

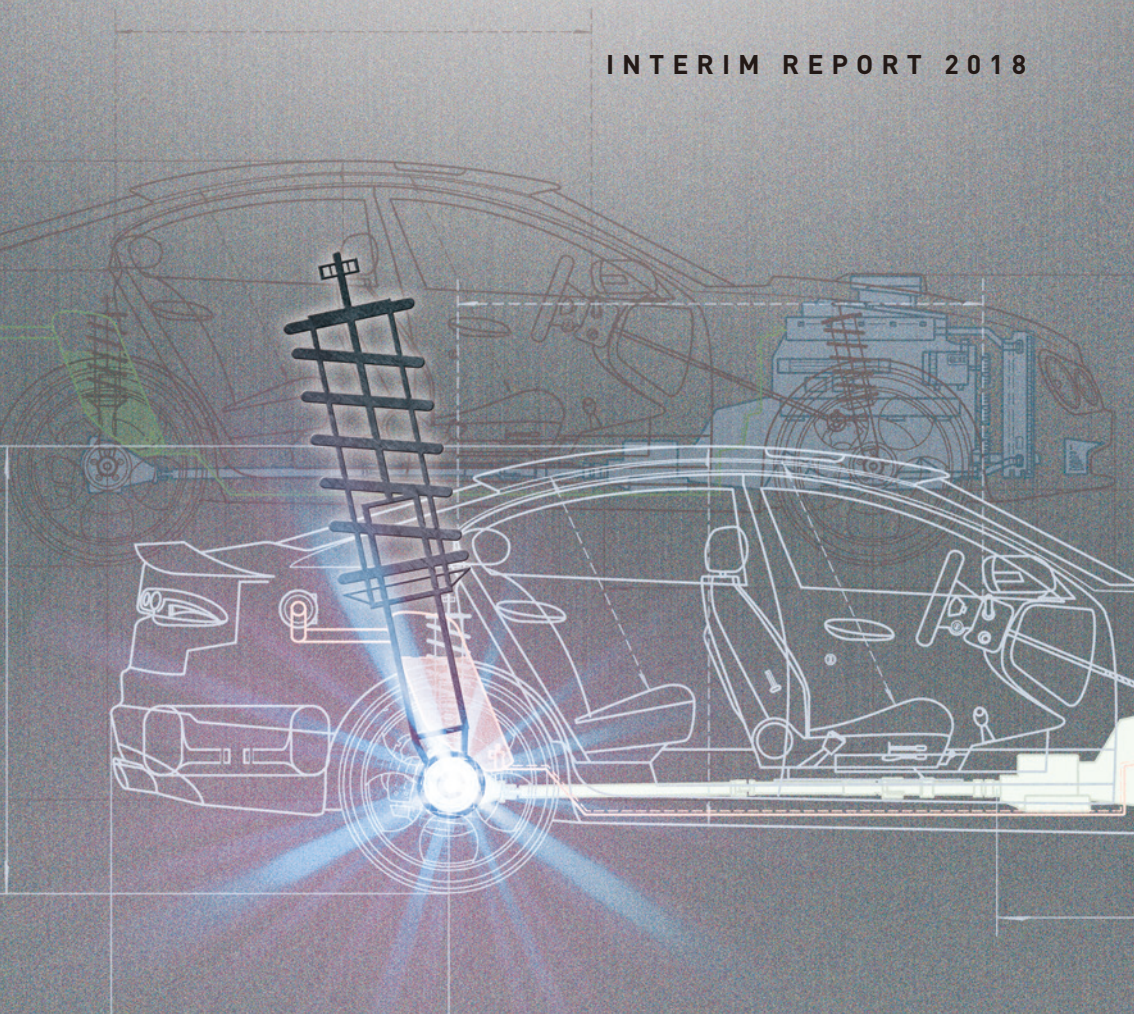


京西重工國際有限公司

BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

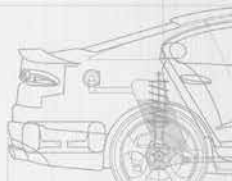
Stock Code : 2339

INTERIM REPORT 2018



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Jiang Yunan (*Chairman*)
Chen Zhouping (*Managing Director*)
Li Shaofeng (*Executive Director*)
Thomas P Gold (*Executive Director*)
Zhang Yaochun (*Non-executive Director*)
Tam King Ching, Kenny
(*Independent Non-executive Director*)
Leung Kai Cheung
(*Independent Non-executive Director*)
Yip Kin Man, Raymond
(*Independent Non-executive Director*)

EXECUTIVE COMMITTEE

Jiang Yunan (*Chairman*)
Chen Zhouping
Li Shaofeng
Thomas P Gold

AUDIT COMMITTEE

Tam King Ching, Kenny (*Chairman*)
Leung Kai Cheung
Yip Kin Man, Raymond

NOMINATION COMMITTEE

Jiang Yunan (*Chairman*)
Zhang Yaochun
Tam King Ching, Kenny
Leung Kai Cheung
Yip Kin Man, Raymond

REMUNERATION COMMITTEE

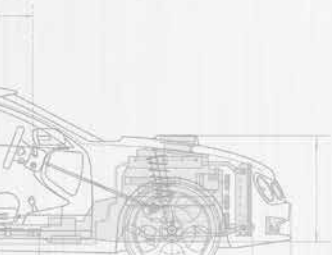
Leung Kai Cheung (*Chairman*)
Jiang Yunan
Tam King Ching, Kenny
Yip Kin Man, Raymond

COMPANY SECRETARY

Cheng Chun Shing

AUDITOR

Ernst & Young



CORPORATE INFORMATION (continued)

SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY 1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

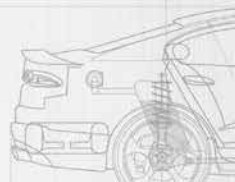
Rooms 1005-06, 10th Floor
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

STOCK CODE

2339

WEBSITE

www.bwi-intl.com.hk



INDEPENDENT REVIEW REPORT



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To the shareholders of BeijingWest Industries International Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 60, which comprise the condensed consolidated statement of financial position of BeijingWest Industries International Limited (the “Company”) and its subsidiaries (collectively the “Group”) as of 30 June 2018 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



INDEPENDENT REVIEW REPORT (continued)

CONCLUSION

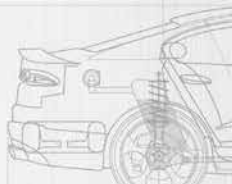
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

23 August 2018



INTERIM RESULTS

The board of directors (the “Board”) of BeijingWest Industries International Limited (the “Company”) is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2018. These interim results have been reviewed by the Company’s Audit Committee and its Auditor.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

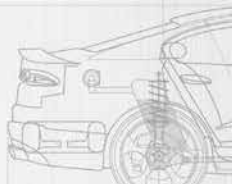
For the six months ended 30 June 2018

		Six months ended 30 June	
	Notes	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
REVENUE FROM CONTRACTS WITH CUSTOMERS			
REVENUE	4	2,018,620	1,911,805
Cost of sales		(1,650,738)	(1,548,462)
Gross profit		367,882	363,343
Other income and gains, net	4	40,753	44,478
Selling and distribution expenses		(15,806)	(18,962)
Administrative expenses		(123,624)	(149,994)
Research and development expenses		(211,821)	(240,442)
Other operating expenses, net		(2,321)	(14,009)
Finance costs	6	(7,156)	(4,871)
PROFIT/(LOSS) BEFORE TAX	5	47,907	(20,457)
Income tax expense	7	(31,871)	(9,612)
PROFIT/(LOSS) FOR THE PERIOD		16,036	(30,069)
Attributable to:			
Owners of the Company		32,647	(10,073)
Non-controlling interests		(16,611)	(19,996)
		16,036	(30,069)
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	8	5.68	(1.75)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

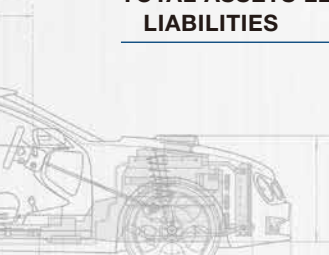
	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
PROFIT/(LOSS) FOR THE PERIOD	16,036	(30,069)
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(5,461)	83,899
<i>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:</i>		
Re-measurement income on defined benefit plans	(4,317)	5,034
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX	(9,778)	88,933
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,258	58,864
Attributable to:		
Owners of the Company	23,459	75,431
Non-controlling interests	(17,201)	(16,567)
	6,258	58,864



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

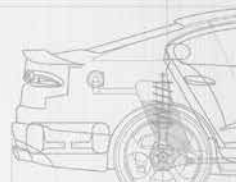
	Notes	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	650,164	680,029
Prepaid land lease payments		9,748	10,590
Goodwill		4,758	4,681
Deferred tax assets		58,851	48,007
Other non-current assets	10	164,234	33,853
Total non-current assets		887,755	777,160
CURRENT ASSETS			
Inventories	11	262,163	284,978
Trade and bills receivables	12	739,796	951,779
Prepayments, deposits and other receivables		206,300	149,043
Cash and cash equivalents	13	658,024	652,768
Total current assets		1,866,283	2,038,568
CURRENT LIABILITIES			
Trade payables	14	644,995	725,060
Other payables and accruals		321,931	312,060
Income tax payables		24,869	40,407
Bank borrowings	15	479,088	566,664
Defined benefit obligations	16	3,107	2,894
Product warranty		29,955	44,411
Contract liabilities	17	13,406	–
Total current liabilities		1,517,351	1,691,496
NET CURRENT ASSETS		348,932	347,072
TOTAL ASSETS LESS CURRENT LIABILITIES		1,236,687	1,124,232



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2018

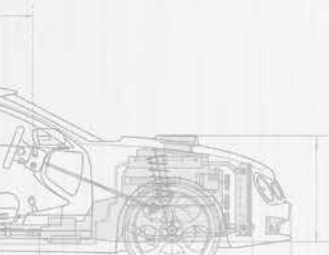
	Notes	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Other payables and accruals		13,678	13,903
Defined benefit obligations	16	90,104	86,506
Deferred tax liabilities		31,216	10,039
Loan from a holding company		459	469
Contract liabilities	17	13,952	–
Total non-current liabilities		149,409	110,917
NET ASSETS		1,087,278	1,013,315
EQUITY			
Equity attributable to owners of the Company			
Issued capital	18	57,434	57,434
Reserves		926,002	834,838
		983,436	892,272
Non-controlling interests		103,842	121,043
Total equity		1,087,278	1,013,315



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Issued capital HK\$'000	Share premium account HK\$'000	Merger reserve HK\$'000	Defined benefit plan reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
As at 31 December 2017	57,434	1,037,745	(772,332)	(16,599)	(88,109)	44,132	630,001	892,272	121,043	1,013,315
Impact of adopting HKFRS 15	-	-	-	-	4,748	-	65,411	70,159	-	70,159
Impact of adopting HKFRS 9	-	-	-	-	-	-	(2,454)	(2,454)	-	(2,454)
At 1 January 2018	57,434	1,037,745	(772,332)	(16,599)	(83,361)	44,132	692,958	959,977	121,043	1,081,020
Profit for the period	-	-	-	-	-	-	32,647	32,647	(16,611)	16,036
Other comprehensive income for the period:										
Exchange differences related to foreign operations	-	-	-	-	(4,871)	-	-	(4,871)	(590)	(5,461)
Re-measurement loss on defined benefit plans	-	-	-	(4,317)	-	-	-	(4,317)	-	(4,317)
Total comprehensive income/(loss) for the period	-	-	-	(4,317)	(4,871)	-	32,647	23,459	(17,201)	6,258
At 30 June 2018 (unaudited)	57,434	1,037,745*	(772,332)*	(20,916)*	(88,232)*	44,132*	725,605*	983,436	103,842	1,087,278

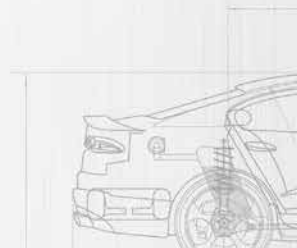


INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Issued capital HK\$'000 (note 18)	Share premium account HK\$'000	Merger reserve HK\$'000	Defined benefit plan reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2017	57,434	1,037,745	(772,332)	(16,527)	(211,315)	44,132	650,060	789,197	135,750	924,947
Loss for the period	-	-	-	-	-	-	(10,073)	(10,073)	(19,996)	(30,069)
Other comprehensive income for the period:										
Exchange differences related to foreign operations	-	-	-	-	80,470	-	-	80,470	3,429	83,899
Re-measurement income on defined benefit plans	-	-	-	5,034	-	-	-	5,034	-	5,034
Total comprehensive income/(loss) for the period	-	-	-	5,034	80,470	-	(10,073)	75,431	(16,567)	58,864
Dividend declared	-	-	-	-	-	-	(11,487)	(11,487)	-	(11,487)
At 30 June 2017 (unaudited)	57,434	1,037,745*	(772,332)*	(11,493)*	(130,845)*	44,132*	628,500*	853,141	119,183	972,324

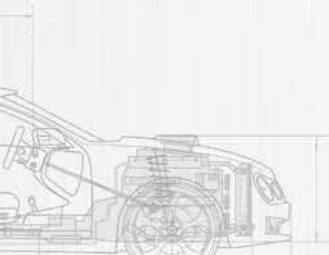
* These reserve accounts comprise the consolidated reserves of HK\$926,002,000 (30 June 2017: HK\$795,707,000) in the interim condensed consolidated statement of financial position.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

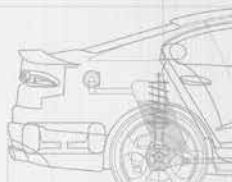
	Note	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		47,907	(20,457)
Total non-cash adjustments		70,609	65,093
Total working capital adjustments		87,037	(75,233)
<hr/>			
Net cash flows generated/(used in) from operations		205,553	(30,597)
Income tax paid		(49,989)	(25,605)
<hr/>			
Net cash flows from/(used in) operating activities		155,564	(56,202)
<hr/>			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,229	787
Purchases of items of property, plant and equipment and additions to prepaid land lease payments		(61,523)	(56,974)
Proceeds from disposals of items of property, plant and equipment		10,146	2,309
<hr/>			
Net cash flows used in investing activities		(48,148)	(53,878)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
Note		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
ACTIVITIES			
		116,787	237,213
		(192,189)	(179,119)
		(7,156)	(4,871)
Net cash flows (used in)/from financing activities		(82,558)	53,223
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		24,858	(56,857)
		652,768	517,674
	13	(19,602)	50,441
CASH AND CASH EQUIVALENTS AT END OF PERIOD		658,024	511,258
	13		



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

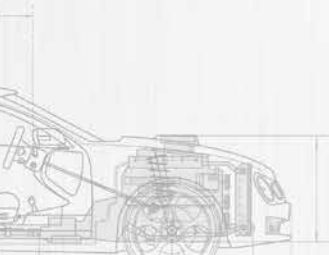
1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2018 were authorised for issue by the board of directors of the Company (the “Directors”) on 23 August 2018.

The Company was incorporated in the Cayman Islands on 21 September 2001 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY 1-1111, Cayman Islands and the shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the period, the Group was principally involved in the manufacture and sale of automotive parts and components, the trading of automotive parts and components and the provision of technical services.

As at 30 June 2018 and the date of approval of these financial statements, the immediate holding company of the Company is BWI Company Limited (“BWI (HK)”), which is incorporated in Hong Kong with limited liability. In the opinion of the Directors, the ultimate holding company is Shougang Group Co., Ltd. (formerly known as Shougang Corporation), which is a state-owned enterprise established in the People’s Republic of China (the “PRC”) and is supervised by the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality.



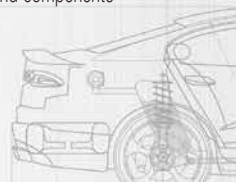
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of registration	Nominal value of issued ordinary/ authorised share capital	Percentage of attributable equity interest held by		Principal activities
			Company (%)	Group (%)	
Fair Win Express Limited	British Virgin Islands	HK\$8	100.00	–	Investment holding
Billion Million (HK) Limited	Hong Kong	HK\$1	100.00	–	Investment holding
BWI Europe Company Limited S.A.	Luxembourg	EUR32,000	–	100.00	Investment holding
BWI France S.A.S.	France	EUR2,002,500	–	100.00	Provision of research and technical services
BWI UK Limited	United Kingdom	GBP5,938,975	–	100.00	Manufacture and sale of automotive parts and components
BWI Poland Technologies sp.z.o.o	Poland	PLN55,538,150	–	100.00	Manufacture and sale of automotive parts and components
BWI Czech Republic s.r.o	Czech Republic	CZK140,000,000	–	100.00	Manufacture and sale of automotive parts and components
BWI (Shanghai) Co., Ltd.	PRC	RMB114,285,714	–	51.00	Manufacture and sale of automotive parts and components



2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with HKAS 34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

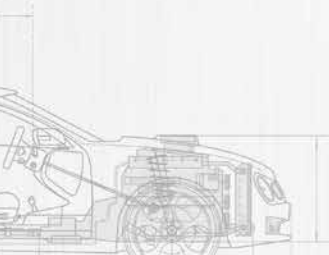
The interim condensed consolidated financial statements are presented in Hong Kong dollar ("HK\$") and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Group for the six months ended 30 June 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.



2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

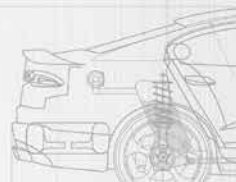
Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases, except for the results of the subsidiaries acquired pursuant to the acquisition of 51% equity interest in BWI (Shanghai) Co., Ltd., which have been consolidated since 23 January 2014.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.



2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group

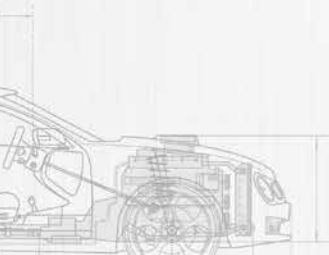
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and amendments effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

HKFRS 15 Revenue from Contracts with Customers

The Group applies, for the first time, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments*. As required by HKAS 34, the nature and effect of these changes are disclosed below.

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

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

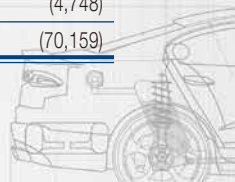
2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

The Group adopted HKFRS 15 using the modified retrospective method of adoption. The comparative information for each of the primary financial statements was presented based on the requirements of HKAS 11, HKAS 18 and related interpretations. The cumulative catch-up adjustments to the opening balance of retained earnings as at 1 January 2018, only for contracts that are not completed at the date of initial application, are recognised in the statement of changes in equity for the six months ended 30 June 2018. The effect of adopting HKFRS 15 is as follows:

	Adjustments Due to HKFRS 15	1 January 2018 Debit/(credit) (unaudited) <i>HK\$'000</i>
Condensed consolidated statement of financial position		
Assets		
Other non-current assets	(b)	98,599
Deferred tax assets	(e)	1,151
		99,750
Liabilities		
Other payables and accruals	(a)(c)	1,669
Contract liabilities	(c)	(14,505)
Deferred tax liabilities	(e)	(16,755)
		(29,591)
		70,159
Equity		
Retained earnings	(a)(b)(e)	(65,411)
Exchange fluctuation reserve	(a)(b)(e)	(4,748)
		(70,159)



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

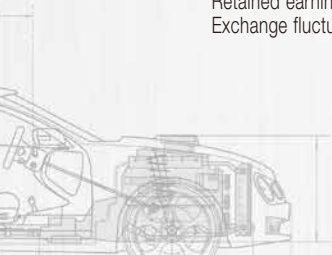
2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

The disclosure of the impact of adoption of HKFRS 15 on the condensed consolidated statement of profit or loss and the related condensed consolidated statement of financial position is as follows:

	Adjustments Due to HKFRS 15	30 June 2018 Debit/(Credit) (unaudited) HK\$'000
Condensed consolidated statements of profit or loss		
Revenue	(a)	1,291
Pre-production costs	(b)	(39,747)
Income tax	(e)	6,603
		(31,853)
Condensed consolidated statement of financial position		
Assets		
Other non-current assets	(b)	133,779
Deferred tax assets	(e)	1,835
		135,614
Liabilities		
Other payables and accruals	(a)(c)	13,406
Contract liabilities	(c)	(27,358)
Deferred tax liabilities	(e)	(23,213)
		(37,165)
		98,449
Equity		
Retained earnings	(a)(b)(e)	(97,264)
Exchange fluctuation reserve	(a)(b)(e)	(1,185)
		(98,449)



2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

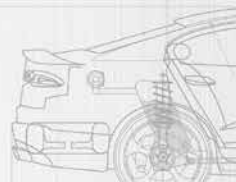
The Group's principal activities consist of manufacture and sale of automotive parts and components and provision of technical services. The impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) Sales of automotive parts and the provision of technical services

Currently, the Group entered into contracts with customers for the sale of automotive parts and the provision of technical services, such as engineering services, respectively. In prior years, revenue from sale of automotive parts was recognised when goods were delivered, title had passed and the significant risks and rewards of ownership had been transferred to the buyer, and revenue from technical services was recognised when services were completed, provided that the Group maintained neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Upon the adoption of HKFRS 15, the Group has assessed and concluded that technical services contracts and contracts for the sale of automotive parts shall be combined when 1) the contracts are negotiated with a single commercial objective; 2) the amount of consideration in one contract depends on the price or performance of the other contract; 3) the goods or services promised are a single performance obligation. Revenue from technical services are deferred and recognised as revenue over the period of related sales of automotive parts.

(b) Contract fulfilment costs

The Group incurs pre-production costs for design, testing, tooling and improving processes systems before production. Those costs were expensed as incurred in prior years. Upon adoption of HKFRS 15, the Group has assessed those costs and considers that pre-production cost shall be considered as contract fulfilment costs when 1) they relate directly to a specifically identifiable sales contract which has been confirmed by customers; 2) they generate or enhance resources that will be used in satisfying the sales contract; and (3) they are expected to be covered by future sales contract. Capitalised pre-production cost is amortised over the sales period to which such capitalised costs relate. Upon application of HKFRS 15, the pre-production costs related to uncompleted contracts as of 1 January 2018 were credited to retained earnings.



2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

(c) Advances received from customers

The Group receives advanced payments from customers related to services and the sale of automotive parts. Prior to the adoption of HKFRS 15, the Group presented these advances in other payables and accruals in the statement of financial position. Upon adoption of HKFRS 15, the Group recognised contract liabilities for the advances from customers for services or sale of automotive parts yet to be rendered or sold.

(d) Presentation and disclosure

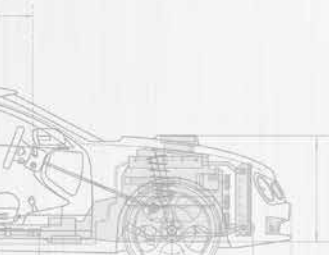
As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

(e) Other adjustment

In addition to the adjustments described above, upon adoption of HKFRS 15, deferred taxes associated with the above adjustments were also adjusted accordingly.

HKFRS 9 Financial Instruments

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



2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 9 *Financial Instruments* (continued)

Except for certain trade and other receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

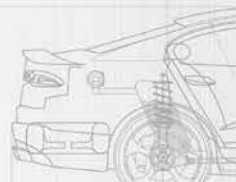
Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments'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

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

(a) *Financial instruments continue to be measured at amortised cost upon the initial application of HKFRS 9*

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

The Group's financial instruments only consist of financial assets and liabilities measured at amortised cost, therefore adopting HKFRS 9 has no impact on classification and measurement of the Group's financial statements.



2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 9 *Financial Instruments* (continued)

(b) *Impairment*

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

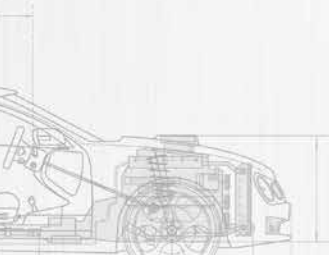
HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and bills receivables and financial assets in prepayments, deposits and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when the contractual payment is past credit period. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of HKFRS 9 resulted in increases in impairment allowance of the Group debt financial assets. The increase in allowance resulted in adjustment to retained earnings.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 9 *Financial Instruments* (continued)

Impact on the statement of financial position as at 1 January 2018:

Adjustments
Due to HKFRS 9
Debit/(credit)
(unaudited)
HK\$'000

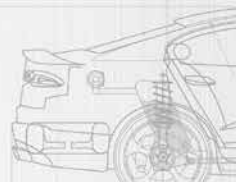
Condensed consolidated statement of financial position

Assets

Trade and bills receivables (2,454)

Equity

Retained earnings 2,454



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

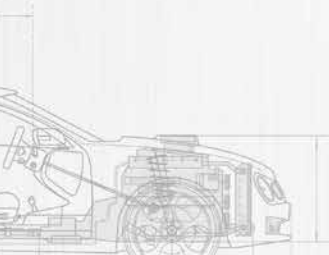
HKFRS 9 *Financial Instruments* (continued)

Impact on the statement of profit or loss and statement of financial position for the six months ended 30 June 2018:

	Adjustments Due to HKFRS 9 Debit/(credit) (unaudited) HK\$'000
Condensed consolidated statements of profit or loss	
Administrative expense	(417)
Condensed consolidated statement of financial position	
Assets	
Trade and bills receivables	(2,037)
Equity	
Retained earnings	2,037

Amendments to HKAS 40 *Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are not relevant to the Group's consolidated financial statements.



2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

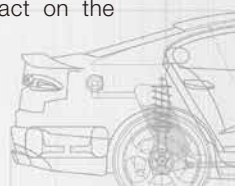
The HKASB issued amendments to HKFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction that changed its classification from cash settled to equity settled. Therefore, these amendments are not relevant to the Group's consolidated financial statements.

Amendments to HKFRS 4 Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, HKFRS 9, before implementing HKFRS 17 *Insurance Contracts*, which replaces HKFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying HKFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters

Short-term exemptions in HKFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statements.



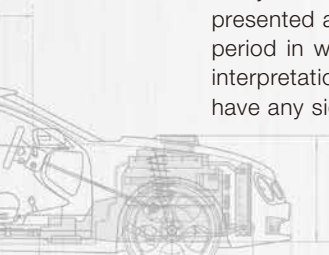
2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to HKAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiary. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group adopts the interpretation prospectively from 1 January 2018. The interpretation does not have any significant impact on the Group's financial statements.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

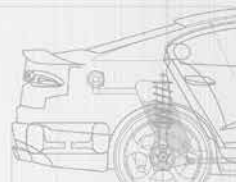
The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the interim financial information.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
Annual Improvements 2015-2017 Cycle	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2019

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

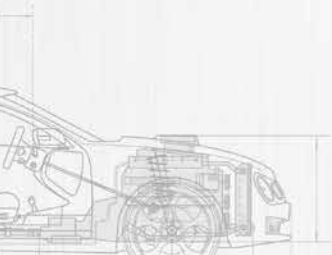
³ No mandatory effective date yet determined but available for adoption



2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

HKFRS 16, issued in May 2016, 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 recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to re-measure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption.



2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

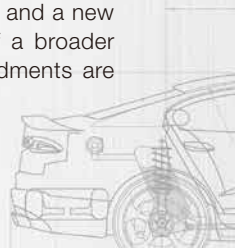
2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

HK(IFRIC)-Int 23, issued in July 2017, 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 is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

Annual Improvements 2014 - 2016 Cycle

Amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 (2011) *Investments in Associates and Joint Ventures*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. These amendments are not expected to have any significant impact on the Group.



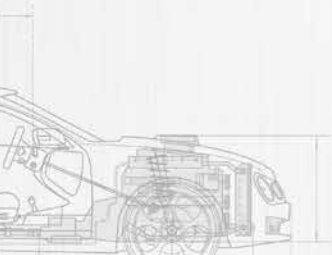
2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

Amendments under *Annual Improvements to HKFRSs 2015-2017 Cycle*

Annual Improvements to HKFRSs 2015-2017 Cycle, issued in February 2018, sets out amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23. The Group expects to adopt the amendments from 1 January 2019. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and re-measure its entire previously held interest in the joint operation at fair value.
- HKFRS 11 *Joint Arrangements*: Clarifies that when an entity that participates in (but does not have joint control of) a joint operation, obtains joint control over that joint operation that is a business, it does not re-measure the interest it previously held in that joint operation.
- HKAS 12 *Income Taxes*: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.
- HKAS 23 *Borrowing Costs*: Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sales are complete.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are organised in one single operating segment, which is the manufacture and sale of automotive parts and components. Therefore, no analysis by operating segment is presented.

Products and services

(a) Revenue from external customers

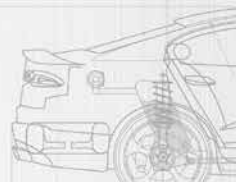
	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Product revenue	1,933,929	1,833,956
Technical service income	84,691	77,849
	2,018,620	1,911,805

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
United Kingdom	686,614	564,893
Mainland China	432,736	451,081
Germany	342,349	305,928
United States	125,771	139,604
Other countries	431,150	450,299
Total	2,018,620	1,911,805

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

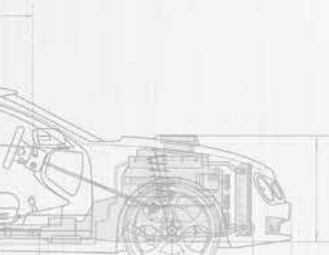
	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Poland	329,448	283,967
Mainland China	237,392	218,143
United Kingdom	77,384	74,050
Other countries	184,680	152,993
	828,904	729,153

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

During the reporting period, the revenues which were generated from two of the Group's customers and were individually accounted for more than 10% of the Group's total revenue are as follows:

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Customer A	512,263	451,616
Customer B	191,014	136,614
	703,277	588,230



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

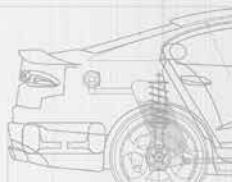
4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents: (1) the net invoiced value of goods sold, net of value-added tax and government surcharges, excluding sale taxes, and after allowance for returns and trade discounts; and (2) an appropriate proportion of contract revenue of technical and consultancy service contracts.

An analysis of the Group's revenue, other income and gains, net, is as follows:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Sale of goods	1,933,929	1,833,956
Technical service income	84,691	77,849
	2,018,620	1,911,805

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income and gains, net		
Profit from sale of scrap materials	24,263	30,220
Bank interest income	3,229	787
Royalty income	–	9,405
Exchange realignment, net	5,926	–
Gain on disposals of items of property, plant and equipment	973	21
Others	6,362	4,045
	40,753	44,478



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROFIT/(LOSS) BEFORE TAX

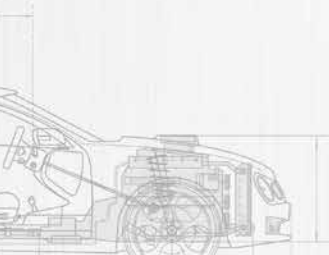
The Group's profit/(loss) before tax from operation is arrived at after charging/(crediting):

		Six months ended 30 June	
	<i>Notes</i>	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Cost of inventories sold		1,650,738	1,548,462
Depreciation	9	62,304	51,393
Amortisation of prepaid land lease payments		169	142
Minimum lease payments under operating leases:			
Buildings		1,643	1,557
Plant and equipment		25,033	24,904
Auditors' remuneration		1,971	1,474
Employee benefit expense (including directors' remuneration):			
Wages, salaries and benefits		355,906	305,024
Defined benefit obligation expenses	16	2,347	2,159
		358,253	307,183
Research and development expenses		211,821	240,442
Gain on disposals of items of property, plant and equipment, net		973	21
Impairment of trade and bills receivables, net*	12	1,846	3,325
Provision against obsolete inventories, net**	11	1,367	476
Product warranties, net		2,265	8,314
Foreign exchange differences, net***		(5,926)	12,782

* The impairment amounts of trade and bills receivables are included in "Administrative expenses" in the interim condensed consolidated statement of profit or loss.

** The provision against obsolete inventories is included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.

*** The foreign exchange loss is included in "other operating expenses" and the foreign exchange gain was included in "other operating income and gains" in the interim condensed consolidated statement of profit or loss.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. FINANCE COSTS

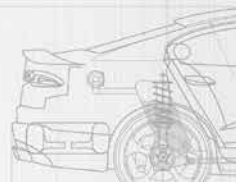
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank loans wholly repayable within five years	7,156	4,871

7. INCOME TAX

No provision for Hong Kong profits tax have been made for the six months ended 30 June 2018 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2017: nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates. Rates of income tax prevailing in the countries in which the Group operates include:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Luxembourg	27.1%	19.0%
Poland	19.0%	19.0%
United Kingdom	19.0%	20.0%
France	33.3%	33.3%
Germany	29.8%	26.6%
Italy	27.9%	27.9%
Mainland China (<i>note (i)</i>)	15.0%	15.0%
Czech	19.0%	19.0%

- (i) In accordance with the relevant tax laws in the PRC, the subsidiary located in Mainland China was subject to a preferential corporate income tax rate of 15% on its taxable income for the periods ended 30 June 2018 and 2017.



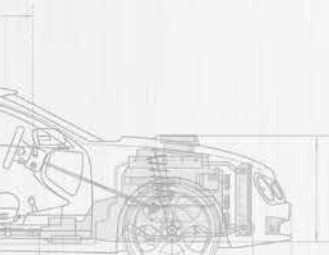
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INCOME TAX (continued)

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Group:		
Current	34,451	17,721
Deferred	(2,580)	(8,109)
Tax charge for the period	(31,871)	9,612

A reconciliation of the tax expense applicable to profit/(loss) before tax at the Hong Kong statutory rate to the tax expense at the effective tax rate is as follows:

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit/(Loss) before tax	47,907	(20,457)
Income tax charge at the Company's statutory tax rate of 16.5%	7,906	(3,376)
Effect of different income tax rates for foreign operations	11,264	2,913
Tax losses not recognised as deferred tax assets	7,561	9,106
Expenses not deductible for tax purposes	5,140	969
Tax charge at the effective rate	31,871	9,612



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

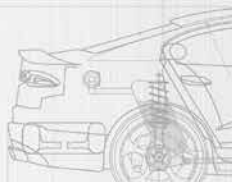
8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the company, and the weighted average number of ordinary shares of 574,339,068 (six months ended 30 June 2017: 574,339,068) in issue during the period.

No diluted earnings per share amounts are presented for the six months ended 30 June 2018 and 2017 as the Company did not have any outstanding dilutive potential ordinary shares during the period and the prior period.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
At beginning of the period/year: Net carrying amount	680,029	552,150
Additions	61,523	199,811
Depreciation provided during the period/year	(62,304)	(107,817)
Disposals	(280)	(50,157)
Impairment	–	(1,779)
Exchange realignment	(28,804)	87,821
At end of the period/year: Net carrying amount	650,164	680,029



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. OTHER NON-CURRENT ASSETS

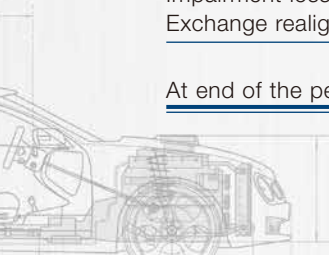
	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Contract performance deposits	30,455	33,853
Contract cost	133,779	–
	164,234	33,853

11. INVENTORIES

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Raw materials	174,596	199,825
Work in progress	41,181	30,295
Finished goods	66,376	73,920
	282,153	304,040
Provision for impairment	(19,990)	(19,062)
	262,163	284,978

The movements in the provision for impairment of inventories are as follows:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
At beginning of the period/year	(19,062)	(13,472)
Impairment losses recognised, net (note 5)	(1,367)	(4,212)
Exchange realignment	439	(1,378)
At end of the period/year	(19,990)	(19,062)



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

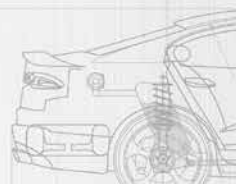
12. TRADE AND BILLS RECEIVABLES

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Trade and bills receivables	753,927	961,847
Impairment	(14,131)	(10,068)
Total	739,796	951,779

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for the customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has control to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within 3 months	723,974	934,053
3 months to 1 year	15,822	17,726
Total	739,796	951,779



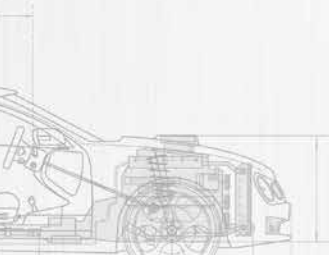
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. TRADE AND BILLS RECEIVABLES (continued)

The movements in provision for impairment of trade and bills receivables are as follows:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
At beginning of the period/year	(10,068)	(12,134)
HKFRS 9 Impact	(2,454)	–
Impairment losses (recognised)/reversed, net (note 5)	(1,846)	785
Amount written off as uncollectible	–	2,428
Exchange realignment	237	(1,147)
	<hr/>	<hr/>
At end of the period/year	(14,131)	(10,068)

Included in the provision for impairment of trade and bills receivables are provision for individually impaired trade receivables of HK\$12,094,000 with an aggregate carrying amount before provision of HK\$344,466,000 as at 30 June 2018. The individually impaired trade receivables relate to customers that were in unexpected financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.



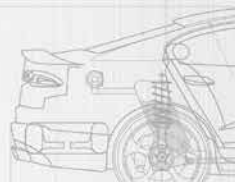
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. CASH AND CASH EQUIVALENTS

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Cash and bank balances denominated in:		
Euro ("EUR")	313,207	270,242
Hong Kong Dollar	16,712	25,271
United States Dollar ("USD")	236,360	248,789
Great Britain Pound Sterling ("GBP")	17,498	11,558
Polish Zloty ("PLN")	3,270	2,110
Czech Koruna ("CZK")	1,532	1,473
Renminbi ("RMB")	68,879	92,921
Singapore Dollar	12	12
Taiwan Dollar	554	392
	658,024	652,768

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. There was no restricted cash as at 30 June 2018 and 31 December 2017.

The carrying amount of the cash and cash equivalents approximates to their fair value.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. TRADE PAYABLES

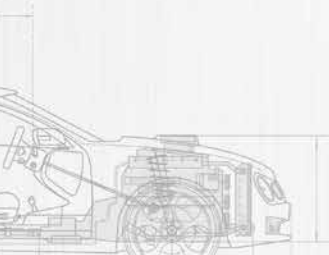
An ageing analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within 3 month	566,792	686,184
3 to 6 months	24,393	15,217
6 to 12 months	36,458	5,498
Over 12 months	17,352	18,161
	644,995	725,060

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 120 days.

15. BANK BORROWINGS

	<i>Notes</i>	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Bank loans, unsecured	<i>(a)</i>	479,088	566,664
Analysed into, repayable:			
Within one year		479,088	566,664
Total bank borrowings	<i>(b)</i>	479,088	566,664
Portion classified as current liabilities		(479,088)	(566,664)
Non-current portion		-	-



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. BANK BORROWINGS (continued)

Notes:

- (a) The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

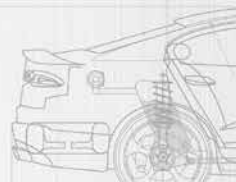
	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
EUR	315,994	328,299
RMB	119,163	217,345
PLN	43,747	20,933
USD	184	87
	479,088	566,664

- (b) The bank loan denominated in EUR as at 30 June 2018 bore interest at rates of 1 month EURIBOR plus 1.20% per annum or 1 month EURIBOR plus 2.20% per annum (31 December 2017: 1 month EURIBOR plus 1.20% per annum or 1 month EURIBOR plus 2.20% per annum).

The bank loan denominated in RMB as at 30 June 2018 bore interest at rates ranging from 4.35 to 4.70% per annum (31 December 2017: from 3.92% to 4.35% per annum).

The bank loan denominated in PLN as at 30 June 2018 bore interest at rates of 1 month WIBOR plus 2.00% per annum (31 December 2017: 1 month WIBOR plus 2.20% per annum).

The bank loan denominated in USD as at 30 June 2018 bore interest at rates of 1 month LIBOR plus 2.20% per annum (31 December 2017: 1 month LIBOR plus 2.20% per annum).



16. DEFINED BENEFIT OBLIGATIONS

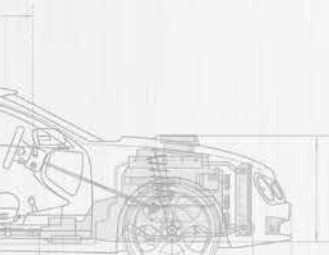
The Group have defined benefit pension plans, covering substantially all of its qualified employees in Poland, France and Germany. The amount of employee benefit obligations recognised in the statement of financial position represented the present value of the unfunded obligations.

The defined benefit obligations were determined based on actuarial valuation performed by Towers Watson Consulting Company Limited and Factum Sp.z o.o. Towers Watson Consulting Company Limited is an independent actuary, whose registered office is located at 11th Floor, Kerry Center, 1515 West Nanjing Road, Shanghai, the PRC. Factum Sp.z o.o is an independent actuary in Poland, whose registered office is located at Al. Solidarity 82A/37, 01-003 Warsaw, Poland. Both actuaries used the projected unit credit method.

The components of net benefit expenses in profit or loss and the amounts recognised in the interim condensed consolidated statement of financial position are summarised as follows:

- (a) The provisions for defined benefit obligations recognised in the interim condensed consolidated statement of financial position are shown as follows:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Present value of unfunded obligations	93,211	89,400
Portion classified as current liabilities	(3,107)	(2,894)
Non-current portion	90,104	86,506



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

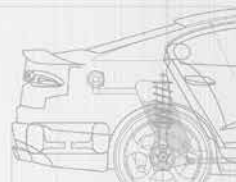
16. DEFINED BENEFIT OBLIGATIONS (continued)

(b) The movements of the defined benefit obligations are as follows:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
At beginning of the period/year	89,400	78,744
Current service costs	1,232	(142)
Interest cost on benefit obligations	1,115	1,895
Benefits paid during the period/year	(863)	(2,093)
Re-measurement (income)/loss recognised in other comprehensive income	6,567	(2,869)
Exchange realignment	(4,240)	13,865
	<hr/> 93,211 <hr/>	<hr/> 89,400 <hr/>

(c) The net expenses recognised in the interim condensed consolidated statement of profit or loss are analysed as follows:

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current service costs	1,232	1,245
Interest cost on benefit obligations	1,115	914
	<hr/> 2,347 <hr/>	<hr/> 2,159 <hr/>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

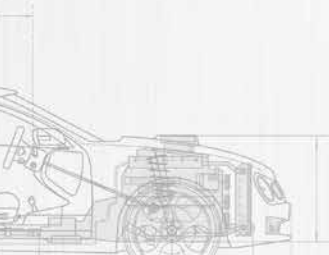
17. CONTRACT LIABILITIES

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Current Portion:		
Advance from customer	13,406	–
Non-current portion:		
Deferred revenue	13,952	–
	27,358	–

18. SHARE CAPITAL

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
574,339,068 ordinary shares of HK\$0.10 each	57,434	57,434

The Company did not have any share option scheme during the six months ended 30 June 2018.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its property, plant and equipment under operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years (for the year ended 31 December 2017: one to fifteen years).

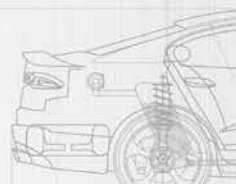
At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Within one year	22,870	26,358
In the second to fifth years, inclusive	92,685	87,334
After fifth years	86,567	90,045
	202,122	203,737

20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Contracted, but not provided for:		
Plant and machinery	106,719	88,210



21. LITIGATION

As at 30 June 2018, the Group has the following outstanding litigation:

We were involved in a litigation against the Group in December 2010, and the Directors are of view that it shall not have any material adverse effect on the Group and no provision was made in respect thereof in the Group’s consolidated financial statements for the period ended 30 June 2018.

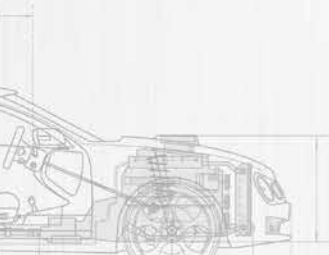
22. CONTINGENT LIABILITIES

At 30 June 2018, the Group did not have any significant contingent liabilities.

23. RELATED PARTY DISCLOSURES

The related companies with which the Group had transactions and/or balances were as follows:

Name of the related companies	Relationship with the Group
BeijingWest Industries Co., Ltd (“BWI”)	The intermediate holding company
BWI (HK)	The immediate holding company
BWI North America Inc.	A fellow subsidiary
BWI Company Limited S.A.	A fellow subsidiary
Shougang Concord International Enterprises Company Limited (“Shougang Concord International”)	An associate of the controlling shareholder
Beijing Shougang Automation Information Technology Co., Ltd. (“Shougang Automation”)	A fellow subsidiary
BWI Indiana Inc.	A fellow subsidiary
Vehicle Stability Technology, S.A. de C.V. Mexico	A fellow subsidiary
BWI Vehicle Dynamics Sales and Service, S.DE R.L.DE C.V	A fellow subsidiary



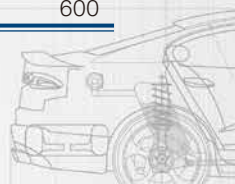
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. RELATED PARTY DISCLOSURES (continued)

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the interim financial information, the Group had the following material transactions with related parties during the period:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of goods to:		
BWI North America Inc.	10,584	5,633
BWI	1,018	1,724
BWI (HK)	694	–
	12,296	7,357
Technical services provided to:		
BWI North America Inc.	21,806	52,808
BWI	17,574	9,405
BWI Indiana Inc.	5,255	–
BWI Vehicle Dynamics Sales and Service, S.DE R.L.DE C.V	177	–
Vehicle Stability Technology, S.A. de C.V. Mexico	30	–
	44,842	62,213
Purchases of goods from:		
BWI	1,999	2,398
BWI North America Inc.	207	4
	2,206	2,402
Management and technical services provided by:		
BWI North America Inc.	93,193	149,270
BWI	12,024	10,430
Shougang Automation	65	2,632
	105,282	162,332
Royalty provided by:		
BWI	656	916
Company secretary service fee paid to:		
Shougang Concord International	337	600



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. RELATED PARTY DISCLOSURES (continued)

(a) Transactions with related parties (continued)

In the opinion of the Directors, the above transactions arose from the ordinary course of the Group's business and were conducted in accordance with mutually agreed terms.

(b) Balances with related parties

	Notes	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Amounts due from fellow subsidiaries	(i)		
BWI North America Inc.		11,293	21,005
BWI Company Limited S.A.		2,031	2,076
BWI Indiana Inc.		1,777	231
		15,101	23,312
Amount due from a holding company	(ii)		
BWI		59,712	41,755
Amounts due to fellow subsidiaries	(iii)		
BWI North America Inc.		60,536	49,302
Shougang Automation		379	1,907
		60,915	51,209
Amount due to a holding company	(iv)		
BWI		23,695	33,875
Long term loan due to a holding company:	(v)		
BWI (HK)		459	469
Dividend payable due to a holding company:			
BWI		42,460	43,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties (continued)

Notes:

- (i) The amounts due from fellow subsidiaries included in the Group's current assets are unsecured, interest-free and have no fixed terms of repayment.
- (ii) The amount due from a holding company included in the Group's current assets is unsecured, interest-free and has no fixed terms of repayment.
- (iii) The amounts due to fellow subsidiaries included in the Group's current liabilities are unsecured, interest-free and have no fixed terms of repayment.
- (iv) The amount due to a holding company included in the Group's current liabilities is unsecured, interest-free and has no fixed terms of repayment.
- (v) The long term loan due to a holding company included in the Group's non-current liabilities is unsecured and bears interest at a rate of 4.758% per annum.

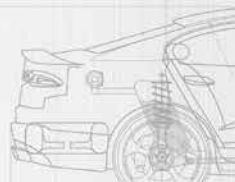
The related party transactions disclosed above also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Short term employee benefits	3,711	3,337
Pension scheme contributions	157	153
Total compensation paid to key management personnel	3,868	3,490

24. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at 30 June 2018 and 31 December 2017 were debt instruments stated at amortised cost.

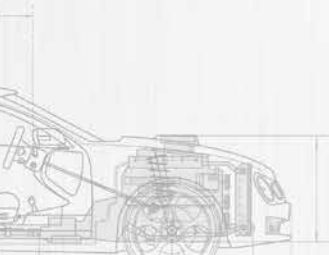


NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Financial assets				
Trade and bills receivables	739,796	951,779	739,796	951,779
Financial assets included in prepayments, deposits and other receivables	21,250	22,178	21,250	22,178
Due from fellow subsidiaries	15,101	23,312	15,101	23,312
Due from a holding company	59,712	41,755	59,712	41,755
Cash and cash equivalents	658,024	652,768	658,024	652,768
	1,493,883	1,691,792	1,493,883	1,691,792
Financial liabilities				
Trade payables	(644,995)	(725,060)	(644,995)	(725,060)
Financial liabilities included in other payables and accruals	(108,427)	(47,877)	(108,427)	(47,877)
Due to fellow subsidiaries	(60,915)	(51,209)	(60,915)	(51,209)
Due to a holding company	(23,695)	(33,875)	(23,695)	(33,875)
Dividends payable to BWI	(42,460)	(43,000)	(42,460)	(43,000)
Bank borrowings	(479,088)	(566,664)	(479,088)	(566,664)
Long term loan from a holding company	(459)	(469)	(459)	(469)
	(1,360,039)	(1,468,154)	(1,360,039)	(1,468,154)
	133,844	223,638	133,844	223,638



25. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation results are reviewed and approved by the senior management twice a year for financial reporting purposes.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

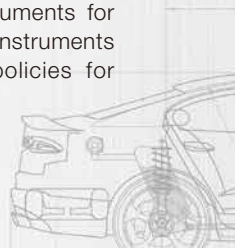
Management has assessed that the fair values of the above short term financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the long term financial instruments have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risks as at 30 June 2018 and 31 December 2017 were assessed to be insignificant.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing borrowings and cash and bank balances. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. Senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the Directors holds meetings regularly to analyse and approve the proposals made by senior management of the Company. The Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are recognised below.



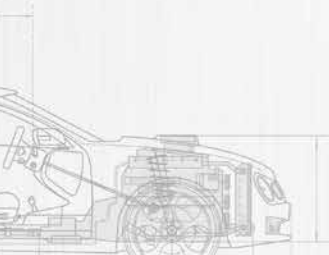
26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions in currencies other than the units' functional currency. The Group does not enter into any hedging transactions in order to reduce the Group's exposure to foreign currency risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the EUR, RMB, USD, GDP and PLN exchange rates, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities). In the opinion of the Directors, as the currency exposures arising from possible changes in other currencies will not have any significant financial impact on the Group's equity, the relative sensitivity is not disclosed.

	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in (loss)/profit before tax Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
If HK\$ strengthens against EUR	10%	(12,992)	(48,203)
If HK\$ weakens against EUR	(10%)	12,992	48,203
If HK\$ strengthens against RMB	10%	2,783	(20,443)
If HK\$ weakens against RMB	(10%)	(2,783)	20,443
If HK\$ strengthens against USD	10%	(21,971)	(10,140)
If HK\$ weakens against USD	(10%)	21,971	10,140
If HK\$ strengthens against GBP	10%	4,632	(6,769)
If HK\$ weakens against GBP	(10%)	(4,632)	6,769
If HK\$ strengthens against PLN	10%	12,459	(6,325)
If HK\$ weakens against PLN	(10%)	(12,459)	6,325



26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

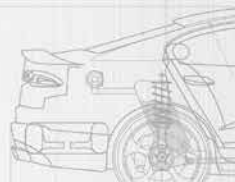
The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group only trades with third parties recognised to be creditworthy, no pledge of assets is required from customers. Concentrations of credit risk are managed by analysis by customer.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 12 to the interim financial information.

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.



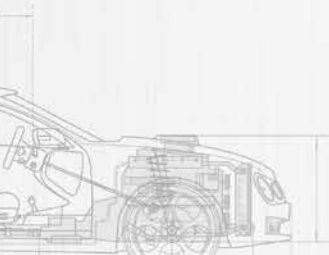
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on the current rates at the end of the reporting period.

	Within 1 year HK\$'000	Over 3 years HK\$'000	Total HK\$'000
30 June 2018 (unaudited)			
Trade payables	644,995	–	644,995
Financial liabilities included in other payables and accruals	108,427	–	108,427
Due to a holding company	23,695	–	23,695
Due to fellow subsidiaries	60,915	–	60,915
Dividends payable to BWI	42,460	–	42,460
Bank borrowings	479,088	–	479,088
Long term loan from a holding company	–	459	459
	1,359,580	459	1,360,039
31 December 2017 (audited)			
Trade payables	725,060	–	725,060
Financial liabilities included in other payables and accruals	51,619	–	51,619
Due to fellow subsidiaries	51,209	–	51,209
Due to a holding company	33,875	–	33,875
Dividends payable to BWI	43,000	–	43,000
Bank borrowings	566,664	–	566,664
Long term loan from a holding company	–	469	469
	1,471,427	469	1,471,896



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new ordinary shares or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the six months ended 30 June 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Net debt is calculated as the total of trade payables, financial liabilities included in trade payables, amounts due to fellow subsidiaries, amounts due to a holding company, dividends payable to a holding company and non-controlling shareholders, a long-term loan from a holding company and bank borrowings and less cash and cash equivalents. Equity represents attributable to owners of the Company.

	30 June 2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)
Trade payables	644,995	725,060
Financial liabilities included in other payables and accruals	108,427	47,877
Due to fellow subsidiaries	60,915	51,209
Due to a holding company	23,695	33,875
Dividends payable to BWI	42,460	43,000
Long term loan from a holding company	459	469
Bank borrowings	479,088	566,664
Less: Cash and cash equivalents	(658,024)	(652,768)
Net debt	702,015	815,386
Equity	1,087,278	1,013,315
Net debt and equity	1,789,293	1,828,701
Gearing ratio	39.23%	44.59%



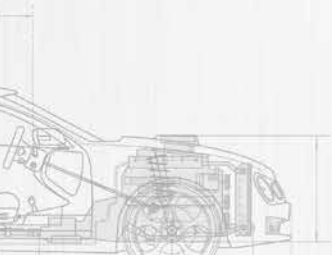
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. EVENT AFTER THE REPORTING PERIOD

The Group is going to dispose of 51% equity interest in BWI (Shanghai) Co., Ltd., a 51% owned subsidiary of the Group, to BWI (HK), the immediate holding company of the Company, for a consideration of RMB132,300,000 (the “Disposal”). The Disposal was approved by the independent shareholders of the Company at the extraordinary general meeting held on 26 July 2018.

28. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the Directors on 23 August 2018.



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

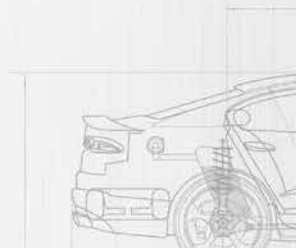
BeijingWest Industries International Limited (the “Company”) and its subsidiaries (collectively the “Group”) involves in manufacture, sales and trading of automotive parts and components as well as provision of technical services. The core products of the Group are suspension products and brake products.

(1) Suspension Business

The Group’s automotive suspension products are mainly utilized on premium passenger vehicles, which are manufactured by our plants in Europe. There are two major plants in Poland and the United Kingdom (“UK”), which manufacture and assemble suspension products for their customers. The total capacity in terms of number of dampers produced approximate to 11.5 million units. A new plant in the Czech Republic commenced production in the second quarter of year 2017, in which the total designed capacity in terms of number of dampers produced approximate to 4 million units. However, the new plant would not make profit contribution to the Group before the plant reaches the optimal production status. By all means, the Group will try to expedite the process of reaching the designed capacity of the new plant so as to generate profit contribution as soon as possible.

The Group develops and maintains strong relationships with its customers, who are mainly well-known European automobile manufacturers, therefore the Group well understands the technical requirements of our customers and has the expertise on the manufacturing process for premium passenger vehicles.

The Group purchases its raw materials and components mainly from the suppliers in Europe, which are selected based on certain factors, including the history of relationship with the Group, quality and price of the products, delivery time, and after-sales services. The Group maintains stable relationships with its major suppliers and does not rely on any single supplier for any type of raw materials and components.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

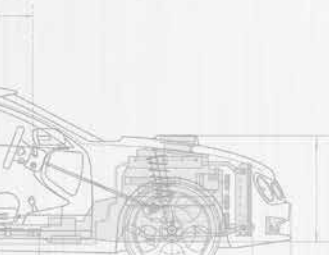
OPERATIONAL REVIEW (continued)

(2) Brake Business

The brake products of the Group have broad applications in both sedans and full-size sport utility vehicles. The Group is one of the leading suppliers in the People's Republic of China ("PRC") of automobile brake components and systems. Our customers include some of the world's largest automobile manufacturers with operation in the PRC as well as domestic automobile manufacturers.

Since acquisition of the control of the brake business, owing to changes in market conditions and consumers' demand which were not anticipated at the time of the acquisition, the domestic automobile manufacturers in the PRC have experienced severe competitions from import products from overseas manufacturers and joint venture automobile manufacturers, resulting in certain major customers of the brake business postponed or reduced their purchases due to unsatisfactory sales performance of certain automobile models. The downturn in the sales resulted in the brake business recording operation loss in 2017 as well as in the first half of 2018. The adverse market condition will continue with no sight of recovery in the near future.

As the brake business is loss-making, discussions were held with BeijingWest Industries Co., Ltd. ("BWI"), the controlling shareholder of the Company, on the proposal of disposing the 51% interests in the brake business to BWI in May 2018. The proposed disposal will serve to streamline the Group's operation and enable the Group to focus on other sectors in the automobile parts and components market that offer a better return on investment. Please refer to the circular of the Company and announcement dated 10 July 2018 and 26 July 2018 respectively for further information.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

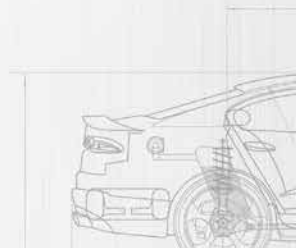
Revenue

For the period ended 30 June 2018, the Group recorded revenue of HK\$1,933.93 million from manufacture and sales of suspension and brake products (period ended 30 June 2017: HK\$1,833.96 million), which increased when comparing to the period ended 30 June 2017 mainly due to increased orders from certain existing customers and favourable exchange rates movement. Upon the completion of the proposed disposal of the 51% interests in the brake business, the Group expects that the revenue of the Group in second half of 2018 will decrease as it will no longer record revenue from sales of brake products. However, following the commencement of production of the new plant in the Czech Republic in second quarter of year 2017, the Group expects revenue from sales of suspension products will increase in a steady pace and the increase in revenue from sales of suspension products will partially set off the decrease in revenue from sales of brake products.

For the period ended 30 June 2018, the Group also recorded HK\$84.69 million in provision of technical services (period ended 30 June 2017: HK\$77.85 million).

Gross Profit and Gross Profit Margin

For the period ended 30 June 2018, the gross profit and gross profit margin for the suspension and brake products were HK\$367.88 million and 18.2% respectively (period ended 30 June 2017: HK\$363.34 million and 19.0% respectively). The gross profit increased mainly due to increased orders from certain existing customers and favourable exchange rates movement, while the gross profit margin decreased as a result of higher usage of raw materials and change in product mix. In addition, lower profit margin was observed from our new plant in the Czech Republic at its commencement stage, which also had a slight impact on the overall gross profit margin. However, the Group expects the plant in the Czech Republic will be able to achieve a higher gross profit margin in the coming future when the production volume ramps up and the utilization of raw materials and production efficiency improve due to economy of scale.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Other Income

Other income of the Group for the period ended 30 June 2018 decreased by 8.4% to HK\$40.75 million (period ended 30 June 2017: HK\$44.48 million), which was mainly contributed by the decrease in profit from sale of scrap materials.

Selling and Distribution Expenses

Selling and distribution expenses of the Group for the period ended 30 June 2018 decreased by 16.6% to HK\$15.81 million (period ended 30 June 2017: HK\$18.96 million), mainly due to decrease in warranty expenses. Selling and distribution expenses mainly consisted of delivery expenses, salary and welfare for sales personnel and warranty expenses.

Administrative Expenses

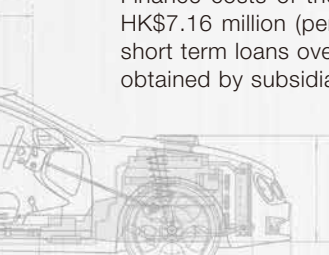
Administrative expenses of the Group for the period ended 30 June 2018 decreased by 17.6% to HK\$123.62 million (period ended 30 June 2017: HK\$149.99 million), mainly due to decrease in management service fee. Administrative expenses mainly consisted of salaries for administrative staff and management service fee charged by related companies.

Research and Development Expenses

Research and development expenses of the Group for the period ended 30 June 2018 decreased by 11.9% to HK\$211.82 million (period ended 30 June 2017: HK\$240.44 million), mainly due to tighten cost control and the adoption of Hong Kong Financial Reporting Standard 15. During the period ended 30 June 2018, HK\$39.75 million of pre-production cost previously included in the research and development expenses was capitalised as contract cost under other non-current assets as a result of the adoption of Hong Kong Financial Reporting Standard 15. These pre-production activities were mainly carried out for uncompleted sales orders received in previous years, and the respective products were expected to be launched in near future. Research and development expenses in the income statement mainly consisted of salaries for technical staff and service fee charged by related companies.

Finance Costs

Finance costs of the Group for the period ended 30 June 2018 increased by 46.9% to HK\$7.16 million (period ended 30 June 2017: HK\$4.87 million), attributed to increase in short term loans over the period. Finance costs mainly represented interest on bank loans obtained by subsidiaries in Europe and the PRC.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Profit/(Loss) for the Period Attributable to Equity Owners of the Company

For the period ended 30 June 2018, profit for the period attributable to equity owners of the Company approximate to HK\$32.65 million (period ended 30 June 2017: loss for the period attributable to equity owners of the Company of HK\$10.07 million). The turnaround from loss to profit is mainly due to decrease in administrative expenses and research and development expenses abovementioned.

Liquidity and Financial Resources

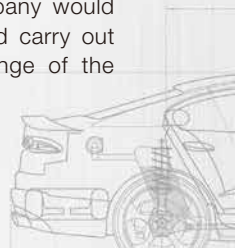
Our business requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials, capital spending, research and development and other operating expenses. The working capital and other capital requirements were satisfied principally by cash generated from internal operations, and moderate level of bank loans as well.

The Group was operating in a net cash inflow position for the period ended 30 June 2018, in which net cash generated from operating activities amounted to HK\$155.56 million (period ended 30 June 2017: net cash used in operating activities HK\$56.20 million). As at 30 June 2018, the Group maintained cash and bank balances of HK\$658.02 million (as at 31 December 2017: HK\$652.77 million).

Indebtedness

As at 30 June 2018, the Group had bank borrowings of HK\$479.09 million (31 December 2017: HK\$566.66 million), in which HK\$130.67 million (31 December 2017: HK\$114.99 million) obtained by subsidiaries in Europe were denominated in Euro ("EUR") with an interest of 1 Month EURIBOR plus 2.20% per annum (31 December 2017: 1 Month EURIBOR plus 2.20% per annum), United States Dollar ("US\$") with an interest of 1 Month LIBOR plus 2.20% per annum (31 December 2017: 1 Month LIBOR plus 2.20% per annum) and Polish Zloty ("PLN") with an interest of 1 Month WIBOR plus 2.00% per annum (31 December 2017: 1 Month WIBOR plus 2.20% per annum); and the remaining bank borrowings of HK\$348.42 million (31 December 2017: HK\$451.67 million) were denominated in Renminbi ("RMB") with an interest of 4.35% to 4.70% per annum (31 December 2017: 3.92% to 4.35% per annum) and EUR with an interest of 1 Month EURIBOR plus 1.20% per annum (31 December 2017: 1 Month EURIBOR plus 1.20% per annum).

The Group's gearing ratio (measured as total bank borrowings over total assets) as at 30 June 2018 was 17.40% (as at 31 December 2017: 20.12%). The Company would keep monitoring the financial and liquidity position of the Group closely, and carry out appropriate financing strategy for the Group in accordance with the change of the financial market from time to time.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Pledge of Assets

As at 30 June 2018 and 31 December 2017, there were no assets of the Group being pledged.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in EUR and the local currencies of our operations, which include PLN, Great Britain Pound Sterling ("GBP"), Czech Koruna ("CZK") and RMB. Some transactions would also be denominated in US\$. The Group will closely monitor the foreign exchange market and take appropriate and effective measures from time to time to reduce any negative impact from exchange-rate risk to the furthest extent.

Capital and Other Commitments

Save as disclosed in note 20 in the notes to financial statements, the Group and the Company had no other commitments as at 30 June 2018 and 31 December 2017.

Contingent Liabilities

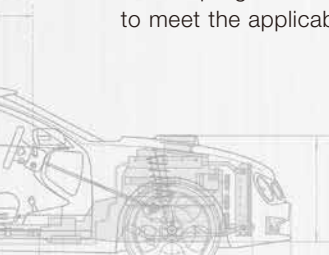
As at 30 June 2018, the Group and the Company did not have any significant contingent liabilities.

OTHER INFORMATION

Environmental, Health and Safety

The Group is dedicated to protecting the health of people, natural resources and the global environment, and has adopted the hazardous material control program and chemical material assessment procedures. The Group has obtained all necessary permits under applicable environmental protection laws for its production facilities.

The Group strictly complies with the laws and regulations that exert great influence on the Group such as various environmental protection laws relating to emissions to land, air and water and waste production from its production facilities. Various hazardous material control programs and chemical material assessment procedures have also been adopted to meet the applicable legal requirements.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OTHER INFORMATION (continued)

Environmental, Health and Safety (continued)

The Group also emphasizes the health and safety of its employees and is committed to providing a safe and healthy working environment for the benefits of its staff. In order to reduce the contact with occupational hazard factors of employees, the Group provides training of occupational health and safety and prevention and control of occupational disease for all relevant employees. The Group also adopted human resources policies, which provide the health and safety initiatives such as: (i) identifying and communicating health and safety initiatives; (ii) monitoring trends in statistics for occupational injuries or illnesses; (iii) complying with health and safety regulations; and (iv) promoting incident reduction through investigation, assessments, corrective actions and proactive intervention. The Group has also complied with applicable social, health and work safety laws and regulations in all material aspects.

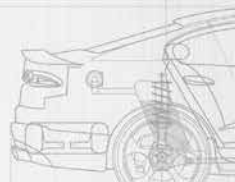
The Group also emphasizes continuous learning and hopes employees can grow together with the Group. Diversified training and development opportunities are provided for all employees to help them reach their full potential.

Prospects

During the period under review, the Group involved in the manufacture and sales of automotive parts and components and trading of automotive parts and components in Europe and the PRC.

The Group relies on passenger vehicle manufacturers as customers or potential customers of its products. Its financial performance largely depends on the continuing growth of the automotive industry in Europe. Overall market demand for cars may be affected by factors such as regional economic conditions, fuel price and end customers' expectations on future economic situation. These factors are beyond the Group's control, and may affect the annual production of automobiles by passenger vehicle manufacturers, which possibly in turn affect the sales and profitability of the Group's products.

The Group will keep moving forward and aim to maintain a solid and healthy growth and development. Despite the continued pricing pressure from customers and the increase in commodity prices, the Group is capable of maintaining its gross profit margin at a reasonable level. While the global automotive industry is still expected to maintain stable growth, the Group is confident that with new business awarded from previous years, it will be able to maintain a steady growth, and with the commencement of production of these new sales orders, the situation will be improved in the near future.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

OTHER INFORMATION (continued)

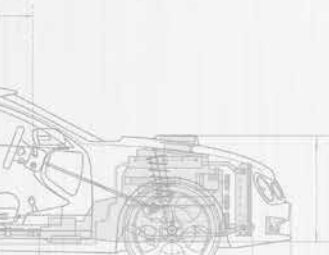
Prospects (continued)

The Group believes that the continuing investment on research and development as well as engineering activities is vitally significant for the Group to maintain and improve its leadership position in the industry. It would contribute greatly to the improvement of the Group's competitiveness over other competitors. Meanwhile, it keeps evolving in the automotive industry, with more changes from the customers. To keep pace with our customers, the Group will endeavor to collaborate closely with the vehicle manufacturers and develop innovative solutions to better serve our customers.

With a view to improve long-term profitability and shareholders' value, the Company will also seriously evaluate and review the business of the Group, and optimize the business structure of the Group by acquisition or restructuring of operations appropriately. In addition, the Group will continue to seek potential acquisition opportunities in abroad to strengthen its revenue base and improve its profitability.

Employees and Remuneration Policy

As at 30 June 2018, the Group had approximately 1,440 (30 June 2017: 1,095) full-time employees, of which 580 (30 June 2017: 291) were working in the Company's subsidiary in the PRC and 860 (30 June 2017: 804) were working in the Company and Company's subsidiaries in Europe. During the period ended 30 June 2018, the total employees' cost was HK\$358.25 million (period ended 30 June 2017: HK\$307.18 million). Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by the management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group has defined benefit pension plans covering substantially all of its qualified employees in Poland, France and Germany. The Group has also adopted a mandatory provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for its employees in Hong Kong, as well as retirement benefits plans under respective laws and regulations in the PRC.



INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2018 (2017: Nil).

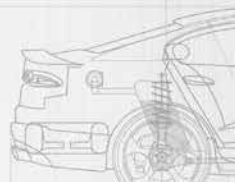
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the period under review.

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

As at 30 June 2018, none of the Directors or chief executives of the Company, or their respective associates had any personal, family, corporate and other interests or short positions 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 and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

No right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2018.



INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2018, according to the register kept by the Company under Section 336 of the SFO, the following companies had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the issued share capital of the Company as at 30.06.2018	Note
BWI Company Limited ("BWI HK")	Beneficial owner	301,842,572	52.55%	1
北京京西重工有限公司 (BeijingWest Industries Co., Ltd. *) ("BWI")	Interests of controlled corporation	301,842,572	52.55%	1
北京房山國有資產經營 有限責任公司 (Beijing Fangshan State-owned Assets Management Co. Ltd. *) ("Beijing Fangshan")	Interests of controlled corporation	301,842,572	52.55%	1
首鋼集團有限公司 (Shougang Group Co., Ltd. *) ("Shougang Group")	Interests of controlled corporation	301,842,572	52.55%	1

* For identification purpose only

Note:

1. BWI HK was a wholly owned subsidiary of BWI. BWI was held as to 55.45% by Shougang Group and as to 44.55% by Beijing Fangshan. Accordingly, the interests held by BWI HK, BWI, Shougang Group and Beijing Fangshan were the same block of shares of the Company.

Save as disclosed above, as at 30 June 2018, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

On 6 June 2014, the shareholders of the Company adopted a new share option scheme (the “Share Options Scheme”), which would be valid for a period of ten years and became effective on 18 June 2014 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the Share Options Scheme.

No share option has been granted under the Share Options Scheme since its adoption. Accordingly, as at 30 June 2018, there was no share option outstanding under the Share Options Scheme.

AUDIT COMMITTEE

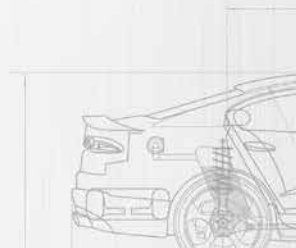
The Company has engaged the Auditor to assist the Audit Committee to review the 2018 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 15 August 2018 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2018.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions throughout the six months ended 30 June 2018.



DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The following is the change in the information of Directors since the date of the 2017 Annual Report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. Leung Kai Cheung, an Independent Non-executive Director of the Company, resigned as independent non-executive director of Shougang Concord International Enterprises Company Limited ("SCIE") with effect from the conclusion of the annual general meeting of SCIE held on 18 May 2018.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the period.

By Order of the Board
Jiang Yunan
Chairman

Hong Kong, 23 August 2018

