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)

FURTHER ANNOUNCEMENT ON THE AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement (the "**Unaudited Results Announcement**") of Bisu Technology Group International Limited (the "**Company**") dated 30 March 2020, in relation to, among others, the unaudited consolidated financial results of the Company and its subsidiaries (collectively refer to as the "**Group**") for the year ended 31 December 2019.

AUDITOR'S AGREEMENT ON THE 2019 ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce that Zenith CPA Limited ("**Zenith**"), the auditor of the Company, has completed its audit of the consolidated financial results of the Group for the year ended 31 December 2019 (the "**2019 Audited Annual Results**") in accordance with Hong Kong Standards on Auditing ("**HKSA**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

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 2019 have been agreed by the Company's auditor, Zenith, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Zenith in this respect did not constitute an assurance engagement in accordance with HKSA, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Zenith on this announcement.

2019 AUDITED ANNUAL RESULTS

The 2019 Audited Annual Results is consistent with the unaudited consolidated financial results of the Group for the year ended 31 December 2019 contained in the Unaudited Results Announcement in all material respects. The 2019 Audited Annual Results were approved by the Board on 8 May 2020, details of which are reproduced below:

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	6	**459,109**	743,414
Cost of sales		**(511,665)**	(731,632)
Gross (loss)/profit		**(52,556)**	11,782
Other income and gains, net		**4,985**	86,357
Administrative expenses		**(428,153)**	(180,834)
Research and development costs		**(842)**	(6,163)
Finance costs		**(82,065)**	(75,107)
Impairment of goodwill	11	**(275,821)**	(174,933)
Impairment of intangible assets	12	**(88,042)**	(430,928)
LOSS BEFORE TAX	7	**(922,494)**	(769,826)
Income tax credit	8	**16,249**	66,059
LOSS FOR THE YEAR		**(906,245)**	(703,767)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(5,094)**	(56,699)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(911,339)**	(760,466)
Loss attributable to:			
Owners of the parent		**(905,423)**	(703,767)
Non-controlling interests		**(822)**	—
		(906,245)	(703,767)
Total comprehensive loss attributable to:			
Owners of the parent		**(910,517)**	(760,466)
Non-controlling interests		**(822)**	—
		(911,339)	(760,466)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted		**HK(452.7) cents**	HK(351.9) cents

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**32,120**	38,592
Right-of-use assets		**3,252**	—
Goodwill	*11*	**16,557**	297,552
Intangible assets	*12*	**—**	88,618
Accounts and bills receivables	*13*	**—**	256,395
Total non-current assets		**51,929**	681,157
CURRENT ASSETS			
Inventories		**9,895**	106,804
Contract assets		**60,623**	197,521
Accounts and bills receivables	*13*	**207,206**	260,859
Prepayments, deposits and other receivables		**44,665**	34,078
Cash and cash equivalents		**64,777**	26,971
Total current assets		**387,166**	626,233
CURRENT LIABILITIES			
Accounts payable	*14*	**313,300**	340,760
Tax payable		**92**	2,776
Other payables and accruals		**55,686**	87,728
Interest-bearing bank and other borrowings		**57,980**	64,255
Lease liabilities		**552**	—
Convertible bonds	*15*	**386,333**	—
Promissory notes	*16*	**553,985**	—
Total current liabilities		**1,367,928**	495,519
NET CURRENT (LIABILITIES)/ASSETS		**(980,762)**	130,714
TOTAL ASSETS LESS CURRENT LIABILITIES		**(928,833)**	811,871

	Notes	**2019** **HK$'000**	2018 HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		**29,752**	7,944
Interest-bearing other borrowings		**—**	6,000
Lease liabilities		**2,820**	—
Convertible bonds	*15*	**—**	352,411
Promissory notes	*16*	**—**	512,387
Deferred tax liabilities		**13,350**	26,088
Total non-current liabilities		**45,922**	904,830
Net liabilities		**(974,755)**	(92,959)
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,000**	2,000
Equity component of convertible bonds	*15*	**375,576**	375,576
Reserves		**(1,352,331)**	(470,535)
Deficiency in assets		**(974,755)**	(92,959)

NOTES TO FINANCIAL RESULTS

31 December 2019

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 year, 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$906,245,000 for the year ended 31 December 2019 and had net current liabilities and net liabilities of HK$980,762,000 and HK$974,755,000, respectively as at 31 December 2019, and the expected impact from the coronavirus disease 2019 ("**COVID-19**") pandemic, which has also resulted in the temporary closure of its automotive business operation in the PRC. 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) On 8 November 2019, the Company and the then holder of the convertible bonds and promissory notes, Power Expert Global Limited ("**Power Expert**") entered into an amendment agreement, pursuant to which (a) the maturity date of the convertible bonds shall be extended for 5 years to 4 February 2025; and (b) the term of the promissory notes will be changed to perpetual and the interest rate will be fixed at 5% per annum with effect from 5 February 2020, details of which are set out in notes 15 and 16 to this financial information;

(ii) subsequent to the end of reporting period, a major shareholder of the Company has agreed to provide additional funding by shareholder's loan of not less than HK$58,600,000 from 1 January 2020 to 31 March 2021 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. As of the reporting date, such shareholder's loan amounted to HK$8,750,000 was drawn down by the Group after 1 January 2020;

(iii) subsequent to the end of reporting period, Power Expert and its shareholder, Mr. Liu Chang, has agreed to provide undertaking and continuous financial support by loans with market interest rate to the Group as and when required prior to 31 March 2021. Despite the fact that Power Expert ceased to be holder of convertible bonds and promissory notes on 3 February 2020, Power Expert still confirm to provide such financial support to the Group;

(iv) the restructuring of the customers of the Automotive Engine Business and their negotiation with local government and their shareholders are still ongoing. The process started from 2018 and the whole supply chain, includes the suppliers of the Automotive Engines Business, understand the time needed for the completion of the restructuring would be long and no radical actions were taken previously. It is not expected that they will take such actions against the Group's subsidiary engaging in the Automotive Engines Business unless the restructuring exercise is proved to be a failure, which is not expected to happen in the next 12 months after the end of reporting period, for the details of the progress of the restructuring, details of which are set out in note 11 to this financial information; and

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

The directors of the Company believe that, taking into account the above factors, the Group will have sufficient working capital to satisfy its present requirements for at least the next 12 months from the end of the reporting period. However, should the above financing or support be unavailable, the Group may be unable to continue as a going concern, in which case adjustments might have to be made to the carrying amounts of the Group's assets to state them at their recoverable amounts, and to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in this financial information.

3. BASIS OF PREPARATION

The 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 (the "**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. This financial information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand ("**HK$'000**") 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 information.

Amendments to HKFRS 9	*Payments features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below, the adoption of the above new and revised standards has had no significant financial impact on this financial information.

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

<u>New definition of a lease</u>

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

<u>As a lessee — Leases previously classified as operating leases</u>

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for office premises. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluding the initial direct costs from the measurement of the right-of-use asset at date of initial application

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	HK$'000
Assets	
Increase in right-of-use assets	3,882
Increase in total assets	3,882
Liabilities	
Increase in lease liabilities	3,882
Increase in total liabilities	3,882

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	4,326
Weighted average incremental borrowing rate as at 1 January 2019	10.9%
Discounted operating lease commitments as at 1 January 2019	3,882
Lease liabilities as at 1 January 2019	**3,882**

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the financial position or performance of the Group.

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

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

The Group anticipates that the application of all these new and amendments to HKFRSs will have no material impact on the Group's financial statements in the foreseeable future.

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 gain on disposal of subsidiaries, finance costs as well as head office and corporate expenses are excluded from such measurement.

	Automotive engines		Civil engineering and construction		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**81,293**	276,514	**377,816**	466,900	**459,109**	743,414
Segment results	**(761,824)**	(746,607)	**(38,693)**	(9,074)	**(800,517)**	(755,681)
Gain on disposal of subsidiaries					**1,682**	—
Corporate and unallocated income					**—**	80,757
Corporate and unallocated expenses					**(41,594)**	(19,795)
Finance costs					**(82,065)**	(75,107)
Loss before tax					**(922,494)**	(769,826)
Other segment information:						
Bank interest income	**4**	6	**1**	1	**5**	7
Impairment of goodwill	**(275,821)**	(174,933)	**—**	—	**(275,821)**	(174,933)
Impairment of intangible assets	**(88,042)**	(430,928)	**—**	—	**(88,042)**	(430,928)
(Impairment)/reversal of impairment of accounts and bills receivables, net	**(349,368)**	(125,256)	**212**	126	**(349,156)**	(125,130)
Reversal of impairment of contract assets	**—**	—	**312**	232	**312**	232
Provision for inventories	**(33,140)**	(3,963)	**—**	—	**(33,140)**	(3,963)
Depreciation of property, plant and equipment	**(5,684)**	(5,547)	**(266)**	(677)	**(5,950)**	(6,224)
Depreciation of right-of-use assets	**(1,060)**	—	**(1,457)**	—	**(2,517)**	—
Amortisation of intangible assets	**(1,236)**	(26,371)	**—**	—	**(1,236)**	(26,371)
Capital expenditure	**(127)**	(1,593)	**(26)**	(466)	**(153)**	(2,059)

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
PRC	**81,293**	276,514
Hong Kong	**377,816**	466,900
	459,109	743,414

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

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
PRC	**48,522**	680,139
Hong Kong	**3,407**	1,018
	51,929	681,157

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:

	2019	2018
	HK$'000	*HK$'000*
Customer A#	**82,068**	111,651
Customer B@	**—**	131,921
Customer C*	**160,740**	165,952
Customer D*	**83,442**	84,039

\# These customers are under the automotive engines segment.

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

@ The corresponding revenue of did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2019.

6. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers	**459,109**	743,414

(i) **Disaggregated revenue information:**

For the year ended 31 December 2019

Segments	**Automotive engines** *HK$'000*	**Civil engineering and construction** *HK$'000*	**Total** *HK$'000*
Type of goods or services			
Sales of goods	**81,293**	**—**	**81,293**
Construction services	**—**	**66,945**	**66,945**
Civil engineering services	**—**	**310,871**	**310,871**
Total revenue from contracts with customers	**81,293**	**377,816**	**459,109**
Geographical markets			
Hong Kong	**—**	**377,816**	**377,816**
PRC	**81,293**	**—**	**81,293**
Total revenue from contracts with customers	**81,293**	**377,816**	**459,109**
Timing of revenue recognition			
Goods transferred at a point of time	**81,293**	**—**	**81,293**
Services transferred over time	**—**	**377,816**	**377,816**
Total revenue from contracts with customers	**81,293**	**377,816**	**459,109**

For the year ended 31 December 2018

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

7. LOSS BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of sales:		
Cost of inventories sold	**79,283**	246,466
Provision for inventories	**33,140**	3,963
Amortisation of intangible assets	**1,236**	26,371
Contract costs	**398,006**	454,832
	511,665	731,632
Impairment of accounts and bills receivables, net#	**349,156**	125,130
Reversal of impairment of contract assets#	**(312)**	(232)
Depreciation of property, plant and equipment	**6,223**	6,398
Depreciation of right-of-use assets	**3,161**	—
Auditor's remuneration	**1,311**	1,700
Employee benefit expense (including directors' and chief executive's remuneration)	**42,128**	47,983
Equity-settled share option expense	**28,721**	—
Minimum lease payments under operating leases	**—**	3,157

For the year ended 31 December 2019, depreciation of property, plant and equipment and employee benefit expenses of HK$1,339,000 (2018: HK$4,366,000) and HK$11,922,000 (2018: HK$13,509,000), respectively, are included in cost of inventories sold and contract costs presented above.

Included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2019 (2018: Nil). A wholly-owned subsidiary of the Group in the PRC, is subject to a preferential corporate income tax ("**CIT**") rate of 15% (2018: 15%). Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019	2018
	HK$'000	*HK$'000*
Current:		
PRC CIT tax charge	**—**	2,546
Overprovision in prior years — PRC	**(3,511)**	—
Deferred	**(12,738)**	(68,605)
Total tax credit for the year	**(16,249)**	(66,059)

9. DIVIDEND

No final dividend was proposed by the Board in respect of the year 2019 (2018: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of basic and diluted loss per share are based on:

	2019	2018
	HK$'000	HK$'000
Loss		
Loss attributable to ordinary equity holders of the parent	**(905,423)**	(703,767)
Interest on convertible bonds	**33,922**	30,363
Loss attributable to ordinary equity holders of the parent before interest on convertible bonds	**(871,501)**	(673,404)

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**200,000,000**	200,000,000

The computation of diluted loss per share for the year ended 31 December 2019 and 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

	2019	2018
	HK$'000	*HK$'000*
Cost and net carrying amount:		
At 1 January	**297,552**	498,343
Acquisition of subsidiaries	**419**	—
Disposal of subsidiaries	**(419)**	—
Impairment during the year	**(275,821)**	(174,933)
Exchange realignment	**(5,174)**	(25,858)
At 31 December	**16,557**	297,552

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 full resumption of production of the customers of the Automotive Engines Business (the "**Automotive Engines Business Customers**") encountered further delay during 2019 due to the shortage in supply due to the suppliers' concern on the payment ability of the Automotive Engines Business Customers. The Automotive Engines Business Customers need to undergo further financial and operational restructuring to address the suppliers' concern but such restructuring is still in progress. Based on discussion with the Automotive Engines Business Customers, as of the reporting date, only the restructuring of one of the Automotive Engines Business Customers, namely Baic Yinxiang Automobile Co., Ltd.* (北汽銀翔汽車有限公司, "**Baic Yinxiang**") is making progress but the result of the restructuring is still uncertain. Moreover, it is expected the COVID-19 outbreak will further delay the restructuring negotiation and progress.

In view of the above situations, the Board performed an impairment assessment as at 31 December 2019 and recognised impairment losses of HK$275,821,000 (2018: HK$174,933,000) in connection with goodwill allocated to Automotive Engines CGU for the year ended 31 December 2019 ("**2019 Annual Valuation**"). The impairment losses are made based on the results of impairment tests for the goodwill using their values in use calculation in accordance with HKAS 36 *Impairment of Assets* with reference to a valuation performed by Moore Transaction Services Limited ("**Moore**"), (formerly known as Moore Stephens Advisory Services Limited), an independent professionally qualified valuer. The income approach was considered to be the most appropriate valuation approach in the valuation.

Moore's valuation for the impairment assessment was based on the following key assumptions and input:

(a) the projected cash flow from 31 December 2020 to 31 December 2024 (the "**Forecast Period**") on management expectation of future business performance and prospects of the Automotive Engines Business CGU;

(b) since only the restructuring on Baic Yinxiang is making progress, the uncertainty about the resumption of the operations of other Automotive Engines Business Customers is very high. It is therefore assumed only Baic Yinxiang can resume its operations during the Forecast Period. Therefore, only potential cashflow from the purchase plan of Baic Yinxiang is considered in the projected cashflow during the Forecast Period;

(c) given the restructuring of Baic Yinxiang is still in progress, it is assumed Baic Yinxiang can only resume its operations and execute its purchasing plan from 2021 onwards;

(d) downward adjustments of approximately 70% (2018: approximately 50%) on the revenue from the purchasing plan of Baic Yinxiang were made by the management considering the historical difference between the actual purchase from Baic Yinxiang and the past purchase plans as well as the uncertainty of the success of the restructuring. The forecasted revenue during the Forecast Period ranges from HK$104,037,000 for the year ending 31 December 2021 to HK$229,330,000 for the year ending 31 December 2024;

(e) the net (loss)/profit margin of (1.4)% to 6.4% (2018: 2.0% to 9.3%) throughout the Forecast Period were estimated by the management based on the historical gross profit margin and fixed overheads with downward adjustments considering higher marketing expenses in the future. The forecasted net (loss)/profit during the Forecast Period ranges from (HK$1,476,000) to HK$14,741,000 from the year ending 31 December 2021 to the year ending 31 December 2024;

(f) the post-tax discount rate of 18.43% (2018: 18.38%) based on the weighted average cost of capital representing the weighted average return attributable to all of the operating assets of the Automotive Engines Business CGU; the pre-tax discount rate of 20.20% (2018: 21.42%) determined by an iterative computation so that the value in use determined using pre-tax cash flows and a pre-tax discount rate equals value in use determined using post-tax cash flows and a post-tax discount rate; and

(g) the growth rate beyond 2024 was 2.5% (2018: 2.5%) which did not exceed the long-term average growth rate of the industry.

The inputs and assumptions used in the 2019 Annual Valuation has the following significant changes from those previously adopted in 2018:

(a) the assumed date of the resumption of operation was delayed from 1 July 2019 to 1 January 2021 due to the delay in the restructuring of the Automotive Engines Business Customers;

(b) only Baic Yinxiang is assumed to resume its operation while in 2018 all Automotive Engines Business Customers were assumed to resume their operations. This change of assumption is mainly due to the lack of progress and therefore high uncertainty of the success of the restructuring of Automotive Engines Business Customers other than Baic Yinxiang; and

(c) downward adjustment from the purchase plan of Baic Yinxiang increased from 50% in 2018 to 70% in 2019 due to the increased uncertainty of the success of the restructuring of Baic Yinxiang given the further delay in the plan as well as the obstacles from the suppliers in the supply chain.

The recoverable amount of the Automotive Engines Business CGU from the impairment assessment using the above key assumptions against the carrying amount of the Automotive Engines Business CGU are analysed below:

	2019	2018
	HK$'000	*HK$'000*
Recoverable amount of Automotive Engines Business CGU per valuation	**48,000**	461,058
Less:		
Carrying amount of Automotive Engines Business CGU		
Property, plant and equipment	**31,443**	38,574
Intangible assets	**—**	88,618
Goodwill	**16,557**	297,552
	48,000	424,744
Headroom Available	**—**	36,314

While the management has taken a conservative estimate in performing the impairment assessment, the recoverable amount of the Automotive Engines Business CGU equals to the carrying amount of the Automotive Engines Business CGU as at 31 December 2019. Therefore, any unfavorable reasonably possible change in the key assumptions indicated above on which the management had based its determination of the Automotive Engines Business CGU's recoverable amount may cause further impairment loss.

Based on the impairment assessment for the year ended 31 December 2019, the Board estimated that the Automotive Engines Business Customers would generate to the Group an aggregate revenue of HK$Nil, HK$104,037,000 and HK$135,416,000 for the years ending 31 December 2020, 2021 and 2022 and an aggregate net (loss)/profit before any impairment loss and amortisation of intangible assets and goodwill of HK$(11,286,000), HK$(1,476,000) and HK$2,571,000 for the years ending 31 December 2020, 2021 and 2022.

12. INTANGIBLE ASSETS

	Customer contracts	
	2019	2018
	HK$'000	*HK$'000*
Net carrying amount:		
At 1 January	**88,618**	556,230
Amortisation provided during the year	**(1,236)**	(26,371)
Impairment during the year	**(88,042)**	(430,928)
Exchange realignment	**660**	(10,313)
At 31 December	**—**	88,618
At 31 December:		
Cost	**658,096**	669,741
Accumulated amortisation and impairment	**(658,096)**	(581,123)
Net carrying amount	**—**	88,618

Customer contracts represent certain automotive engine sales framework agreements (the "**Automotive Engine Sales Framework Agreements**") entered into by the Well Surplus Enterprises Limited and its subsidiaries (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.

The recoverable amounts of the intangible assets were determined based on value in use calculation using cashflow projections of financial budgets covering to the customer contract period of the Automotive Engines Sales Framework Agreements and Supplemental Agreements extended to 2022 approved by management.

An impairment loss of HK$88,042,000 (2018: HK$430,928,000) was recognised for the year ended 31 December 2019 and the full carrying amount of the intangible assets was impaired and provided.

In view of the same reasons as disclosed in note 11 above, the Board assessed the impairment loss on the intangible assets, which were essentially the value of the Automotive Engine Sales Framework Agreement and the Supplemental Agreements with the Automotive Engines Business Customers which would expire in 2022. By applying the same key assumptions as the impairment test of the goodwill which detailed in note 11 above, the present value of the estimated free cash flow arising from the sales to the Automotive Engines Business Customers from 2020 to 2022 was extracted from the valuation report prepared by Moore to determine the impairment loss on the intangible assets. Since the present value extracted was negative, management consider there is no recoverable amount from the intangible assets anymore and a full impairment loss was provided.

13. ACCOUNTS AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Accounts receivable	**698,306**	178,221
Bills receivable	**—**	483,485
	698,306	661,706
Impairment	**(491,100)**	(144,452)
	207,206	517,254
Represented by:		
— non-current assets	**—**	256,395
— current assets	**207,206**	260,859
	207,206	517,254

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

	2019	2018
	HK$'000	*HK$'000*
1 to 3 months	**32,218**	146,768
4 to 6 months	**117**	2,390
Over 6 months	**174,871**	2,272
	207,206	151,430

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:

	2019	2018
	HK\$'000	*HK\$'000*
Within 3 months	**47,144**	101,069
4 to 6 months	**359**	28,187
Over 6 months	**265,797**	211,504
	313,300	340,760

15. CONVERTIBLE BONDS

	Liability component	**Equity component**	**Total**
	HK\$'000	*HK\$'000*	*HK\$'000*
At 1 January 2018	387,665	390,716	778,381
Interest expense	30,363	—	30,363
Gain on extinguishment of convertible bonds	(65,617)	(15,140)	(80,757)
At 31 December 2018 and 1 January 2019	352,411	375,576	727,987
Interest expense	33,922	—	33,922
At 31 December 2019	**386,333**	**375,576**	**761,909**

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**"). As a result of CB Extension, the liability and equity component were extinguished by HK\$65,617,000 and HK\$15,140,000 respectively, based on revaluation upon the date of execution on 12 March 2019. As at 31 December 2019, the convertible bonds had a carrying amount of HK\$761,909,000 (2018: HK\$727,987,000), in which HK\$375,576,000 (2018: HK\$375,576,000) was recognised as equity and HK\$386,333,000 (2018: HK\$352,411,000) was recognised as current liabilities (2018: non-current liabilities). On 8 November 2019, the Company and the then holder of the convertible bonds, Power Expert, entered into an amendment agreement, pursuant to which the maturity date of the convertible bonds shall be extended for 5 years to 4 February 2025. Further details of the amendment are set out in the Company's announcement dated 8 November 2019 and the Company's circular dated 19 December 2019. This proposed amendment took effect on 14 January 2020. Following the amendment, majority of the convertible bonds is expected to be re-categorised as non-current liabilities subsequent to the reporting period.

On 3 February 2020, the Company received a duly-executed transfer notice from Power Expert notifying the Company that Power Expert has agreed to transfer the convertible bonds to LE Group Holdings Pte. Ltd. ("**LEGH**"). The Company has given its consent on the transfer and issued new certificates of the convertible bonds to LEGH.

16. PROMISSORY NOTES

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
First Note	**235,372**	216,908
Second Note	**318,613**	295,479
	553,985	512,387

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 acquisition of the Automotive Engines Business. 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. 4 February 2018.

On 31 December 2017, the Company has 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.

On 8 November 2019, the Company and Power Expert entered into an amendment agreement, pursuant to which the term of the promissory notes will be changed to perpetual and the interest rate will be fixed at 5% per annum with effect from 5 February 2020, payable annually and the interest accrued on or before 4 February 2020 shall be payable on 4 February 2025. Further details of the amendment are set out in the Company's announcement dated 8 November 2019 and the Company's circular dated 19 December 2019. This proposed amendment took effect on 14 January 2020.

On 3 February 2020, the Company received an assignment notice from Power Expert notifying the Company that Power Expert has agreed to assign the promissory notes to LEGH. The Company has given its consent on the transfer and issued new certificates of the promissory notes to LEGH.

As at 31 December 2019, the promissory notes had a carrying amount of HK$553,985,000 (2018: HK$512,387,000) recognised as current liabilities (2018: non-current liabilities).

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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Company's consolidated financial statements for the year ended 31 December 2019:

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 2019, 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 loss of HK$906,245,000 for the year ended 31 December 2019, and as of that date, had net current liabilities of HK$980,762,000 and net liabilities of HK$974,755,000. These 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.

FINAL DIVIDEND

As stated in the Unaudited Results Announcement, the Board did not recommend any final dividend for the year ended 31 December 2019. Since the 2019 Audited Annual Results remains unchanged to the unaudited consolidated financial results of the Group for the year ended 31 December 2019, the Board's recommendation of final dividend also remains unchanged.

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 2019. 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.

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.

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.

By Order of the Board
Bisu Technology Group International Limited
Liu Wengang
Executive Director

Hong Kong, 8 May 2020

As at the date of this announcement, the executive Directors are Mr. Artem Matyushok, Mr. Brett Ashley Wight, Mr. Liu Wengang and Mr. Xing Bin; the non-executive Director is Mr. Lam Wah; and the independent non-executive Directors are Mr. Ip Mei Shun, Mr. Leung Tsz Wing and Mr. Zhang Guozhi.