INTERIM REPORT 2019

BWI INTERNATIONAL

京西重工國際有限公司

BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

Stock Code : 2339

CONTENTS

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)* Yip Kin Man, Raymond *(Independent Non-executive Director)* Chan Pat Lam *(Independent Non-executive Director)*
EXECUTIVE COMMITTEE	Jiang Yunan *(Chairman)* Chen Zhouping Li Shaofeng Thomas P Gold
AUDIT COMMITTEE	Tam King Ching, Kenny *(Chairman)* Yip Kin Man, Raymond Chan Pat Lam
NOMINATION COMMITTEE	Jiang Yunan *(Chairman)* Zhang Yaochun Tam King Ching, Kenny Yip Kin Man, Raymond Chan Pat Lam
REMUNERATION COMMITTEE	Yip Kin Man, Raymond *(Chairman)* Jiang Yunan Tam King Ching, Kenny Chan Pat Lam
COMPANY SECRETARY	Cheng Chun Shing
AUDITOR	Ernst & Young

CORPORATE INFORMATION (continued)

SHARE REGISTRAR	Tricor Investor Services Limited Level 54, 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
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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 condensed consolidated financial statements set out on pages 6 to 55, which comprise the condensed consolidated statement of financial position of BeijingWest Industries International Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and other 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 condensed consolidated financial statements 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 ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements 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 HKICPA. A review of interim condensed consolidated financial statements 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.

CONCLUSION

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

Ernst & Young
Certified Public Accountants

Hong Kong

26 August 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**1,414,123**	2,018,620
Cost of sales		**(1,119,696)**	(1,650,738)
Gross profit		**294,427**	367,882
Other income and gains, net	*4*	**24,035**	40,753
Selling and distribution expenses		**(18,025)**	(15,806)
Administrative expenses		**(90,910)**	(121,778)
Impairment losses on financial assets, net		**125**	(1,846)
Research and development expenses		**(141,552)**	(211,821)
Other operating expenses, net		**(1,129)**	(2,321)
Finance costs	*6*	**(5,909)**	(7,156)
PROFIT BEFORE TAX	*5*	**61,062**	47,907
Income tax expense	*7*	**(37,501)**	(31,871)
PROFIT FOR THE PERIOD		**23,561**	16,036
Attributable to:			
Owners of the Company		**23,561**	32,647
Non-controlling interests		**–**	(16,611)
		23,561	16,036
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	*8*	**4.10**	5.68

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**23,561**	16,036
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,528)**	(5,461)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement loss on defined benefit plans	**(6,562)**	(4,317)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(9,090)**	(9,778)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**14,471**	6,258
Attributable to:		
Owners of the Company	**14,471**	23,459
Non-controlling interests	**–**	(17,201)
	14,471	6,258

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019 (unaudited) *HK$'000***	31 December 2018 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**458,863**	474,595
Right-of-use assets		**176,128**	–
Prepaid land lease payments		**–**	9,590
Goodwill		**4,431**	4,455
Deferred tax assets		**33,395**	32,105
Other non-current assets	*10*	**184,064**	146,411
Total non-current assets		**856,881**	667,156
CURRENT ASSETS			
Inventories	*11*	**172,274**	171,789
Trade receivables	*12*	**417,323**	387,696
Prepayments, other receivables and other assets		**172,150**	212,790
Cash and cash equivalents	*13*	**594,296**	727,912
Total current assets		**1,356,043**	1,500,187
CURRENT LIABILITIES			
Trade payables	*14*	**362,845**	383,379
Other payables and accruals	*15*	**161,291**	193,538
Income tax payables		**18,665**	42,669
Bank borrowings	*16*	**306,796**	349,366
Defined benefit obligations	*17*	**2,694**	2,888
Lease liabilities		**37,259**	–
Loan from a holding company		**444**	–
Provision		**18,046**	16,543
Total current liabilities		**908,040**	988,383
NET CURRENT ASSETS		**448,003**	511,804
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,304,884**	1,178,960

	Notes	30 June 2019 (unaudited) HK$'000	31 December 2018 (audited) HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals	*15*	**35,107**	38,664
Defined benefit obligations	*17*	**95,351**	85,872
Deferred tax liabilities		**40,919**	34,617
Lease liabilities		**134,137**	–
Loan from a holding company		**–**	448
Total non-current liabilities		**305,514**	159,601
NET ASSETS		**999,370**	1,019,359
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*18*	**57,434**	57,434
Reserves		**941,936**	961,925
Total equity		**999,370**	1,019,359

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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$'000*	Total Equity *HK$'000*
At 1 January 2019 (audited)	57,434	1,037,745	(772,332)	(20,195)	(129,584)	44,132	802,159	1,019,359
Profit for the period	-	-	-	-	-	-	23,561	23,561
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	(2,528)	-	-	(2,528)
Remeasurement loss on defined benefit plans	-	-	-	(6,562)	-	-	-	(6,562)
Total comprehensive income for the period	-	-	-	(6,562)	(2,528)	-	23,561	14,471
Dividend declared	-	-	-	-	-	-	(34,460)	(34,460)
At 30 June 2019 (unaudited)	57,434	1,037,745*	(772,332)*	(26,757)*	(132,112)*	44,132*	791,260*	999,370

* These reserve accounts comprise the consolidated reserves of HK$941,936,000 (30 June 2018: HK$926,002,000) in the interim condensed consolidated statement of financial position as at 30 June 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2019

	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 31 December 2017 (audited)	57,434	1,037,745	(772,332)	(16,599)	(88,109)	44,132	630,001	892,272	121,043	1,013,315
Effect of adopting HKFRS 15	–	–	–	–	4,748	–	65,411	70,159	–	70,159
Effect 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 on translation of foreign operations	–	–	–	–	(4,871)	–	–	(4,871)	(590)	(5,461)
Remeasurement loss on defined benefit plans	–	–	–	(4,317)	–	–	–	(4,317)	–	(4,317)
Total comprehensive income 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 CASH FLOWS

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**61,062**	47,907
Total non-cash adjustments		**47,691**	70,609
Total working capital adjustments		**(75,893)**	87,037
Cash generated from operations		**32,860**	205,553
Income tax paid		**(55,339)**	(49,989)
Net cash flows (used in)/from operating activities		**(22,479)**	155,564
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**7,506**	3,229
Purchases of items of property, plant and equipment		**(30,869)**	(61,523)
Proceeds from disposals of items of property, plant and equipment		**13,685**	10,146
Net cash flows used in investing activities		**(9,678)**	(48,148)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**5,045**	116,787
Repayment of bank loans		**(44,068)**	(192,189)
Interest paid		**(3,570)**	(7,156)
Principal portion of lease payments		**(21,749)**	–
Dividend Paid		**(34,460)**	–
Net cash flows used in financing activities		**(98,802)**	(82,558)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2019

		Six months ended 30 June	
	Note	**2019**	2018
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(130,959)**	24,858
Cash and cash equivalents at beginning of period	*13*	**727,912**	652,768
Effect of foreign exchange rate changes, net		**(2,657)**	(19,602)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*13*	**594,296**	658,024

1. CORPORATE AND GROUP INFORMATION

The interim condensed consolidated financial statements of BeijingWest Industries International Limited ("the Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2019 were authorised for issue by the board of directors of the Company (the "Directors") on 26 August 2019.

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 were principally involved in the manufacture, sale and trading of automotive parts and components, and provision of technical services.

As at 30 June 2019 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., 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.

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2019 has 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 information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

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.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

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

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

2.2 Changes in accounting policies and disclosures (continued)

Other than as explained below regarding the impact of HKFRS 16 *Lease* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. There is no lease where the Group is the lessor.

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

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

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

New definition of a lease

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

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

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, buildings, motor vehicles, and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., duplicators); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the statement of financial position.

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

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *HK$'000* (Unaudited)
Assets	
Increase in right-of-use assets	196,750
Decrease in prepaid land lease payments	(9,590)
Decrease in prepayments, other receivables and other assets	(5,933)
Increase in total assets	181,227
Liabilities	
Increase in lease liabilities	191,574
Decrease in other payables and accruals	(10,347)
Increase in total liabilities	181,227

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

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

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

	HK$'000 (Unaudited)
Operating lease commitments as at 31 December 2018	214,727
Weighted average incremental borrowing rate as at 1 January 2019	2.62%
Discounted operating lease commitments as at 1 January 2019	191,646
Less: Commitments relating to short-term leases	(33)
Commitments relating to leases of low-value assets	(39)
Lease liabilities as at 1 January 2019	191,574

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

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

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

Summary of new accounting policies (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

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

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right of Use Assets					
	Land	**Buildings**	**Motor vehicles**	**Other equipment**	**Sub-total**	**Lease liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2019	9,590	149,478	3,523	34,159	196,750	191,574
Additions	–	–	564	181	745	–
Depreciation charge *(note 5)*	(155)	(14,131)	(1,368)	(4,638)	(20,292)	–
Interest expense *(note 6)*	–	–	–	–	–	2,339
Payments	–	–	–	–	–	(21,749)
Exchange realignment	(105)	(824)	(12)	(134)	(1,075)	(768)
As at 30 June 2019	9,330	134,523	2,707	29,568	176,128	171,396

The Group recognised rental expenses from short-term leases of HK$33,000 and leases of low-value assets of HK$39,000 for the six months ended 30 June 2019.

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

2.2 Changes in accounting policies and disclosures (continued)

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

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 these financial statements.

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

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

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 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. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

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

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.

Set out below is the disaggregated revenue information for revenue from contracts with customers:

(a) Type of goods or services

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Product revenue	**1,331,640**	1,933,929
Technical service income	**82,483**	84,691
	1,414,123	2,018,620

3. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information

(i) Revenue from external customers

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
United Kingdom	**557,983**	686,614
Mainland China	**20,982**	432,736
Germany	**340,937**	342,349
United States	**109,238**	125,771
Other countries	**384,983**	431,150
Total	**1,414,123**	2,018,620

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

(ii) Non-current assets

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Poland	**424,465**	374,564
Czech	**258,420**	160,579
United Kingdom	**125,300**	87,419
Other countries	**15,301**	12,489
	823,486	635,051

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

3. OPERATING SEGMENT INFORMATION (continued)

(c) Timing of revenue recognition

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Goods and services transferred at a point in time	**1,369,041**	1,952,331
Services transferred over time	**45,082**	66,289
Total revenue from contracts with customers	**1,414,123**	2,018,620

(d) Information about major customers

During the reporting period, the Group's customers whose revenue was individually accounted for more than 10% of the Group's total revenue were as follows:

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Customer A	**407,176**	512,263
Customer B	**203,947**	191,014
	611,123	703,277

4. OTHER INCOME AND GAINS, NET

An analysis of other income and gains, net is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Other income and gains, net		
Profit from sale of scrap materials, prototypes and samples	**11,111**	24,263
Bank interest income	**7,506**	3,229
Exchange realignment, net	**–**	5,926
Gain on disposals of items of property, plant and equipment	**4,216**	973
Government grants	**34**	5,314
Others	**1,168**	1,048
Other income and gains, net	**24,035**	40,753

5. PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Cost of sales		**1,119,696**	1,650,738
Depreciation of property, plant and equipment	9	**33,242**	62,304
Amortisation of prepaid land lease payments		**–**	169
Depreciation of right-of-use assets	2.2	**20,292**	–
Minimum lease payments under operating leases:			
Buildings		**–**	1,643
Plant and equipment		**31**	25,033
Auditors' remuneration		**1,095**	1,971
Employee benefit expense (including directors' remuneration):			
Wages, salaries and benefits		**244,073**	355,906
Defined benefit obligation expenses	17	**2,493**	2,347
		246,566	358,253
Research and development expenses		**141,552**	211,821
Less: Staff costs included as research and development costs		**73,311**	85,812
Research and development costs, net of staff costs		**68,241**	126,009
Gain on disposals of items of property, plant and equipment, net		**4,216**	973
Impairment of trade receivables, net*	12	**(42)**	1,846
Impairment of prepayment, other receivables and other assets, net*		**(83)**	–
Impairment of inventories**	11	**94**	1,367
Product warranties, net		**5,905**	2,265
Foreign exchange differences, net***		**1,054**	(5,926)

* The net impairment amounts of trade receivables and prepayments, other receivables and other assets are included in "Impairment losses on financial assets, net" in the interim condensed consolidated statement of profit or loss.

** The impairment of 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 is included in "Other operating income and gains" in the interim condensed consolidated statement of profit or loss.

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank loans wholly repayable within five years	**3,570**	7,156
Interest on lease liabilities *(note 2.2)*	**2,339**	–
	5,909	7,156

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2019 (six months ended 30 June 2018: 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	
	2019	2018
	(unaudited)	(unaudited)
Luxembourg	**24.9%**	27.1%
Poland	**19.0%**	19.0%
United Kingdom	**19.0%**	19.0%
France	**31.0%**	33.3%
Germany	**29.8%**	29.8%
Italy	**27.5%**	27.9%
Mainland China *(note (i))*	**15.0%**	15.0%
Czech	**19.0%**	19.0%

(i) In accordance with the relevant tax laws in the PRC, the subsidiary BWI (Shanghai) Co., Ltd. ("BWI (Shanghai)") located in Mainland China was subject to a preferential corporate income tax rate of 15% on its taxable income for the six months ended 30 June 2018. BWI (Shanghai) was disposed of in August 2018. No provision for Mainland China income tax was made for the six months ended 30 June 2019.

7. INCOME TAX (continued)

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Group:		
Current	**31,577**	34,451
Deferred	**5,924**	(2,580)
Tax charge for the period	**37,501**	31,871

A reconciliation of the tax expense applicable to profit 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	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before tax	**61,062**	47,907
Income tax charge at the Company's statutory tax rate of 16.5%	**10,075**	7,906
Effect of different income tax rates for foreign operations	**1,905**	11,264
Income not subject to tax	**(1,942)**	(1,594)
Tax losses not recognised as deferred tax assets	**6,261**	7,561
Expenses not deductible for tax purposes	**6,808**	6,734
Withholding tax	**14,394**	–
Tax charge at the effective rate	**37,501**	31,871

8. EARNINGS 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 2018: 574,339,068) in issue during the period.

No diluted earnings per share amounts were presented for the six months ended 30 June 2019 and 2018 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 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At beginning of the period/year:		
Net carrying amount	**474,595**	680,029
Additions	**30,121**	167,271
Disposal of a subsidiary	**–**	(207,048)
Depreciation provided during the period/year *(note 5)*	**(33,242)**	(103,643)
Disposals	**(9,469)**	(36,730)
Exchange realignment	**(3,142)**	(25,284)
At end of the period/year:		
Net carrying amount	**458,863**	474,595

10. OTHER NON-CURRENT ASSETS

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Contract performance deposits	**28,844**	26,457
Prepayment for property, plant and equipment	**17,733**	–
Pre-production cost	**152,744**	134,748
	199,321	161,205
Within one year	**(15,257)**	(14,794)
	184,064	146,411

11. INVENTORIES

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Raw materials	**125,398**	129,590
Work in progress	**18,716**	20,020
Finished goods	**38,221**	32,162
	182,335	181,772
Provision for impairment	**(10,061)**	(9,983)
	172,274	171,789

11. INVENTORIES (continued)

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At beginning of the period/year	**(9,983)**	(19,062)
Impairment losses recognised, net *(note 5)*	**(94)**	(943)
Disposal of a subsidiary	**–**	9,292
Exchange realignment	**16**	730
At end of the period/year	**(10,061)**	(9,983)

12. TRADE RECEIVABLES

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**420,330**	390,739
Impairment	**(3,007)**	(3,043)
Total	**417,323**	387,696

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 analysis by customer. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. They are stated net of provisions.

12. TRADE RECEIVABLES (continued)

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

	30 June 2019 ***HK$'000*** **(unaudited)**	31 December 2018 *HK$'000* (audited)
Within 3 months	**414,371**	386,619
3 months to 1 year	**2,071**	1,077
Over 1 year	**881**	–
	417,323	387,696

The movements in the loss allowance for impairment of trade receivables are as follows:

	30 June 2019 ***HK$'000*** **(unaudited)**	31 December 2018 *HK$'000* (audited)
At beginning of the period/year	**(3,043)**	(10,068)
Effect of adoption of HKFRS 9	**–**	(2,140)
Impairment losses reversed/(recognised), net *(note 5)*	**42**	(5,972)
Exchange realignment	**(6)**	1,212
Disposal of a subsidiary	**–**	13,925
At end of the period/year	**(3,007)**	(3,043)

12. TRADE RECEIVABLES (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

Impairment as at 30 June 2019

	In Due	**Over Due**	**Total**
Expected credit loss rate	**0.50%**	**24.81%**	**0.72%**
Carrying amount (HK$'000)	**416,606**	**3,724**	**420,330**
Expected credit losses (HK$'000)	**2,083**	**924**	**3,007**

Impairment as at 31 December 2018

	In Due	Over Due	Total
Expected credit loss rate	0.5%	74.15%	0.78%
Carrying amount (HK$'000)	389,260	1,479	390,739
Expected credit losses (HK$'000)	1,946	1,097	3,043

13. CASH AND CASH EQUIVALENTS

	30 June 2019 ***HK$'000*** **(unaudited)**	31 December 2018 *HK$'000* (audited)
Cash and bank balances denominated in:		
United States Dollar ("USD")	**332,141**	375,938
Euro ("EUR")	**240,481**	325,226
British Pound Sterling ("GBP")	**10,965**	18,460
Hong Kong Dollar	**5,598**	6,720
Polish Zloty ("PLN")	**4,461**	1,414
Czech Koruna ("CZK")	**596**	107
Renminbi ("RMB")	**42**	35
Singapore Dollar	**12**	12
	594,296	727,912

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 2019 and 31 December 2018.

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

14. TRADE PAYABLES

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 3 month	**360,265**	381,100
3 to 6 months	**1,926**	1,121
6 to 12 months	**10**	23
Over 12 months	**644**	1,135
	362,845	383,379

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

15. OTHER PAYABLES AND ACCRUALS

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contract liabilities *(note (a))*	**53,130**	57,025
Other payables and accruals *(note (b))*	**95,243**	89,344
Other tax payables	**22,487**	39,946
Due to fellow subsidiaries *(note 21(c)(iii))*	**24,127**	34,100
Due to a holding company *(note 21(c)(iv))*	**1,411**	11,787
	196,398	232,202
Portion classified as current liabilities	**(161,291)**	(193,538)
Non-current portion	**35,107**	38,664

Notes:

(a) Contract liabilities represent deferred engineering technical service revenue which will be recognised as revenue during the volume production of the corresponding products.

(b) Other payables are unsecured, non-interest-bearing and repayable on demand.

16. BANK BORROWINGS

		30 June 2019	31 December 2018
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Bank loans, unsecured	*(a)*	**306,796**	349,366
Analysed into, repayable:			
Within one year		**306,796**	349,366
Total bank borrowings	*(b)*	**306,796**	349,366
Portion classified as current liabilities		**(306,796)**	(349,366)
Non-current portion		**–**	–

Notes:

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
EUR	**258,111**	269,183
PLN	**48,685**	43,764
USD	**–**	36,419
	306,796	349,366

(b) The bank loans denominated in EUR as at 30 June 2019 bore interest at rates of 1-month EURIBOR plus 1.20% per annum or 1-month EURIBOR plus 2.50% per annum (31 December 2018: 1-month EURIBOR plus 1.20% per annum or 1 month EURIBOR plus 2.20% per annum).

The bank loan denominated in PLN as at 30 June 2019 bore interest at rate of 1-month WIBOR plus 2.00% per annum (31 December 2018: 1-month WIBOR plus 2.00% per annum).

The bank loan denominated in USD as at 31 December 2018 bore interest at rate of 1-month LIBOR plus 2.20% per annum.

17. DEFINED BENEFIT OBLIGATIONS

The Group has 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 valuations performed by Wills Towers Watson Consulting Company Limited, FACTUM S.C. and Sbp, independent actuaries located in Germany, Poland and France, respectively, using the projected unit credit method.

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Present value of unfunded obligations	**98,045**	88,760
Portion classified as current liabilities	**(2,694)**	(2,888)
Non-current portion	**95,351**	85,872

17. DEFINED BENEFIT OBLIGATIONS (continued)

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

	30 June 2019 *HK$'000* **(unaudited)**	31 December 2018 *HK$'000* (Audited)
At beginning of the period/year	**88,760**	89,400
Current service costs	**1,567**	633
Interest cost on benefit obligations	**926**	1,569
Benefits paid during the period/year	**(966)**	(2,446)
Remeasurement loss recognised in other comprehensive income*	**7,566**	4,528
Exchange realignment	**192**	(4,924)
At end of the period/year	**98,045**	88,760

* Deferred tax assets of HK$1,004,000 (31 December 2018: HK$932,000) were recognised for the remeasurement losses. The remeasurement losses after deferred tax amounted to HK$6,562,000 (31 December 2018: HK$3,596,000), which were recognised in other comprehensive income.

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

	Six months ended 30 June	
	2019 *HK$'000* **(unaudited)**	2018 *HK$'000* (unaudited)
Current service costs	**1,567**	1,232
Interest cost on benefit obligations	**926**	1,115
Net benefit expenses *(note 5)*	**2,493**	2,347

18. SHARE CAPITAL

	30 June 2019 ***HK$'000*** **(unaudited)**	31 December 2018 *HK$'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 issue any new ordinary share during the six months ended 30 June 2019.

19. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 ***HK$'000*** **(unaudited)**	31 December 2018 *HK$'000* (audited)
Contracted, but not provided for:		
Plant and machinery	**95,874**	52,566

20. CONTINGENT LIABILITIES

At 30 June 2019, the Group did not have any significant contingent liabilities.

21. 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 (Shanghai) Co., Ltd.	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

21. RELATED PARTY DISCLOSURES (continued)

(a) Transactions with related parties

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sale of goods to:		
BWI North America Inc.	**4,840**	10,584
BWI	**602**	1,018
BWI (HK)	**4**	694
BWI Indiana Inc.	**16**	–
	5,462	12,296
Technical services provided to:		
BWI North America Inc.	**24,080**	21,806
BWI	**10,863**	17,574
BWI Indiana Inc.	**19,028**	5,255
BWI Vehicle Dynamics Sales and Service, S.DE R.L.DE C.V	**88**	177
Vehicle Stability Technology, S.A. de C.V. Mexico	**85**	30
BWI (Shanghai) Co., Ltd.	**1,015**	–
	55,159	44,842
Purchases of goods from:		
BWI	**1,493**	1,999
BWI North America Inc.	**9**	207
	1,502	2,206
Management and technical services provided by:		
BWI North America Inc.	**71,229**	93,193
BWI	**8,164**	12,024
Shougang Automation	**–**	65
	79,393	105,282
Royalty provided by:		
BWI	**2,052**	656
Company secretary service fee paid to:		
Shougang Concord International	**–**	337
Administrative service fee paid to:		
BWI (HK)	**600**	–

21. 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) Other transactions with related parties

Certain interest-bearing bank loans of the Group in an aggregate amount of HK$222,064,000 as at 30 June 2019 (31 December 2018: HK$224,396,000) were supported by a letter of comfort issued by Shougang Group Co., Ltd.

(c) Outstanding balances with related parties

		30 June 2019 ***HK$'000*** **(unaudited)**	31 December 2018 *HK$'000* (audited)
Amounts due from fellow subsidiaries	*(i)*		
BWI North America Inc.		**11,572**	19,826
BWI Company Limited S.A.		**–**	1,983
BWI (Shanghai) Co., Ltd.		**1,998**	989
BWI Indiana Inc.		**6,356**	10,589
		19,926	33,387
Amounts due from holding companies	*(ii)*		
BWI		**70,863**	66,788
BWI (HK)		**1,966**	868
		72,829	67,656
Amounts due to fellow subsidiaries	*(iii)*		
BWI North America Inc.		**24,127**	34,041
BWI Vehicle Dynamics Sales and Service, S.DE R.L.DE C.V		**–**	59
		24,127	34,100
Amount due to a holding company	*(iv)*		
BWI		**1,411**	11,787
Short-term loan due to a holding company	*(v)*		
BWI (HK)		**444**	–
Long-term loan due to a holding company	*(vi)*		
BWI (HK)		**–**	448

21. RELATED PARTY DISCLOSURES (continued)

(c) Outstanding 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 amounts due from holding companies included in the Group's current assets are unsecured, interest-free and have 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 short-term loan due to a holding company included in the Group's current liabilities is unsecured and bears interest at a rate of 2.500% per annum.

(vi) 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.

(d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term employee benefits	**3,558**	3,711
Pension scheme contributions	**170**	157
Total compensation paid to key management personnel	**3,728**	3,868

22. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at 30 June 2019 and 31 December 2018 were debt instruments stated at amortised cost.

23. 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 2019 *HK$'000* (unaudited)	31 December 2018 *HK$'000* (audited)	**30 June 2019 *HK$'000* (unaudited)**	31 December 2018 *HK$'000* (audited)
Financial assets				
Trade receivables	**417,323**	387,696	**417,323**	387,696
Financial assets included in prepayments, deposits and other assets	**14,509**	6,410	**14,509**	6,410
Due from fellow subsidiaries	**19,926**	33,387	**19,926**	33,387
Due from holding companies	**72,829**	67,656	**72,829**	67,656
Cash and cash equivalents	**594,296**	727,912	**594,296**	727,912
Other non-current assets	**28,844**	26,457	**28,844**	26,457
	1,147,727	1,249,518	**1,147,727**	1,249,518
Financial liabilities				
Trade payables	**(362,845)**	(383,379)	**(362,845)**	(383,379)
Financial liabilities included in other payables and accruals	**(34,602)**	(58,547)	**(34,602)**	(58,547)
Due to fellow subsidiaries	**(24,127)**	(34,100)	**(24,127)**	(34,100)
Due to a holding company	**(1,411)**	(11,787)	**(1,411)**	(11,787)
Bank borrowings	**(306,796)**	(349,366)	**(306,796)**	(349,366)
Lease liabilities	**(171,396)**	–	**(171,396)**	–
Short-term loan from a holding company	**(444)**	–	**(444)**	–
Long-term loan from a holding company	**–**	(448)	**–**	(448)
	(901,621)	(837,627)	**(901,621)**	(837,627)
	246,106	411,891	**246,106**	411,891

23. 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 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 2019 and 31 December 2018 were assessed to be insignificant.

24. 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 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 hold meetings regularly to analyse and approve the proposals made by senior management of the Company. Generally, 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.

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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the EUR, USD, GBP and PLN exchange rates, with all other variables held constant, of the Group's profit 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 profit before tax Six months ended 30 June**	
		2019	2018
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
If HK$ strengthens against EUR	10%	**(12,970)**	(12,992)
If HK$ weakens against EUR	(10%)	**12,970**	12,992
If HK$ strengthens against USD	10%	**(29,409)**	(21,971)
If HK$ weakens against USD	(10%)	**29,409**	21,971
If HK$ strengthens against GBP	10%	**5,878**	4,632
If HK$ weakens against GBP	(10%)	**(5,878)**	(4,632)
If HK$ strengthens against PLN	10%	**14,671**	12,459
If HK$ weakens against PLN	(10%)	**(14,671)**	(12,459)

24. 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, trade receivables, prepayments, other receivables and other assets and contract performance deposits, 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 receivables are disclosed in note 12 to the interim condensed consolidated financial statements.

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.

24. 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	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*
30 June 2019 (unaudited)			
Trade payables	**362,845**	**–**	**362,845**
Financial liabilities included in other payables and accruals	**34,602**	**–**	**34,602**
Due to a holding company	**1,411**	**–**	**1,411**
Due to fellow subsidiaries	**24,127**	**–**	**24,127**
Bank borrowings	**308,336**	**–**	**308,336**
Lease liabilities	**37,707**	**157,173**	**194,880**
Short-term loan from a holding company	**455**	**–**	**455**
	769,483	**157,173**	**926,656**
31 December 2018 (audited)			
Trade payables	383,379	–	383,379
Financial liabilities included in other payables and accruals	58,547	–	58,547
Due to fellow subsidiaries	34,100	–	34,100
Due to a holding company	11,787	–	11,787
Bank borrowings	350,836	–	350,836
Long-term loan from a holding company	–	448	448
	838,649	448	839,097

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group's objectives for 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 2019.

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 other payable and accruals, amounts due to fellow subsidiaries, amounts due to a holding company, a short-term and a long-term loan from a holding company, bank borrowings and lease liabilities, less cash and cash equivalents. Capital includes equity attributable to owners of the Company.

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**362,845**	383,379
Financial liabilities included in other payables and accruals	**34,602**	58,547
Due to fellow subsidiaries	**24,127**	34,100
Due to a holding company	**1,411**	11,787
Short-term loan from a holding company	**444**	–
Long-term loan from a holding company	**–**	448
Bank borrowings	**306,796**	349,366
Lease liabilities	**171,396**	–
Less: Cash and cash equivalents	**(594,296)**	(727,912)
Net debt	**307,325**	109,715
Equity	**999,370**	1,019,359
Net debt and equity	**1,306,695**	1,129,074
Gearing ratio	**23.52%**	9.72%

25. EVENT AFTER THE REPORTING PERIOD

As at the approval date of the interim condensed consolidated financial statements, the Group had no significant events after the reporting period which need to be disclosed.

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Directors on 26 August 2019.

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.

(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. Also, a new plant in the Czech Republic commenced production in the second quarter of year 2017. 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.

(2) Brake Business

The brake business of BWI (Shanghai) Co., Ltd. ("BWI Shanghai") recorded an operating loss in the first half of 2018 due to changes in the market conditions in China. In order to mitigate the adverse effect caused by BWI Shanghai on the Group's performance and better concentrate the Group's resources to develop our other businesses, the Group disposed of its 51% interests in BWI Shanghai (the "Disposal"), which was completed in August 2018.

FINANCIAL REVIEW

Revenue

For the period ended 30 June 2019, the Group recorded revenue of HK$1,331.64 million from manufacture and sales of suspension products. While 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. The decrease in revenue for the period ended 30 June 2019 is mainly because (i) after the Disposal, the Group no longer recorded the revenue from the brake business; and (ii) the impact of Brexit on the automotive components business started emerging and at the same time the European economy was weak. These affected the sales of suspension products.

For the period ended 30 June 2019, the Group also recorded HK$82.48 million in provision of technical services (period ended 30 June 2018: HK$84.69 million).

Gross Profit and Gross Profit Margin

For the period ended 30 June 2019, the gross profit and gross profit margin for the suspension products were HK$294.43 million and 20.8% respectively. While 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. The gross profit decreased mainly because the Group no longer recorded the gross profit from the brake business and decrease in sales of suspension products. However, the gross profit margin increased because after the Disposal, the gross profit margin would not be dragged downwards by the lower profit margin of the brake products.

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. 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.

Other Income

Other income of the Group for the period ended 30 June 2019 decreased by 41.0% to HK$24.04 million (period ended 30 June 2018: HK$40.75 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 2019 increased by 14.0% to HK$18.02 million (period ended 30 June 2018: HK$15.81 million), mainly due to increase 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 2019 decreased by 25.3% to HK$90.91 million (period ended 30 June 2018: HK$121.78 million), mainly because the Group no longer recorded the administrative expenses from the brake business after the Disposal as well as tighten cost control was in place. 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 2019 decreased by 33.2% to HK$141.55 million (period ended 30 June 2018: HK$211.82 million), mainly because the Group no longer recorded the research and development expenses from the brake business after the Disposal as well as tighten cost control was in place. Research and development expenses 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 2019 decreased by 17.4% to HK$5.91 million (period ended 30 June 2018: HK$7.16 million) because the Group no longer recorded the finance costs from the brake business and the amount of bank borrowings decreased as a result of the repayment of certain bank loans by the Group during the period ended 30 June 2019. Finance costs mainly represented interest on bank loans obtained by subsidiaries in Europe and Hong Kong.

Profit for the Period Attributable to Equity Owners of the Company

For the period ended 30 June 2019, profit for the period attributable to equity owners of the Company approximate to HK$23.56 million (period ended 30 June 2018: HK$32.65 million). The decrease in profit for the period attributable to equity owners is mainly due to the decrease in the net profits contributed by the subsidiaries in Europe.

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 outflow position for the period ended 30 June 2019, in which net cash used in operating activities amounted to HK$22.48 million (period ended 30 June 2018: net cash generated from operating activities HK$155.56 million). As at 30 June 2019, the Group maintained cash and bank balances of HK$594.30 million (as at 31 December 2018: HK$727.91 million).

Indebtedness

As at 30 June 2019, the Group had bank borrowings of HK$306.80 million, in which HK$84.74 million obtained by subsidiaries in Europe were denominated in Euro ("EUR") with an interest of 1-month EURIBOR plus 2.50% per annum and Polish Zloty ("PLN") with an interest of 1-month WIBOR plus 2.00% per annum; and the remaining bank borrowings of HK$222.06 million obtained by a subsidiary in Hong Kong were denominated in EUR with an interest of 1-month EURIBOR plus 1.20% per annum.

As at 31 December 2018, the Group had bank borrowings of HK$349.37 million, in which HK$124.97 million obtained by subsidiaries in Europe were denominated in EUR with an interest of 1-month EURIBOR plus 2.20% per annum, United States Dollar (US$) with an interest of 1-month LIBOR plus 2.20% per annum and PLN with an interest of 1-month WIBOR plus 2.00% per annum; and the remaining bank borrowings of HK$224.40 million obtained by a subsidiary in Hong Kong were denominated in EUR with an interest of 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 2019 was 13.86% (as at 31 December 2018: 16.12%). 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.

Pledge of Assets

As at 30 June 2019 and 31 December 2018, 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, British Pound Sterling ("GBP") and Czech Koruna ("CZK"). 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 19 in the notes to financial statements, the Group and the Company had no other commitments as at 30 June 2019 and 31 December 2018.

Contingent Liabilities

As at 30 June 2019, 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 programs 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.

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.

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. The 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. Apart from the commencement of production of the new sales order awarded from previous years, the Group is confident that it will be able to maintain a sustainable business development.

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 to cater to the change of requirements from 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 both People's Republic of China and abroad to strengthen its revenue base and improve its profitability.

Employees and Remuneration Policy

As at 30 June 2019, the Group had approximately 910 full-time employees (as at 30 June 2018: 1,440). During the period ended 30 June 2019, the total employees' cost was HK$246.57 million (period ended 30 June 2018: HK$358.25 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.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: 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 2019, 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 2019.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2019, 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 30.06.2019	*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 2019, 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 2019, there was no share option outstanding under the Share Options Scheme.

AUDIT COMMITTEE

The Company has engaged the Auditor to review the 2019 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 21 August 2019 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2019.

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 2019.

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 2019.

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, 26 August 2019