(iv) subsequent to the end of reporting period, a 5-year purchasing plan was signed with its major customers, with this 5-year strategic plan and the prioritisation of fundings and effort by the directors, the Group expects to restore automotive engines segment's revenue in scale comparable to 2016 and 2017 throughout these years;

(v) A five-party agreement was signed by our largest customer of the Automotive Engine Business with, among others, the local government and their shareholders pursuant to which a new company shall be established as a platform for procurement and new funding shall be provided to the new procurement platform to support the resumption of normal production for the customers of the Automotive Engines Business; and

(vi) various cost control measures have been taken by the Group to tighten the costs of operations and various general and administrative expense.

The directors have reviewed the Group's cash flow forecast prepared by management which covers a period of 12 months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2018 on a going concern basis.

3. BASIS OF PREPARATION

These financial information have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

HKFRS 9

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.

With the exception of hedging accounting, which the Group has applied prospectively, the Group recognised the transition adjustments against the applicable opening balance in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

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

- The financial assets of the Group include cash and cash equivalent, trade and bills receivables, financial assets including in prepayment, deposits and other receivables. Under HKAS 39, they are classified as loan and receivables. Upon adoption of HKFRS 9, these financial assets are reclassified as financial assets at amortised cost as at 1 January 2018.

- There has been no impact on the classification and measurement of the Group's financial liabilities as a result of the adoption of HKFRS 9.

Impairment

HKFRS 9 requires an expected credit losses ("**ECL**") model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets, account and bills receivables. To measure the ECL, contract assets, accounts and bills receivables have been grouped based on shared credit risk characteristics.

Upon adoption of HKFRS 9, the Group has recognised the expected credit losses for accounts and bills receivables of HK$19,322,000 and contract assets of HK$645,000, which resulted in a decrease in retained earnings of HK$19,967,000 as at 1 January 2018.

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	**Remeasurement**	**ECL allowances under HKFRS 9 at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Accounts and bills receivables	—	19,322	19,322
Contract assets	—	645	645

HKFRS 15

HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 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 principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	Increase/ (decrease) HK$'000
Assets		
Gross amount due from customers for contract work	*(i)*	(66,530)
Accounts and bills receivables	*(ii)*	(175,761)
Contract assets (before the remeasurement of ECL under HKFRS 9)	*(i), (ii)*	242,291
		—

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 as a result of the adoption of HKFRS 15.

		Amount prepared under		
	Notes	HFKRS 15 HK$'000	Previous HKFRS HK$'000	Increase/ (decrease) HK$'000
Gross amount due from customers for contract work	*(iii)*	—	22,585	(22,585)
Accounts and bills receivables	*(iii)*	517,254	692,190	(174,936)
Contract assets	*(iii)*	197,521	—	197,521

Notes:

(i) Before the adoption of HKFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as gross amount due from customers for contract work in the statement of financial position before the construction services were billed to customers. Upon the adoption of HFKRS 15, a contract assets is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified HK$66,530,000 from gross amount due from customers for contract work to contract assets as at 1 January 2018.

(ii) Before the adoption of HKFRS 15, retention receivables arising from construction contracts, that were condition on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in accounts and bills receivables. Upon adoption of HKFRS 15, retention receivables are reclassified to contract assets. Accordingly, the Group reclassified HK$175,761,000 from accounts and bills receivables to contract assets as at 1 January 2018.

(iii) As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in accounts and bills receivables of HK$174,936,000, a decrease in gross amount due from customers for contract work of HK$22,585,000 and an increase in contract assets of HK$197,521,000.

The adoption of HKFRS 15 has no material impact to the consolidated profit or loss and other comprehensive income and has no impact to the net cash flow from operating, investing and financing activities on the consolidated statement of cash flows.

4. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statement.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Except for the application of new requirement under HKFRS 16 *Lease* which will result in significant increase in both total assets and liabilities of the Group, the Group does not anticipate that the application of other new and revised HKFRSs and Interpretations will have material impact on the consolidated financial statements of the Group.

5. 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 sale 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 allocation 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 as well as head office and corporate expenses are excluded from such measurement.

	Automotive engines		**Civil engineering and construction**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**276,514**	1,478,266	**466,900**	548,333	**743,414**	2,026,599
Segment results	**(746,607)**	147,880	**(9,074)**	1,236	**(755,681)**	149,116
Corporate and unallocated income					**80,757**	15,160
Corporate and unallocated expenses					**(19,795)**	(27,245)
Finance costs					**(75,107)**	(67,139)
(Loss)/profit before tax					**(769,826)**	69,892
Other segment information:						
Capital expenditure	**1,593**	2,065	**466**	36	**2,059**	2,101
Bank interest income	**6**	2	**1**	5	**7**	7
Impairment of goodwill	**174,933**	—	**—**	—	**174,933**	—
Impairment of intangible assets	**430,928**	—	**—**	—	**430,928**	—
Impairment/(reversal of impairment) of accounts and bills receivables, net	**125,256**	—	**(126)**	—	**125,130**	—
Reversal of impairment of contract assets	**—**	—	**(232)**	—	**(232)**	—
Provision for inventories	**3,963**	—	**—**	—	**3,963**	—
Depreciation	**5,547**	4,502	**677**	578	**6,224**	5,080
Amortisation of intangible assets	**26,371**	61,754	**—**	—	**26,371**	61,754

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
PRC	**276,514**	1,478,266
Hong Kong	**466,900**	548,333
	743,414	2,026,599

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
PRC	**680,139**	1,098,206
Hong Kong	**1,018**	1,749
	681,157	1,099,955

The non-current asset information above is based on the locations of assets.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year, is set out below:

	2018	2017
	HK$'000	*HK$'000*
Customer A[#]	**111,651**	608,296
Customer B[#]	**131,921**	733,617
Customer C*	**165,952**	N/A[@]
Customer D*	**84,039**	N/A[@]

These customers are under the automotive engines segment.

* These customers are under the civil engineering and construction segment.

@ The corresponding revenue of these customers are not disclosed as it individually did not contribute over 10% of the Group total revenue for the year.

6. REVENUE, OTHER INCOME AND GAINS/(LOSS), NET

An analysis of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers	**743,414**	—
Sales of goods	**—**	1,478,266
Construction contracts	**—**	548,333
	743,414	2,026,599

Disaggregated revenue information for the year ended 31 December 2018:

Segments	**Automotive engines**	**Civil engineering and construction**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Type of goods or services			
Sales of goods	276,514	—	276,514
Construction services	—	77,134	77,134
Civil engineering services	—	389,766	389,766
Total revenue from contracts with customers	276,514	466,900	743,414
Geographical markets			
Hong Kong	—	466,900	466,900
PRC	276,514	—	276,514
Total revenue from contracts with customers	276,514	466,900	743,414

	Automotive engines	**Civil engineering and construction**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Timing of revenue recognition			
Goods transferred at a point of time	276,514	—	276,514
Services transferred over time	—	466,900	466,900
	276,514	466,900	743,414

	2018	2017
	HK$'000	*HK$'000*
Other income and gains/(loss), net		
Interest income	**7**	7
Consultancy fee income	**1,580**	2,120
Rental income	**—**	5,150
Government subsidies	**4,154**	2,475
Loss on disposal of items of property, plant and equipment	**(209)**	—
Gain on extinguishment of convertible bond	**80,757**	—
Gain on modification of promissory notes	**—**	15,160
Sundry income	**68**	1,329
	86,357	26,241

7. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
Cost of sales:		
Cost of inventories sold	**250,429**	1,244,429
Amortisation of intangible assets	**26,371**	61,754
Contract costs	**454,832**	531,466
	731,632	1,837,649
Impairment of goodwill	**174,933**	—
Impairment of intangible assets	**430,928**	—
Impairment of accounts and bills receivables, net	**125,130**	—
Reversal of impairment of contract assets	**(232)**	—
Provision for inventories	**3,963**	—
Depreciation	**6,398**	5,742
Auditor's remuneration	**1,700**	2,080
Employee benefit expense (including directors' and chief executive's remuneration)	**47,983**	49,932
Minimum lease payments under operating leases	**3,157**	3,948

For the year ended 31 December 2018, depreciation and employee benefit expense of HK$4,366,000 (2017: HK$4,109,000) and HK$13,509,000 (2017: HK$26,544,000), respectively, are included in cost of inventories sold and contract costs presented above.

8. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Bisu Yunbo, a wholly-owned subsidiary of the Group in the PRC, is subject to a preferential corporate income tax ("**CIT**") rate of 15% (2017: 15%).

	2018	2017
	HK$'000	*HK$'000*
Current charge for the year		
Hong Kong profits tax	**—**	12
PRC CIT	**2,546**	31,434
Deferred	**(68,605)**	733
Total tax (credit)/charge for the year	**(66,059)**	32,179

9. DIVIDEND

The directors do not recommend the payment of any final dividend in respect of the year (2017: Nil).

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

The calculations of basic and diluted (loss)/earnings per share are based on:

	2018	2017
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/profit attributable to owners of the parent, used in basic (loss)/earnings per share calculation	**(703,767)**	37,713
Interest on convertible bonds	**30,363**	27,847
(Loss)/profit attributable to owners of the parent before interest on convertible bonds	**(673,404)**	65,560

The calculations of basic and diluted (loss)/earnings per share are based on:

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**200,000,000**	200,000,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**—**	30,877
Convertible bonds	**—**	195,000,000
Weighted average number of ordinary shares in issue during the year used in diluted earnings per share calculation	**200,000,000**	395,030,877

The computation of diluted loss per share for the year ended 31 December 2018 does not assume the impact of the convertible bonds outstanding since their assumed conversion would result in a decrease in loss per share.

11. GOODWILL

	2018	2017
	HK$'000	*HK$'000*
Cost and net carrying amount:		
At 1 January	**498,343**	463,257
Impairment during the year	**(174,933)**	—
Exchange realignment	**(25,858)**	35,086
At 31 December	**297,552**	498,343

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.

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 21.42% (2017: 24.48%). Management has determined the sales growth rate with reference to the sales forecast from the customers of the Automotive Engine Business and the historical performance of these customers. The cash flow projections of the Automotive Engines CGU beyond the five-year period of financial budgets are extrapolated using a growth rate of 2.5% (2017: 2.5%), 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 unit.

12. INTANGIBLE ASSETS

	Customer contracts
	HK$'000
31 December 2018	
Net carrying amount:	
At 1 January 2018	**556,230**
Amortisation provided during the year	**(26,371)**
Impairment during the year	**(430,928)**
Exchange realignment	**(10,313)**
At 31 December 2018	**88,618**
At 31 December 2018:	
Cost	**669,741**
Accumulated amortisation and impairment	**(581,123)**
Net carrying amount	**88,618**
31 December 2017	
Net carrying amount:	
At 1 January 2017	569,171
Amortisation provided during the period	(61,754)
Exchange realignment	48,813
At 31 December 2017	556,230
At 31 December 2017:	
Cost	706,393
Accumulated amortisation	(150,163)
Net carrying amount	556,230

Customer contracts represent certain automotive engine sales framework agreements (the "**Automotive Engine Sales Framework Agreements**") entered into by the Automotive Engines Group in 2015 and pursuant to which the related customers agreed to procure pre-agreed quantities of engines from the Automotive Engines Group from 2016 to 2020. In February 2018, the Automotive Engines Group entered into certain supplemental Automotive Engine Sales Framework Agreements (the "**Supplemental Agreements**") with the related customers, pursuant to which the customer contract period was extended to 2022, and the pre-agreed quantities of engines were adjusted based on the customers' latest production needs. The customer contracts are amortised to profit or loss under the unit of production method over the relevant contract period.

13. ACCOUNTS AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Accounts receivable	**178,221**	1,191,019
Bills receivable	**483,485**	2,113
	661,706	1,193,132
Impairment	**(144,452)**	—
	517,254	1,193,132
Represented by:		
— non-current assets	**256,395**	—
— current assets	**260,859**	1,193,132
	517,254	1,193,132

The ageing analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
1 to 3 months	**103,143**	1,039,876
4 to 6 months	**239,173**	150,379
Over 6 months	**174,938**	2,877
	517,254	1,193,132

14. ACCOUNTS PAYABLE

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

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**101,069**	663,081
4 to 6 months	**28,187**	4,217
Over 6 months	**211,504**	2,379
	340,760	669,677

15. CONVERTIBLE BONDS

	Liability component	**Equity component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2017	359,818	390,716	750,534
Interest expense	27,847	—	27,847
At 31 December 2017 and 1 January 2018	387,665	390,716	778,381
Interest expense	30,363	—	30,363
Gain an extinguishment of convertible bonds	(65,617)	(15,140)	(80,757)
At 31 December 2018	352,411	375,576	727,987

In 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**"). As a result of CB Extension, the liability and equity component was extinguished by approximately HK$65,617,000 and HK$15,140,000, respectively, based on revaluation upon the date of execution on 13 March 2018, and resulted that the convertible bonds were reclassified from current liabilities to non-current liabilities during the year. The revaluation was carried out by Moores Stephens Advisory Services Limited, an independent professional valuer. On the other hand, the carrying amount has been charged with imputed interest, the outstanding principal amount of the convertible bonds remained to HK$390,000,000 for the year ended 31 December 2018 with maturity date on 4 February 2020. No convertible bonds were converted during the year ended 31 December 2017 and 2018. 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.

16. PROMISSORY NOTES

	2018	2017
	HK$'000	*HK$'000*
First Note	**216,908**	199,893
Second Note	**295,479**	274,025
	512,387	473,918

17. CONTINGENT LIABILITIES

(a) At 31 December 2018, the guarantees given by the Group to certain banks and a licensed corporation in respect of performance bonds in favour of certain contract customers amounted to HK$15,044,000 (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 subcontractors 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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENT

The following is an extract of the independent auditor's report on the Company's consolidated financial statements for the year ended 31 December 2018:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of HK$703,767,000 during the year ended 31 December 2018 and, as of that date, had net liabilities of HK$92,959,000. This conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL REVIEW

During the year under review, the Group has engaged in two business segments, which are (i) development, production and sale of automotive engines (the "**Automotive Engines Business**"); and (ii) Civil engineering works and building construction and maintenance works (the "**Civil Engineering and Construction Business**").

For the year ended 31 December 2018, the Group recorded a consolidated revenue amounted to approximately HK$743.4 million as compared to that of 2017 of approximately HK$2,026.6 million, representing approximately HK$1,283.2 million or 63.3% decrease in revenue; the loss for the year attributable to owners amounted to approximately HK$703.8 million whereas the profit for the year attributable to owners of the Company of 2017 amounted to approximately HK$37.7 million. The loss was mainly attributable to the following factors:

1) the gross profit was recorded a significant decline to approximately HK$11.8 million for the year ended 31 December 2018 as compared to that of 2017 of approximately HK$189.0 million, which was due to a decline in revenue primarily due to the reduction of sales in the Automotive Engines Business from approximately HK$1,478.3 million for the year ended 31 December 2017 to approximately HK$276.5 million for the same period in 2018. Such decline was primarily attributable to a decline of China's overall automobiles and sport utility vehicle ("**SUV**") markets, as well as the financial difficulties encountered by the vehicle and vehicle parts manufacturing customers of the Group (the "**Automotive Engines Business Customers**") in 2018, which caused the sales orders from them decrease significantly;

2) the impairment losses of approximately HK$174.9 million and approximately HK$430.9 million were provided on goodwill and intangible assets in relation to the acquisition of the Automotive Engines Business in February 2016. Such impairment losses were primarily attributable to the fact that the financial performance of Automotive Engines Business was less than expected for the year ended 31 December 2018 as abovementioned; and

3) the allowance for expected credit loss of approximately HK$125.3 million were recognized during the year ended 31 December 2018 for the accounts and bills receivables due from the Automotive Engines Business Customers as there has been a significant increase in credit risk of these receivables due to the financial difficulties encountered by the Automotive Engines Business Customers and therefore a loss allowance was provided for credit losses expected over the remaining life of the exposure.

Gross profit decreased to approximately HK$11.8 million (31 December 2017: approximately HK$189.0 million) with the gross profit ratio at approximately 1.6%. The decrease in gross profit ratio was the result of decline in sales orders of the Automotive Engines Business which affected the economy of scale.

Basic and diluted loss per share for the year ended 31 December 2018 were approximately HK$351.9 cents (31 December 2017: basic and diluted profit per share of approximately HK$18.9 cents and HK$16.6 cents).

Automotive Engines Business

Looking back at the year of 2018, following the slowing growth trend in 2017, the domestic automobile sales market further worsened and showed a negative growth which is the first time since 1990. According to the annual production and sales figures released by the China Association of Automobile Manufacturers (CAAM), the production and sales of passenger vehicles reached 2,352.9 million units and 2,371.0 million units in 2018, respectively, representing a year-on-year decrease of 5.2% and 4.1% respectively. In the meantime, the growth rate of sports utility vehicles (SUV), the major car type utilizing our automotive engines, which was the main driver for passenger vehicle sales growth in the past, also turned negative. In 2018, the sales of SUV decreased by 2.5% year-in-year compared with a positive growth of 13.3% in 2017. Despite that, SUV accounted for 42.2% of all passenger car sales in 2018 compared with 41% in the previous year, representing SUV was still outperforming other car types such as sedans.

In 2018, our Automotive Engines Business Customers were encountering unsatisfactory performance and financial difficulties, which were caused by the reduction of excessive production capacity policy and the de-leveraging policy in China. These caused the banks to reduce or withdraw credit facilities which significantly influenced the capital chain of them. This significantly reduced their sales orders to us and caused the decrease of sales volume in the year.

During the year ended 31 December 2018, the revenue of the Automotive Engines Business was approximately HK$276.5 million (31 December 2017: approximately HK$1,478.3 million), represented approximately 37.2% of the total revenue of the Group. Average monthly production decreased approximately 85.5% from 7,636 units per month for the year ended 31 December 2017 to 1,108 units per month for the year ended 31 December 2018.

Excluding the amortisation of intangible assets amounting to approximately HK$26.4 million (31 December 2017: approximately HK$61.8 million), the gross profit margin of the Automotive Engines Business decreased from approximately 15.8% for the year ended 31 December 2017 to approximately 9.4% for the year ended 31 December 2018.

Civil Engineering and Construction Business

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

During the year ended 31 December 2018, the revenue of Group's civil engineering works and building construction and maintenance works were approximately HK$466.9 million (31 December 2017: approximately HK$548.3 million). For the year under review, included in the turnover was: (i) revenue from civil engineering works of approximately HK$389.8 million (31 December 2017: approximately HK$455.8 million); and (ii) revenue from building construction and maintenance works of approximately HK$77.1 million (31 December 2017: approximately HK$92.5 million).

The overall gross profit margin of this segment was 2.6% for the year ended 31 December 2018 (31 December 2017: 3.1%). As of 31 December 2018, the Group had 13 significant projects in progress. Three of them were building construction and maintenance projects while the remaining were civil engineering construction projects.

As of 31 December 2018, the total contract sum and the total outstanding values of the Group's substantial projects in progress were approximately HK$494 million and HK$311 million respectively.

During the year ended 31 December 2018, the Group was awarded with the following new substantial contracts:

Water Mains Diversion Works for Subsidised Sale Flats Development at Ma On Shan Road

Provision of Works for Integrated Blockwiring Infrastructure

Improvement Works for Elevated Cable Trough at Mills and Chung Path, Deep Water Bay

Advance Civil Engineering Works for Public Housing Development Projects Batch 9 (2018–2019)

PROSPECT

The China Association of Automobile Manufacturers (CAAM) believes that the current slow growth of automobiles is a result of the overdraft of consumption in the past, and it could take about three years for the market to recover. The prospects for the development of the automobile industry in the medium and long term are still conservatively optimistic. The market in general estimate that the annual sales volume of passenger vehicles in 2019 will be close to that in 2018.

On the other hand, after suffering from the first negative growth in automobile sales market in 2018, the Government of People's Republic of China (the "**PRC**") introduces a series of policy to promote car consumption in 2019. According to the joint issuance of the "Implementation Plan for Further Optimizing Supply and Promoting Stable Growth of Consumption to Promote a Strong Domestic Market (2019)" (《進一步優化供給推動消費平穩增長促進形成強大國內市場的實施方案（2019年）》) by ten PRC authorities including National Development and Reform Commission, the Ministry of Industry and Information Technology, and the Ministry of Commerce on January 28, 2019, six initiatives are formulated to promote automobile consumption. Among these six initiatives, the Group expects the initiatives of orderly promotion of replacement of old vehicles, promotion of vehicle renewal in rural areas, and optimization of vehicle restriction measures in local government would have positive impact on our Automotive Engines Business.

Meanwhile, in order to solve their financial difficulties, the Automotive Engines Business Customers had been in negotiations with the banks, the local government and their shareholders to request for funding for resuming normal production. A five-party agreement was signed by our largest car manufacturing customer with, among others, the local government and their shareholders pursuant to which a new company shall be established as a platform for procurement and new funding shall be provided to the new procurement platform to support the resumption of normal production for both Automotive Engines Business Customers. With the arrival of funding, the production of the Automotive Engines Business Customers was resumed on 20 December 2018. Full resumption of production is expected when the Automotive Engines Business Customers complete the negotiation of the resumption arrangement with all suppliers along the supply chain, which is expected to take place in the first half of 2019.

It is expected that the demand from the Automotive Engines Business Customers for low-emission gasoline automobile engines which are the principal products of the Automotive Engines Business will be improved in 2019 if there is no further disruption in the production of the Automotive Engines Business Customers. However, due to the market outlook for passenger vehicles and the adjustment of scale and product mix of the Automotive Engines Business Customers, the expected demand from the Automotive Engines Business Customers for low-emission gasoline automobile engines in 2019 will be lower than that in 2017 to a substantial extent.

Despite the above, the Automotive Engines Business will remain a principal activity of the Group in the future. While the Group expect the adverse operation environment will continue to affect the Automotive Engines Business in 2019, with the gradual recovery of the Automotive Engines Business Customers from the impact of the deleveraging policy and the strong support from the Chinese government to the industry, the Group is cautiously optimistic that the demand of automotive engines will recover and stabilize in medium term.

In order to strengthen the Group's competitive edge in a dynamic environment, the Group will continue to pursue to reinforce the costs control initiatives to rationalize its operations to enhance efficiency and optimize costs. In the meantime, the Group will actively seek for opportunities to develop new product pipelines and continuously focus on research and development to develop automotive engines with high quality and advanced features to enhance market penetration and brand recognition.

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 ahead, the Directors are cautious about the prospect of the Group's operation and business in 2019 and will continue to pursue costs control initiatives in both business segments. Meanwhile, the Group shall also look for opportunities which can reinforce the current business segments in the Group or provide sound diversification prospects, with an aim to improve our performance and maximize the interest of our shareholders.

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2018 (31 December 2017: Nil).

CAPITAL STRUCTURE, FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2018, the Group had cash and cash equivalents of approximately HK$27.0 million, representing a decrease of approximately 60.7% from approximately HK$68.6 million as at 31 December 2017. The decrease was mainly attributable to the combined effect of (i) net cash flows generated from financing activities in respect of the Group's interest-bearing bank and other borrowings; and (ii) net cash outflow from operating activities in respect of the Group's business. The Group had not pledged any bank deposits for the bank loans.

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

As at 31 December 2018, the total assets were approximately HK$1,307.4 million, representing a decrease of approximately 47.9% from approximately HK$2,509.6 million as at 31 December 2017. The significant decrease was mainly due to i) the decrease in accounts and bills receivables, gross amount due from customers for contract work and contract assets in aggregate of approximately HK$544.9 million as a result of the decrease of the revenue of the Automotive Engines Business and the expected credit loss of approximately HK$125.3 million made on the account and bills receivables of the Automotive Engines Business; and ii) the impairment of goodwill and intangible assets of approximately HK$174.9 million and approximately HK$430.9 million made in 2018.

As at 31 December 2018, the total liabilities were approximately HK$1,400.3 million, representing an decrease of approximately 22.5% from approximately HK$1,806.9 million as at 31 December 2017. The decrease was mainly due to the decrease in accounts payable by approximately HK$328.9 million because of the decrease in purchase of raw materials of Automotive Engines Business.

The maturity date of the convertible bonds was extended for 2 years from 4 February 2018 to 4 February 2020 with non-interest bearing and its carrying amount as at 31 December 2018 was approximately HK$728.0 million (31 December 2017: approximately HK$778.4 million) in which approximately HK$375.6 million was recognised as equity and approximately HK$352.4 million was recognised as non-current liabilities as at 31 December 2018. The promissory notes are interest-bearing of 10.0% per annum the interest rate of the promissory notes shall be 8.0% per annum for the extension period from 5 February 2018 to 4 February 2020 and all accrued and outstanding interest under the promissory notes shall be repaid on the extended maturity date of 4 February 2020; and its carrying amount as at 31 December 2018 was approximately HK$512.4 million (31 December 2017: approximately HK$473.9 million). Interest-bearing bank and other borrowings of the Group comprised (1) other loans from independent third parties of HK$57.5 million (31 December 2017: HK$42.5 million) with the contractual interest of 5.0% to 12.0% per annum; and (2) bank loans of HK$12.8 million (31 December 2017: HK$3.9 million) with an interest rate of the Hong Kong Inter-Bank Offered Rate ("**HIBOR**") plus 2.5% per annum; of which a corporate guarantee was given by the Company on the bank loans. They are repayable within 1 to 3 year.

As at 31 December 2018, the Group had banking facilities of HK$52.8 million (31 December 2017: HK$34.0 million) which HK$25.0 million was not utilised and was secured by corporate guarantees.

As at 31 December 2018, the net current assets were approximately HK$130.7 million, representing a decrease of approximately 23.7% from approximately HK$171.3 million as at 31 December 2017. The decrease in net current assets was primarily attributable to i) the decrease in revenue of Automotive Engines Business reduced the amount of accounts and bills receivables; ii) an expected credit loss of approximately HK$125.3 million was recognized on the accounts and bills receivables of the Automotive Engines Business in 2018; and iii) the Group negotiated with the Automotive Engines Business Customers on the repayment of the outstanding accounts and bills receivables amounted to approximately HK$592.6 million and the Automotive Engines Business Customers have undertaken to repay such outstanding accounts and bills receivables by 12 monthly instalments commencing from July 2019. As a consequences, accounts and bills receivables amounted to approximately HK$256.4 million was reclassified to non-current assets as they are expected to be repaid more than one year from 31 December 2018.

Current ratio of the Group was maintained at a healthy level at approximately 1.3 as at 31 December 2018 (31 December 2017: approximately 1.1). Current ratio is calculated by dividing current assets by current liabilities.

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. The gearing ratio as at 31 December 2018 is not available because the Group reported a negative equity attributable to owners of the parent as at 31 December 2018 (31 December 2017: approximately 119.5%).

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 Global Limited ("**Power Expert**", or the "**Vendor**") 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. 4 February 2018). Pursuant to the third supplemental sale and purchase agreement (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 31 December 2018 and 31 December 2017, no convertible bonds were converted and the outstanding principal amount of the convertible bonds was HK$390 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$65.6 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$390 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, all the convertible bonds deposited with the escrow agent have been released to the Vendor on 6 August 2018.

CONTINGENT LIABILITIES

Detail of the Group's contingent liabilities are set out in note 17 to the financial results.

FOREIGN CURRENCY RISK

Most of the Group's assets and liabilities are denominated in HK$ and RMB, which are the functional currencies of respective group companies. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had approximately 611 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 the PRC employees.

CHANGE OF DIRECTORS AND COMMITTEE MEMBERS

With effect from the conclusion of annual general meeting held on 12 June 2018, Mr. Lo Kin Ching Joseph has retired 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. Mr. Chan Kai Wing has been appointed as the chairman of the Nomination Committee with effect from 12 June 2018.

With effect from 12 November 2018, Mr. Lam Wah has been appointed as an executive Director.

With effect from 28 November 2018, Ms. Chu Yin Yin Georgiana has resigned as an independent non-executive Director and a member of each of the audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") of the Company and Nomination Committee. Mr. Leung Tsz Wing has been appointed as an independent non-executive Director and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Wong Hin Shek has re-designated from an executive Director to a non-executive Director and has resigned as the chief executive officer of the Company and a member of the Nomination Committee.

With effect from 28 February 2019, Mr. Chan Kai Wing has resigned as an independent non-executive Director and the chairman of each of the Audit Committee and the Nomination Committee and a member of the Remuneration Committee. Mr. Zhang Guozhi has been appointed as an independent non-executive Director and the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Leung Tsz Wing has been appointed as the chairman of the Audit Committee.

CHANGE OF AUDITOR

Ernst & Young ("**EY**") resigned as auditor of the Company with effect from 14 December 2018, as the Company could not reach a consensus with EY on the audit fee for the year ended 31 December 2018.

With the recommendation of the audit committee of the Company, Zenith CPA Limited has been appointed as the auditor of the Company with effect from 14 December 2018 to fill the casual vacancy following the resignation of EY as the auditor of the Company, and to hold office until the conclusion of the next annual general meeting of the Company.

NO MATERIAL CHANGE

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2018.

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the 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 Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 11 December 2013, the date on which dealings in its shares first commence on the Stock Exchange.

For the year ended 31 December 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 requires that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Following the retirement of Mr. Lo Kin Ching Joseph as the chairman of the Company after the conclusion of the annual general meeting of the Company held on 12 June 2018 and the resignation of Mr. Wong Hin Shek as the chief executive officer of the Company on 28 November 2018, the Company has not appointed the chairman and chief executive officer since then, and the roles and functions of the chairman and chief executive officer have been performed by all the executive Directors collectively. The Company is looking for suitable candidates to fill the vacancies of the chairman and the chief executive officer of the Company, and will issue a further announcement as and when appropriate.

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 non-executive Director and 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. Mr. Lo Kin Ching Joseph, the then 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 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 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. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2018.

Audit Committee

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group, discussed risk management, internal controls and financial reporting matters and the consolidated results of the Group for the year ended 31 December 2018. The Audit Committee comprises three members including Mr. Leung Tsz Wing (Chairman), Mr. Yip Tai Him and Mr. Zhang Guozhi, all being independent non-executive Directors.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is 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.

EVENTS AFTER THE REPORTING PERIOD

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

ANNUAL GENERAL MEETING

A notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

SCOPE OF WORK OF AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Company's auditor, Zenith CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year.

The work performed by Zenith CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Zenith CPA Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.bisu-tech.com). The annual report will be dispatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks and gratitude to our management team and staff for their hard work and dedication, as well as our shareholders, business partners and associates, bankers and auditors for their continuous support to the Group.

By order of the Board
Bisu Technology Group International Limited
Lam Wah
Executive Director

Hong Kong, 28 March 2019

As at the date of this announcement, the executive Directors are Mr. Xing Bin and Mr. Lam Wah; the non-executive Director is Mr. Wong Hin Shek; and the independent non-executive Directors are Mr. Yip Tai Him, Mr. Leung Tsz Wing and Mr. Zhang Guozhi.