比速科技集團國際有限公司

Bisu Technology Group International Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1372)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June 2019 *HK$'000*	Unaudited Six months ended 30 June 2018 *HK$'000*
Revenue	**246,196**	498,258
Gross (loss)/profit	**(24,680)**	9,227
Gross (loss)/profit margin (%)	**(10%)**	1.9%
Loss attributable to equity holders of the Company	**(264,268)**	(144,589)
Loss per share — basic and diluted (HK cents)	**(131.7)**	(72.3)

The board (the "**Board**") of directors (the "**Directors**") of Bisu Technology Group International Limited (the "**Company**") announce the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**period**") with comparative figures for the corresponding period in the previous year as follows. This condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Company (the "**Audit Committee**"):

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June 2019

	Notes	**Unaudited Six months ended 30 June 2019** ***HK$'000***	Unaudited Six months ended 30 June 2018 *HK$'000*
REVENUE	*5*	**246,196**	498,258
Cost of sales	*6*	**(270,876)**	(489,031)
Gross (loss)/profit		**(24,680)**	9,227
Other income and gains	*5*	**454**	3,171
Gain on disposal of subsidiaries		**1,682**	—
Gain on extinguishment of convertible bonds		**—**	80,212
Administrative and selling expenses		**(162,486)**	(29,313)
Finance costs		**(37,944)**	(33,139)
Impairment of goodwill	*14*	**—**	(174,933)
Impairment of intangible assets	*13*	**(50,701)**	—
Loss before tax	*6*	**(273,675)**	(144,775)
Income tax credit	*7*	**9,407**	186
Loss for the period		**(264,268)**	(144,589)

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

Six months ended 30 June 2019

	Notes	**Unaudited Six months ended 30 June 2019**	Unaudited Six months ended 30 June 2018
		HK$'000	*HK$'000*
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**1,770**	(19,308)
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD		**1,770**	(19,308)
TOTAL COMPREHENSIVE LOSS		**(262,498)**	(163,897)
Loss for the period attributable to:			
Owners of the parent		**(263,446)**	(144,589)
Non-controlling interest		**(822)**	—
Total comprehensive loss attributable to:			
Owners of the parent		**(261,676)**	(163,897)
Non-controlling interest		**(822)**	—
Loss per share attributable to owners of the parent			
Basic (HK cents)	*9*	**(131.7)**	(72.3)
Diluted (HK cents)	*9*	**(131.7)**	(72.3)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	Unaudited 30 June 2019 *HK$'000*	Audited 31 December 2018 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**35,589**	38,592
Right-of-use assets		**4,839**	—
Goodwill	*14*	**296,971**	297,552
Intangible assets		**38,181**	88,618
Accounts and bills receivables	*10*	**—**	256,395
Total non-current assets		**375,580**	681,157
CURRENT ASSETS			
Inventories		**24,349**	106,804
Contract assets		**144,714**	197,521
Accounts and bills receivables	*10*	**425,962**	260,859
Prepayments, deposits and other receivables		**32,105**	34,078
Cash and cash equivalents		**51,689**	26,971
Total current assets		**678,819**	626,233
CURRENT LIABILITIES			
Accounts payable	*11*	**282,577**	340,760
Tax payable		**3,372**	2,776
Other payables and accruals		**86,692**	87,728
Interest-bearing bank and other borrowings		**9,080**	64,255
Convertible bonds	*12*	**366,437**	—
Promissory notes	*13*	**532,779**	—
Total current liabilities		**1,280,937**	495,519

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
30 June 2019

	Notes	**Unaudited 30 June 2019 *HK$'000***	Audited 31 December 2018 *HK$'000*
NET CURRENT (LIABILITIES)/ASSETS		**(602,118)**	130,714
TOTAL ASSETS LESS CURRENT LIABILITIES		**(226,538)**	811,871
NON-CURRENT LIABILITIES			
Lease liabilities		**4,918**	—
Interest-bearing other borrowings		**50,100**	6,000
Other payables and accruals		**25,943**	7,944
Convertible bonds	*12*	**—**	352,411
Promissory notes	*13*	**—**	512,387
Deferred tax liabilities		**18,415**	26,088
Total non-current liabilities		**99,376**	904,830
Net liabilities		**(325,914)**	(92,959)
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,000**	2,000
Equity component of convertible bonds	*12*	**375,576**	375,576
Reserves		**(703,490)**	(470,535)
Deficiency in assets		**(325,914)**	(92,959)

NOTES

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is 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 six months ended 30 June 2019, the Group was principally engaged in the following principal activities:

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Going concern

Despite the Group incurred a net loss of HK$264,268,000 for the six months ended 30 June 2019 (the "**Period**"); and the Group has net current liabilities of HK$602,118,000 and net liabilities of HK$325,914,000 as at 30 June 2019, 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) the holder of convertible bonds ("**CB**"), with an aggregate principal amount of HK$390,000,000 and promissory notes ("**PN**"), with a carrying amount of HK$532,779,000 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;

(ii) 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; and

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

After taking into account the above measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the condensed consolidated financial statements for the Period on a going concern basis.

The accounting policies and the basis of preparation adopted in the preparation of this condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of new and revised standard with effect form 1 January 2019 as detailed below.

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Financial Statements.

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 regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information.

In the current period, the Group has adopted HKFRS 16 Leases. HKFRS 16 is effective for the accounting periods beginning on or after 1st January, 2019. The Group has applied HKFRS 16 using the modified retrospective approach without restating comparative information retrospectively. HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees.

Prior to 1st January, 2019, lease contracts were classified as operating leases or finance leases. From 1st January, 2019 onwards, HKFRS 16 distinguishes lease contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low-value assets. For short-term leases and leases of low-value assets, the Group recognises lease expense on a straight-line basis as permitted by HKFRS 16. This expense is presented within operating costs in the consolidated income statement.

Right-of-use assets are initially measured at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Lease liabilities are initially measured at the present value of the remaining lease payments discounted using the incremental borrowing rate of the lessee. Subsequently, lease liabilities are adjusted by interest accretion and lease payments. Lease payments are separated into principal portion and interest portion and presented within financing activities in the consolidated statement of cash flows.

At the date of initial application of HKFRS 16, the reconciliation from the operating lease commitments to the lease liabilities recognised is as follows:

	Unaudited *HK$'000*
Operating lease commitments at 31 December 2018 as disclosed in the consolidated financial statements	4,326
Operating lease commitments at 31 December 2018, discounted using the incremental borrowing rate at 1 January 2019	3,882
Lease liabilities as at 1 January 2019	3,882

3. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group as at and for the year ended 31 December 2018.

4. SEGMENT INFORMATION

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

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

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

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

Segment revenue and results

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

2019

	Unaudited		
	For the six months ended 30 June		
	Automotive engines	**Civil engineering and construction**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue	**69,952**	**176,244**	**246,196**
Segment results	**(194,436)**	**(7,480)**	**(201,916)**
Gain on disposal of subsidiaries			**1,682**
Corporate and unallocated expenses			**(35,497)**
Finance costs			**(37,944)**
Loss before tax			**(273,675)**

2018

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

5. REVENUE, OTHER INCOME AND GAINS

	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**69,952**	272,357
Contract revenue	**176,244**	225,901
	246,196	498,258
Other income and gains		
Interest income	**2**	5
Consultancy fee income	**240**	740
Management fee income	**—**	1,231
Government subsidies*	**109**	702
Sundry income	**103**	493
	454	3,171

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

6. LOSS BEFORE TAX

	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018
	HK$'000	*HK$'000*
The Group's loss before tax is arrived at after charging:		
Cost of sales		
Cost of inventories sold	**70,978**	239,026
Provision for inventories	**24,782**	—
Amortisation of intangible assets	**456**	27,715
Cost of services provided	**174,660**	222,290
	270,876	489,031
Impairment of accounts and bills receivables, net	**112,942**	—
Impairment of contract assets	**601**	—
Depreciation	**3,221**	2,973
Depreciation of right-of-use assets	**1,594**	—
Directors' remuneration	**2,454**	4,981
— Share-based payment expense	**1,352**	—
Employee benefits expenses (exclusive of directors' remuneration)	**14,340**	13,822
— Share-based payment expenses	**4,284**	—

7. INCOME TAX CREDIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI. No provision for Hong Kong profits tax has been made for the six months ended 30 June 2019 and 2018 as there was no assessable profits generated on the estimated assessable profits arising in Hong Kong for the period.

Chongqing Bisu Yunbo Motor Technology Limited, a wholly-owned subsidiary of the Group in the PRC, is subject to a preferential corporate income tax ("**CIT**") rate of 15% (2018: 15%).

	Unaudited Six months ended 30 June 2019	Unaudited Six months ended 30 June 2018
	HK$'000	*HK$'000*
Current (credit)/charge for the period		
— PRC CIT	**(1,734)**	3,972
— Deferred	**(7,673)**	(4,158)
Total tax credit for the period	**(9,407)**	(186)

8. DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic loss per share amounts for the six months ended 30 June 2019 and 2018 are based on the consolidated loss for the period attributable to owners of the Company of HK$263,446,000 (2018: loss of HK$144,589,000) and the weighted average number of 200,000,000 (2018: 200,000,000) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2019 and 2018 in respect of a dilution as the impact of the convertible bonds outstanding during the period had an anti-dilutive effect on the basic loss per share amount presented.

10. ACCOUNTS AND BILLS RECEIVABLES

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

	Unaudited 30 June 2019 *HK$'000*	Audited 31 December 2018 *HK$'000*
Accounts receivable	**198,560**	178,221
Bills receivable	**482,541**	483,485
	681,101	661,706
Impairment	**(255,139)**	(144,452)
	425,962	517,254

In 2018, the Group has re-negotiated with the customers of the Automotive Engines Business (the "**Automotive Engines Business Customers**") in the repayment terms of the outstanding accounts and bills receivables amounted to HK$592,615,000, in which those customers have agreed to repay their outstanding amounts by 12 monthly instalments basis commencing from July 2019.

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, as follows:

	Unaudited 30 June 2019 *HK$'000*	Audited 31 December 2018 *HK$'000*
1 to 3 months	**35,375**	146,768
4 to 6 months	**147**	2,390
Over 6 months	**98,980**	2,272
	134,502	151,430

The maturity profile of bills receivable, based on the issue date and net of loss allowance, is as follows:

	Unaudited 30 June 2019	Audited 31 December 2018
	HK$'000	*HK$'000*
Up to 3 months	**—**	—
4 to 6 months	**—**	184,936
Over 6 months	**291,460**	180,888
	291,460	365,824

The movements in the loss allowance for impairment of accounts and bills receivables are as follows:

	Unaudited 30 June 2019	Audited 31 December 2018
	HK$'000	*HK$'000*
At the beginning of period	**144,452**	—
Effect of adoption of HKFRS 9	**—**	19,322
At the beginning of period (restated)	**144,452**	19,322
Impairment losses, net	**112,942**	125,130
Exchange realignment	**(2,255)**	—
At the end of period	**255,139**	144,452

The basis of determining the inputs and assumption and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

11. ACCOUNTS PAYABLE

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

	Unaudited 30 June 2019 *HK$'000*	Audited 31 December 2018 *HK$'000*
Current to three months	**35,490**	101,069
Four to six months	**440**	28,187
Over six months	**246,647**	211,504
	282,577	340,760

As at 30 June 2019, retentions payable included in accounts payable amounted to HK$13,278,000 (31 December 2018: HK$13,348,000), which are normally settled on terms ranging from two to three years. The carrying amounts of accounts payable approximate to their fair values.

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

12. CONVERTIBLE BONDS

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

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
At 31 December 2017 and 1 January 2018 (Audited)	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 (Audited)	352,411	375,576	727,987
Interest expense	14,026	—	14,026
At 30 June 2019 (Unaudited)	**366,437**	**375,576**	**742,013**

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

On 13 March 2018, the Company has executed the extension of the maturity date of the convertible bonds for 2 years from 4 February 2018 to 4 February 2020 (the "**CB Extension**"). As a result of CB Extension, the liability and equity component was extinguished by approximately HK$65,072,000 and HK$15,140,000 respectively based on revaluation upon the date of execution, i.e. 13 March 2018. The revaluation was carried out by Moore Stephens Advisory Services Limited ("**Moore Stephens**"), an independent qualified professional valuer. On the other hand, the carrying amount has been charged with imputed interest. At 30 June 2019 and 31 December 2018, no convertible bonds were converted and the outstanding principal amount of the convertible bonds was HK$390,000,000.

13. PROMISSORY NOTES

	Unaudited 30 June 2019	Audited 31 December 2018
	HK$'000	*HK$'000*
First Note	**225,952**	216,908
Second Note	**306,827**	295,479
	532,779	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 Engines Acquisition. Both the First Note and Second Note carry interest at a rate of 10% per annum. The outstanding principal amounts plus any accrued interest will be repayable on the maturity date falling on the second anniversary of the date of the First Note and Second Note, i.e. 3 February 2018.

On 31 December 2017, the Company had extended the maturity date of the First Note and Second Note for 2 years from 4 February 2018 to 4 February 2020 and the interest rate was adjusted downwards from 10% to 8% per annum, all accrued and outstanding interest shall be repaid on the extended maturity date of 4 February 2020.

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.

14. GOODWILL

	HK$'000
Six months ended 30 June 2019	
Net carrying amount:	
At 1 January 2019 (Audited)	**297,552**
Acquisition of subsidiaries	**419**
Disposal of subsidiaries	**(419)**
Exchange realignment	**(581)**
At 30 June 2019 (Unaudited)	**296,971**
At 30 June 2019:	
Cost	**471,904**
Accumulated impairment	**(174,933)**
Net carrying amount	**296,971**

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

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 in accordance with HKAS 36 with reference to a valuation performed by Moore Stephens as at 15 June 2019 using cash flow projections of financial budgets covering a five-year period approved by management. Moore Stephens' valuation for the impairment assessment as at 15 June 2019 was based on the following key assumptions and input:

(i) the projected cashflow from 31 December 2019 to 31 December 2024 (the "**Forecast Period**") on the management expectation of future business performance and prospect of the CGU;

(ii) the revenue for the Forecast Period projected by the management of the Company based on the purchasing plan of the major customers of the CGU with the downward adjustments made by the management considering the historical difference between the actual purchase from the major customers and the past purchase plans;

(iii) the net profit margin for the Forecast Period projected by the management based on the historical net profit margin with downward adjustments considering higher marketing expenses in the future;

(iv) the post-tax discount rate of 18.72% based on the weighted average cost of capital representing the weighted average return attributable to all of the operating assets of the CGU; and the pre-tax discount rate of 20.99% determined by an iterative computation so that the value in use determined by the pre-tax cash flows and a pre-tax discount rate equals value in use determined by the post-tax cash flows and a post-tax discount rate; and

(v) the growth rate beyond the Forecast Period was 2.5% which did not exceed the long term average growth rate of the industry.

15. CONTINGENT LIABILITIES

As of 30 June 2019, the Group had the following contingent liabilities:

(a) The guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract customers amounted to HK$9,253,000 (31 December 2018: HK$15,044,000).

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FINANCIAL REVIEW

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

For the six months ended 30 June 2019, the Group recorded a consolidated revenue of approximately HK$246.2 million (six months ended 30 June 2018: approximately HK$498.3 million). The Group recorded a loss attributable to owners of the parent of approximately HK$263.4 million for the six months ended 30 June 2019 as compared to a loss of approximately HK$144.6 million for the six months ended 30 June 2018. Such result was primarily attributable to the following factors:

1) The gross loss of approximately HK$24.7 million was recorded for the six months ended 30 June 2019 as compared to the gross profit of approximately HK$9.2 million for the six months ended 30 June 2018, which was due to i) a decline of approximately 50.6% in revenue. This is primarily resulted from the decrease in the sales of engines by the Group to the Automotive Engines Business Customers of the Group due to the further delay in their full resumption of production as they have shortage in supply due to the suppliers' concern on their payment ability; and ii) a provision of impairment loss of approximately HK$24.8 million for the Group's inventory of the Automotive Engines Business. Such impairment loss is primarily attributable to the increased uncertainty on the realizability of the inventory due to the further delay in the full resumption of production of the Automobile Engines Business Customers;

2) The impairment loss in the fair value of the intangible assets of approximately HK$50.7 million in relation to the acquisition of the Automotive Engines Business. Such impairment loss is primarily attributable to the further delay in the full resumption of production of the Automotive Engines Business Customers as abovementioned;

3) Additional expected credit loss of approximately HK$113.1 million was made to the accounts and bills receivables due from the Automotive Engines Business Customers for the six months ended 30 June 2019, which is attributable to the increased uncertainty on the repayment of the accounts and bills receivables due to the further delay in the full resumption of production of the Automobile Engines Business Customers as abovementioned; and

4) The increase in administrative expenses in respect of the equity-settled share option expense (which was non-cash in nature) of approximately HK$28.7 million being recognized for the six months ended 30 June 2019.

Basic and diluted loss per share for the six months ended 30 June 2019 were approximately HK$131.7 cents (six months ended 30 June 2018: basic and diluted loss per share of approximately HK$72.3 cents).

Automotive Engines Business

During the period ended 30 June 2019, revenue generated from the Automotive Engines Business decreased 74.3% to approximately HK$70.0 million (six months ended 30 June 2018: approximately HK$272.4 million), represented approximately 28.4% (six months ended 30 June 2018: approximately 54.7%) of the total revenue of the Group.

In the first half of 2019, the negotiations of the resumption arrangement of the Automobile Engines Business Customers with all of their suppliers along the supply chain are still ongoing as some suppliers have concern over the payment ability of the Automotive Engines Business Customers. Thus, the plan for full resumption of production of the Automotive Engines Business Customers has been affected due to the shortage in the supply of automotive parts. The Automotive Engines Business Customers may undergo certain shareholding restructuring to address the suppliers' concern. The delay in the full resumption of production of the Automotive Engines Business Customers caused our revenue in the six months ended 30 June 2019 decreased significantly.

Excluding the provision for impairment loss for inventory amounting to approximately HK$24.8 million (six months ended 30 June 2018: Nil) and the amortization of intangible assets amounting to approximately HK$0.5 million (six months ended 30 June 2018: HK$27.7 million), the gross profit margin of the Automotive Engines Business decreased from approximately 12.2% for the six months ended 30 June 2018 to approximately (1.5)% for the six months ended 30 June 2019. The decline in gross profit margin was a result of the significant drop of sales volume in automotive engines which adversely affected the economies of scale.

Civil Engineering and Construction Business

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

During the six months ended 30 June 2019, the revenue of Group's civil engineering works and building construction and maintenance works were approximately HK$176.2 million (six months ended 30 June 2018: approximately HK$225.9 million). For the period under review, included in the turnover was: (i) revenue from civil engineering works of approximately HK$145.3 million (six months ended 30 June 2018: approximately HK$218.1 million); and (ii) revenue from building construction and maintenance works of approximately HK$30.9 million (six months ended 30 June 2018: approximately HK$7.8 million).

The overall gross profit margin of this segment for the six months ended 30 June 2019 was 0.9% (six months ended 30 June 2018: 1.6%). As of 30 June 2019, the Group had 11 significant projects in progress. Three of them were building construction and maintenance projects while the remaining were civil engineering construction projects.

As of 30 June 2019, the total contract sum and the total outstanding values of the Group's substantial projects in progress were approximately HK$474.3 million and HK$266.1 million respectively.

During the six months ended 30 June 2019, the Group was awarded with the following new substantial contract:

- Provision of external cable construction works and outside telecommunications plant maintenance services.

Other Businesses

During the six months ended 30 June 2019, the Group has been actively looking for opportunities which can provide sound diversification prospects. With an optimistic view for the prospect of the industrial hemp sector, the Board has decided to invest in the industrial hemp planting and processing business through the acquisition of 70% of the shares of Yunnan Tairui Biotechnology Co., Ltd. ("**Yunnan Tairui**") and 60% of the shares of Qiubei Woma Agricultural Development Co., Ltd. ("**Qiubei Woma**") to capture the potential growth of the industry during the period. In order to seize the first-mover advantage in the industrial hemp sector, the minority shareholders of Yunnan Tairui and Qiubei Woma (the "**Other Shareholders**") have put forward a tight project timeline for the development plan of the industrial hemp business.

However, due to the reduced optimism for the outlook of the global economic and business environment, the Company would require more time to obtain sufficient financing to support the Group's development plan in respect of the industrial hemp business. After considering the differences with respect to the expected project timeline between the Group and the Other Shareholders and the change in market sentiment, and after further discussion with the Other Shareholders, who have a strong desire to implement the development plan soonest possible, the Group has subsequently disposed of Yunnan Tairui and Qiubei Woma. No material gain or loss was incurred for the Group in the acquisition and disposal of Yunnan Tairui and Qiubei Woma.

PROSPECTS

The outlook of the automobile market in China continues to be not optimistic. According to the China Association of Automobile Manufacturers (CAAM), in the first half of 2019, domestic passenger vehicle sales recorded 10.13 million units, representing a year-on-year decrease of 14% respectively. At the same time, the Association recently lowered its forecast for auto sales in 2019, to approximately 26.68 million units now, down 5% year-on-year respectively. The reduction of the forecast for the vehicle sales was due to the poor sales situation in the first half of the year. The CAAM expects that passenger vehicles are expected to sell 22.24 million units this year, down 5.4% year-on-year respectively. As for passenger vehicles, sedan sales decreased by 12.9% year-on-year, SUV sales decreased by 13.4% year-on-year, MPV sales decreased by 24% year-on-year.

The Board are cautious about the further delay in the resumption of normal operation of the Automotive Engines Business Customer and will closely monitor the progress of their restructuring and consider necessary action or measure to protect the interest of our shareholders.

In the business of civil engineering and construction, the operating environment is expected to remain tough in the coming years. As labor costs and construction materials costs continue to rise, the shortage of skilled labor has put pressure on the entire construction industry. However, given that the Group has extensive experience in construction projects and that there is an upward trend in demand of construction projects in Hong Kong in the next few years, the Board is confident that the Group would be capable of securing promising business opportunities in the future and would adopt a prudent strategy to prevent unfavorable factors in the industry. In addition, the Group will continue to improve its service quality and actively communicate with government departments to find more new projects to ensure the growth of the Group's business.

Looking ahead, the Directors are cautious about the prospect of the Group's operations and business in the second half of 2019 but will actively pursue cost control of the Group's operations. The Board will continue to do its utmost to seek new business opportunities to enhance the Group's ability of resisting risks and enrich the Group's business types, with an aim to improve our performance and maximize the interest of our shareholders.

CAPITAL STRUCTURE, FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 30 June 2019, the Group had cash and cash equivalents of approximately HK$51.7 million, representing an increase of approximately 91.5% from approximately HK$27.0 million as at 31 December 2018. The increase was mainly attributable to the increase of net cash flows from operating activities and financing activities.

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

As at 30 June 2019, the total assets were approximately HK$1,054.4 million, representing a decrease of approximately 19.4% from approximately HK$1,307.4 million as at 31 December 2018. The decrease was mainly due to (i) the decrease in inventories, contract assets and accounts and bills receivables in aggregate of approximately HK$226.6 million; and (ii) the impairment of intangible assets of approximately HK$50.7 million as abovementioned.

As at 30 June 2019, the total liabilities were approximately HK$1,380.3 million, representing a decrease of approximately 1.4% from approximately HK$1,400.3 million as at 31 December 2018.

As at 30 June 2019, the net current liabilities were approximately HK$602.1 million. (31 December 2018: net current assets of approximately HK$130.7 million) and the current ratio was approximately 0.5 (31 December 2018: approximately 1.3). The significant net current liabilities were attributable to the classification of the convertible bonds ("**CB**") and promissory notes ("**PN**") as current liabilities since they will be fall due on 4 February 2020. The holder of the CB and PN has agreed to extend the maturity date of the existing convertible bonds and promissory notes upon the request by the Company. Excluding the CB and PN, the net current assets of the Group was approximately HK$297.1 million and current ratio was approximately 1.8 as at 30 June 2019. 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 30 June 2019 and 31 December 2018 are not available because the Group reported a negative equity attributable to owners of the parent as at 30 June 2019 and 31 December 2018.

As at 30 June 2019, the Group had banking facilities of HK$52.8 million (31 December 2018: HK$52.8 million) which HK$43.5 million (2018: HK$25.0 million) was not utilised and was secured by corporate guarantees.

CONTINGENT LIABILITIES

Details of the Group's and the Company's contingent liabilities are set out in note 15 to the condensed consolidated interim financial information.

CHANGE OF DIRECTORS AND COMMITTEE MEMBER

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.

With effect from 12 April 2019, Mr. Wong Hin Shek has resigned as a non-executive Director. Mr. Yip Tai Him has resigned as an independent non-executive Director, the chairman of the Remuneration Committee and the member of each of the Audit Committee and the Nomination Committee. Mr. Ip Mei Shun has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

FOREIGN CURRENCY RISK

Most of the Group's assets and liabilities are denominated in Hong Kong dollars and Renminbi, 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.

EVENT AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had approximately 493 employees (31 December 2018: 611) in Hong Kong and the PRC. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Other staff benefits include bonuses awarded on a discretionary basis, mandatory provident fund scheme for Hong Kong employees, state-sponsored retirement plans for PRC employees.

NO MATERIAL CHANGE

Save as disclosed above, during the six months ended 30 June 2019, 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 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, other than those disclosed under the section "Share Option Scheme", none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance (the "**SFO**") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in the issued shares/underlying shares of the Company

Name of shareholders	*Notes*	Nature of interest	Number of ordinary shares/ underlying shares held	Approximate percentage of issued share capital of the Company
Mr. Jiang Jianhui ("**Mr. Jiang**")	*(a)*	Interest in a controlled corporation	150,000,000	75.0%
Youth Force Asia Ltd. ("**Youth Force**")	*(a)*	Beneficial owner	150,000,000	75.0%
Mr. Liu Chang ("**Mr. Liu**")	*(b)*	Interest in a controlled corporation	195,000,000	97.5%
Power Expert Global Limited ("**Power Expert**")	*(b)*	Beneficial owner	195,000,000	97.5%

Notes:

(a) Youth Force is wholly-owned by Mr. Jiang. As such, Mr. Jiang is deemed to be interested in the 150,000,000 shares owned by Youth Force by virtue of the SFO.

(b) Power Expert is wholly-owned by Mr. Liu. As such, Mr. Liu is deemed to be interested in the 195,000,000 underlying shares through its interests in the convertible bonds, in the principal amount of HK$390,000,000 issued by the Company, owned by Power Expert by virtue of the SFO.

Save as disclosed above, as at 30 June 2019, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CHANGES IN INFORMATION OF THE DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the period ended 30 June 2019.

SHARE OPTION SCHEME

At the extraordinary general meeting of the Company held on 24 March 2016, the shareholders of the Company approved the adoption of the share option scheme of the Company (the "**Scheme**"). The relevant listing approval was granted by the Stock Exchange on 29 March 2016. A summary of the principal terms of the Scheme are as follows:

Purpose

The purpose of the Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution or potential contribution to the Company.

Participants

The eligible participant(s) of the Scheme is/are full time or part time employees of the Group (including any Directors, whether executive or non-executive and whether independent or not, of the Group); and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group.

Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options which may be granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company shall not exceed such number of shares as equals 10 per cent. of the issued share capital of the Company as at the date of approval of the Scheme.

Maximum entitlement of each participant

Unless approved by the shareholders of the Company, the total number of shares issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the shares in issue.

Option period

The option period of the Scheme, in respect of any particular option, the period to be determined and notified by the Directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of ten (10) years from the date of the grant of the particular option but subject to the provisions for early termination thereof contained herein.

Acceptance of offer

Any offer of the option of the Company may be accepted by an eligible participant in the duplicate letter of option grant letter comprising acceptance of the offer duly signed by such eligible participant and received by the Company together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof within twenty-one (21) days from the offer date.

Exercise price

The exercise price shall be determined at the discretion of the Board at its absolute discretion, provided that it shall be not less than the highest of: (a) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a Business Day; (b) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) Business Days immediately preceding the offer date; (c) the nominal value of the share on the offer date.

Remaining life of the Scheme

The Directors shall be entitled at any time within 10 years commencing on 29 March 2016 to offer the grant of an option to any eligible participant. The Scheme will expire on 28 March 2026.

During the six months ended 30 June 2019, the Company granted 12,000,000 share options on 26 April 2019, all of which were subsequently cancelled on 27 June 2019. There is no outstanding share option of the Company as at 30 June 2019.

Details of the movements of share options under the Share Option Scheme during the six months ended 30 June 2019 are as follows:

	Number of share options							
Name or category of participant	**As at 1 January 2019**	**Granted**	**Exercised**	**Lapsed/ Cancelled/ Forfeited**	**As at 30 June 2019**	**Date of grant**	**Exercise price** ***HK$***	**Exercise period**
Director								
Mr. Lam Wah	—	500,000	—	500,000	—	26 Apr 2019	7.128	26 Apr 2019–25 Apr 2024
Others	—	11,500,000	—	11,500,000	—	26 Apr 2019	7.128	26 Apr 2019–25 Apr 2024

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business, contracts of which were negotiated on normal commercial terms and on an arm's length basis.

REVIEWED BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, Mr. Leung Tsz Wing (Chairman), Mr. Zhang Guozhi and Mr. Ip Mei Shun, with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee has reviewed with management the principal accounting policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules since 11 December 2013, the date on which dealings in its shares first commence on the Stock Exchange. For the six months ended 30 June 2019, the Company has complied with the code provisions set out in the CG Code with the following exception:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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 or 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 independent non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.

Code provision E.1.2 of the CG Code requires the chairman of the Board should attend the annual general meeting of the Company. The Company does not have the title of chairman of the Board since 12 June 2018. Mr. Lam Wah, an executive Director, took the chair of the annual general meeting of the Company held on 12 June 2019 (the "**2019 AGM**"), and other members of the Board (including the chairman of each of the Audit Committee and the Remuneration Committee and members of the Nomination Committee) attended the 2019 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 set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' dealings in the Company's securities. Following specific enquiry made to the Directors, each of them has confirmed their compliance with the required standard set out in the Model Code throughout the period from 1 January 2019 to 30 June 2019.

SUFFICIENCY OF PUBLIC FLOAT

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

APPRECIATION

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

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

Hong Kong, 28 August 2019

As at the date of this announcement, the executive Directors are Mr. Xing Bin and Mr. Lam Wah; and the independent non-executive Directors are Mr. Leung Tsz Wing, Mr. Zhang Guozhi and Mr. Ip Mei Shun.