



京西重工國際有限公司

BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

Stock Code : 2339



INTERIM
REPORT
2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Jiang Yunan (*Chairman*)
Chen Zhouping (*Managing Director*)
Thomas P Gold (*Executive Director*)
Li Zhi (*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
Thomas P Gold

AUDIT COMMITTEE

Tam King Ching, Kenny (*Chairman*)
Yip Kin Man, Raymond
Chan Pat Lam

NOMINATION COMMITTEE

Jiang Yunan (*Chairman*)
Li Zhi
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
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 condensed consolidated financial statements set out on pages 6 to 36, 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 2020 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.

INDEPENDENT REVIEW REPORT (continued)

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

28 August 2020



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
REVENUE	3	985,035	1,414,123
Cost of sales		(813,794)	(1,119,696)
Gross profit		171,241	294,427
Other income and gains, net	4	32,414	24,035
Selling and distribution expenses		(14,514)	(18,025)
Administrative expenses		(79,625)	(90,910)
Reversal of impairment of financial assets, net		1,244	125
Research and development expenses		(136,513)	(141,552)
Other expenses, net		(4,615)	(1,129)
Finance costs	6	(5,553)	(5,909)
(LOSS)/PROFIT BEFORE TAX	5	(35,921)	61,062
Income tax	7	(8,661)	(37,501)
(LOSS)/PROFIT FOR THE PERIOD		(44,582)	23,561
Attributable to:			
Owners of the Company		(44,582)	23,561
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	8	(7.76)	4.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
(LOSS)/PROFIT FOR THE PERIOD	(44,582)	23,561
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(23,255)	(2,528)
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement loss on defined benefit plans	(3,700)	(6,562)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(26,955)	(9,090)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(71,537)	14,471
Attributable to:		
Owners of the Company	(71,537)	14,471

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 (unaudited) HK\$'000	31 December 2019 (audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	444,156	462,816
Right-of-use assets		202,407	161,258
Goodwill		4,453	4,544
Deferred tax assets		72,075	67,754
Other non-current assets	10	196,257	188,817
Total non-current assets		919,348	885,189
CURRENT ASSETS			
Inventories	11	181,433	187,092
Trade receivables	12	285,414	337,847
Prepayments, other receivables and other assets	13	174,235	166,968
Cash and cash equivalents		304,580	366,840
Total current assets		945,662	1,058,747
CURRENT LIABILITIES			
Trade payables	14	169,961	319,063
Other payables and accruals	15	244,208	150,380
Income tax payables		2,337	6,603
Bank borrowings	16	108,799	98,272
Defined benefit obligations	17	2,013	1,559
Lease liabilities		32,668	33,364
Provision		20,893	22,430
Total current liabilities		580,879	631,671
NET CURRENT ASSETS		364,783	427,076
TOTAL ASSETS LESS CURRENT LIABILITIES		1,284,131	1,312,265

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2020

		30 June 2020 (unaudited) HK\$'000	31 December 2019 (audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Other payables and accruals	15	23,011	36,780
Defined benefit obligations	17	117,538	113,576
Lease liabilities		170,196	126,344
Deferred tax liabilities		81,088	71,730
Loan from a holding company		436	436
Total non-current liabilities		392,269	348,866
NET ASSETS			
		891,862	963,399
EQUITY			
Equity attributable to owners of the Company			
Issued capital	18	57,434	57,434
Reserves		834,428	905,965
Total equity		891,862	963,399

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company							
	Issued capital HK\$'000 <i>(note 18)</i>	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 2020 (audited)	57,434	1,037,745	(772,332)	(41,757)	(134,411)	44,132	772,588	963,399
Loss for the period	-	-	-	-	-	-	(44,582)	(44,582)
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	(23,255)	-	-	(23,255)
Remeasurement loss on defined benefit plans	-	-	-	(3,700)	-	-	-	(3,700)
Total comprehensive loss for the period	-	-	-	(3,700)	(23,255)	-	(44,582)	(71,537)
At 30 June 2020 (unaudited)	57,434	1,037,745*	(772,332)*	(45,457)*	(157,666)*	44,132*	728,006*	891,862

* These reserve accounts comprise the consolidated reserves of HK\$834,428,000 in the interim condensed consolidated statement of financial position as at 30 June 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2020

	Attributable to owners of the Company							Total Equity HK\$'000
	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	
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/(loss) 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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Notes			
CASH FLOWS FROM OPERATING ACTIVITIES			
	(Loss) / profit before tax	(35,921)	61,062
	Adjustments for:		
	Finance costs	6 5,553	5,909
	Interest income	4 (2,358)	(7,506)
	Gain on disposal of items of property, plant and equipment	4 (1,050)	(4,216)
	Defined benefit obligation expenses	5 3,626	2,493
	Depreciation of property, plant and equipment	5 33,647	33,242
	Depreciation of right-of-use-assets	5 18,252	20,292
	Reversal of impairment of financial assets	5 (1,244)	(125)
	Provision for obsolete inventories	5 1,497	94
		22,002	111,245
	Decrease/(increase) in inventories	4,576	(579)
	Decrease/(increase) in trade and bills receivables	53,833	(29,585)
	Increase in prepayments, other receivables and other assets	(15,037)	(2,863)
	Decrease in trade payables	(149,102)	(20,534)
	Increase/(decrease) in other payables and accruals	80,059	(25,457)
	Decrease in defined benefit obligations	(850)	(870)
	(Decrease)/increase in provision	(1,537)	1,503
	Cash (used in)/generated from operations	(6,056)	32,860
	Income tax paid	(5,939)	(55,339)
	Net cash flows used in operating activities	(11,995)	(22,479)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,358	7,506
Purchases of items of property, plant and equipment	(38,579)	(30,869)
Proceeds from disposals of items of property, plant and equipment	1,468	13,685
Net cash flows used in investing activities	(34,753)	(9,678)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	228,444	5,045
Repayment of bank loans	(215,165)	(44,068)
Interest paid	(3,205)	(3,570)
Principal portion of lease payments	(19,188)	(21,749)
Dividend paid	–	(34,460)
Net cash flows used in financing activities	(9,114)	(98,802)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(55,862)	(130,959)
Cash and cash equivalents at beginning of period	366,840	727,912
Effect of foreign exchange rate changes, net	(6,398)	(2,657)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	304,580	594,296

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

1. CORPORATE AND GROUP INFORMATION

BeijingWest Industries International Limited (the “Company”) is incorporated in the Cayman Islands 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 Company and its subsidiaries (collectively 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 2020 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)*

30 June 2020

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 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. 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 2019.

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 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

30 June 2020

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for the Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*, which is not relevant to the preparation of the Group's interim condensed consolidated financial information, The nature and impact of the revised HKFRSs are described below:

- (a) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. 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. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

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.

Products and services

Revenue from external customers

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Sale of industrial products	909,635	1,331,640
Technical service income	75,400	82,483
	985,035	1,414,123

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
United Kingdom	353,201	557,983
Mainland China	31,830	20,982
Germany	243,002	340,937
United States	150,184	109,238
Other countries	206,818	384,983
	985,035	1,414,123

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

(b) Non-current assets

	30 June	31 December
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (audited)
Poland	505,330	443,472
Czech	222,039	243,898
United Kingdom	108,313	119,309
Other countries	11,591	10,756
	847,273	817,435

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

3. OPERATING SEGMENT INFORMATION (continued)

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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Customer A	267,524	407,176
Customer B	134,539	203,947
	402,063	611,123

4. OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Other income and gains, net		
Profit from sale of scrap materials, prototypes and samples	9,523	11,111
Bank interest income	2,358	7,506
Gain on disposals of items of property, plant and equipment	1,050	4,216
Government grants	16,881	34
Others	2,602	1,168
Other income and gains, net	32,414	24,035

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

5. (LOSS)/PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Notes			
	Cost of inventories sold and services provided	813,794	1,119,696
	Depreciation of property, plant and equipment	33,647	33,242
9	Depreciation of right-of-use assets	18,252	20,292
	Auditors' remuneration	1,095	1,095
	Employee benefit expense (including directors' and chief executive's remuneration):		
	Wages, salaries and benefits	222,117	244,073
17	Defined benefit obligation expenses	3,626	2,493
		225,743	246,566
	Research and development costs	136,513	141,552
	Less: Staff costs included as research and development costs	(57,958)	(73,311)
	Research and development costs, net of staff costs	78,555	68,241
	Gain on disposals of items of property, plant and equipment, net	1,050	4,216
4			
	Reversal of impairment of financial assets:		
	Reversal of impairment of trade receivables, net	(1,307)	(42)
12			
	Impairment/(Reversal of impairment) of prepayments, other receivables and other assets, net	63	(83)
13			
		(1,244)	(125)
	Provision for obsolete inventories*	1,497	94
11			
	Provision for warranties, net	5,930	5,905
	Foreign exchange loss, net**	4,567	1,054

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

** The foreign exchange loss is included in "Other expenses" in the interim condensed consolidated statement of profit or loss.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

6. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest on bank loans and other loans	3,205	3,570
Interest on lease liabilities	2,348	2,339
	5,553	5,909

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2020. 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	
	2020 (unaudited)	2019 (unaudited)
Luxembourg	24.9%	24.9%
Poland	19.0%	19.0%
United Kingdom	19.0%	19.0%
France	28.0%	31.0%
Germany	29.8%	29.8%
Italy	27.9%	27.5%
Czech	19.0%	19.0%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

7. INCOME TAX (continued)

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current – Elsewhere	1,673	31,577
Deferred	6,988	5,924
Tax charge for the period	8,661	37,501

A reconciliation of the tax expense applicable to (loss)/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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
(Loss)/Profit before tax	(35,921)	61,062
Income tax charge at the Hong Kong statutory tax rate of 16.5%	(5,927)	10,075
Effect of different income tax rates for foreign operations	(11)	1,905
Income not subject to tax	(3,975)	(1,942)
Tax losses not recognised as deferred tax assets	11,522	6,261
Expenses not deductible for tax purposes	7,052	6,808
Withholding tax	–	14,394
Tax charge at the effective rate	8,661	37,501

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

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

The calculation of the basic earnings per share amount is based on the loss for the period (2019: 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 2019: 574,339,068) in issue during the period.

No diluted earnings per share amounts were presented for the six months ended 30 June 2020 and 2019 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 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
At beginning of the period/year: Net carrying amount	462,816	474,595
Additions	38,579	74,499
Depreciation provided during the period/year (note 5)	(33,647)	(67,182)
Disposals	(418)	(10,810)
Impairment	–	(1,211)
Exchange realignment	(23,174)	(7,075)
At end of the period/year: Net carrying amount	444,156	462,816

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

10. OTHER NON-CURRENT ASSETS

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Contract performance deposits	54,477	46,907
Pre-production cost	164,583	161,375
	219,060	208,282
Within one year	(22,803)	(19,465)
	196,257	188,817

11. INVENTORIES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Raw materials	129,969	132,654
Work in progress	22,840	22,462
Finished goods	39,551	41,820
	192,360	196,936
Provision for impairment	(10,927)	(9,844)
	181,433	187,092

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

11. INVENTORIES (continued)

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
At beginning of the period/year	(9,844)	(9,983)
Impairment losses (recognised)/reversed, net (note 5)	(1,497)	79
Exchange realignment	414	60
At end of the period/year	(10,927)	(9,844)

12. TRADE RECEIVABLES

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 and bills receivables balances. They are stated net of provisions.

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 loss allowance, is as follows:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 3 months	284,702	336,998
3 months to 1 year	712	849
	285,414	337,847

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

12. TRADE RECEIVABLES (continued)

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
At beginning of the period/year	(3,729)	(3,043)
Impairment losses reversed/(recognised), net (note 5)	1,307	(632)
Exchange realignment	93	(54)
	<hr/>	<hr/>
At end of the period/year	(2,329)	(3,729)

13. PREPAYMENT, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Prepayments	11,551	5,646
Deposits, other receivables and others	27,373	42,098
Pre-production cost – current (note 10)	22,803	19,465
Due from fellow subsidiaries (note 21 (b)(i))	58,652	36,306
Due from a holding company (note 21 (b)(i))	54,411	63,945
	<hr/>	<hr/>
Impairment	174,790 (555)	167,460 (492)
	<hr/>	<hr/>
	174,235	166,968

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

13. PREPAYMENT, OTHER RECEIVABLES AND OTHER ASSETS (continued)

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
At beginning of the period/year	(492)	(495)
Impairment losses (recognised)/reversed, net (note 5)	(63)	3
At end of the period/year	(555)	(492)

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 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 3 month	169,423	318,529
3 to 6 months	60	37
Over 6 months	478	497
	169,961	319,063

The trade payables are non-interest-bearing and are normally settled on terms of 60 to 90 days.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

15. OTHER PAYABLES AND ACCRUALS

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Contract liabilities (note (a))	34,601	43,685
Other creditors and accruals (note (b))	42,007	36,721
Other tax payables	52,451	36,137
Accrued salaries, wages and benefits	73,181	44,143
Due to fellow subsidiaries (note 21(b)(ii))	38,062	15,874
Due to a holding company (note 21(b)(ii))	26,917	10,600
	267,219	187,160
Portion classified as current liabilities	(244,208)	(150,380)
Non-current portion	23,011	36,780

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 creditors are unsecured, non-interest-bearing and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

16. BANK BORROWINGS

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Bank loans, unsecured	108,799	98,272
Analysed into, repayable: Within one year	108,799	98,272
Total bank borrowings	108,799	98,272
Portion classified as current liabilities	(108,799)	(98,272)
Non-current portion	-	-

Notes:

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Euro ("EUR")	40,688	35,272
Polish Zloty ("PLN")	68,111	63,000
	108,799	98,272

- (b) The bank loans denominated in EUR as at 30 June 2020 bore interest at rates of 1 month EURIBOR plus 2.00% per annum or 1 month LIBOR plus 2.20% per annum (31 December 2019: 1 month EURIBOR plus 2.00% per annum).

The bank loan denominated in PLN as at 30 June 2020 bore interest at rate of 1 month WIBOR plus 2.00% per annum (31 December 2019: 1 month WIBOR plus 2.00% 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

17. DEFINED BENEFIT OBLIGATIONS (continued)

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Present value of unfunded obligations	119,551	115,135
Portion classified as current liabilities	(2,013)	(1,559)
Non-current portion	117,538	113,576

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
At beginning of the period/year	115,135	88,760
Current service costs	2,801	2,843
Interest cost on benefit obligations	825	2,064
Benefits paid during the period/year	(850)	(3,009)
Remeasurement loss recognised in other comprehensive income*	4,485	26,583
Exchange realignment	(2,845)	(2,106)
At end of the period/year	119,551	115,135

* Deferred tax assets of HK\$785,000 (31 December 2019: HK\$5,021,000) were recognised for the remeasurement losses. The remeasurement losses after deferred tax amounted to HK\$3,700,000 (31 December 2019: HK\$21,562,000), 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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current service costs	2,801	1,567
Interest cost on benefit obligations	825	926
Net benefit expenses	3,626	2,493

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

18. SHARE CAPITAL

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 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 2020.

19. COMMITMENTS

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Contracted, but not provided for:		
Buildings	31,377	–
Plant and machinery	84,415	94,186
	115,792	94,186

20. CONTINGENT LIABILITIES

At 30 June 2020, the Group did not have any significant contingent liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

21. RELATED PARTY DISCLOSURES

(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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Sale of goods to:		
Fellow subsidiaries	18,223	4,856
Holding companies	874	606
	19,097	5,462
Technical services provided to:		
Fellow subsidiaries	44,458	43,281
A holding company	10,741	10,863
Associates of the ultimate holding company	–	1,015
	55,199	55,159
Purchases of goods from:		
A holding company	1,091	1,493
Fellow subsidiaries	18	9
	1,109	1,502
Management and technical services provided by:		
Fellow subsidiaries	69,387	71,229
A holding company	9,537	8,164
	78,924	79,393
Royalty provided by a holding company	1,721	2,052
Administrative service fee paid to a holding company	600	600

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

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) Outstanding balances with related parties

		30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Amounts due from fellow subsidiaries	(i)	58,652	36,306
Amount due from a holding company	(i)	54,411	63,945
Amounts due to fellow subsidiaries	(ii)	38,062	15,874
Amount due to a holding company	(ii)	26,917	10,600
Long-term loan due to a holding company	(iii)	436	436

30 June 2020

21. RELATED PARTY DISCLOSURES (continued)

(b) Outstanding balances with related parties (continued)

Notes:

- (i) The amounts due from fellow subsidiaries and a holding company included in the Group's current assets are unsecured, interest-free and repayable within one year.
- (ii) The amounts due to fellow subsidiaries and a holding company included in the Group's current liabilities are unsecured, interest-free and repayable within one year.
- (iii) 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.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term employee benefits	3,566	3,558
Pension scheme contributions	197	170
Total compensation paid to key management personnel	3,763	3,728

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

22. 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 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Financial assets				
Trade receivables	285,414	337,847	285,414	337,847
Financial assets included in prepayments, other receivables and other assets	3,396	4,016	3,396	4,016
Due from fellow subsidiaries	58,652	36,306	58,652	36,306
Due from a holding company	54,411	63,945	54,411	63,945
Cash and cash equivalents	304,580	366,840	304,580	366,840
	706,453	808,954	706,453	808,954
Financial liabilities				
Lease liabilities	(202,864)	(159,708)	(202,864)	(159,708)
Trade payables	(169,961)	(319,063)	(169,961)	(319,063)
Financial liabilities included in other payables and accruals	(42,007)	(36,721)	(42,007)	(36,721)
Due to fellow subsidiaries	(38,062)	(15,874)	(38,062)	(15,874)
Due to a holding company	(26,917)	(10,600)	(26,917)	(10,600)
Bank borrowings	(108,799)	(98,272)	(108,799)	(98,272)
Long-term loan from a holding company	(436)	(436)	(436)	(436)
	(589,046)	(640,674)	(589,046)	(640,674)
	117,407	168,280	117,407	168,280

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2020

22. 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, if the discounting effect is material. The Group's own non-performance risks as at 30 June 2020 and 31 December 2019 were assessed to be insignificant.

23. 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.

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the directors on 28 August 2020.

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 and provision of technical services. The core products of the Group were suspension products.

The Group’s automotive suspension products were mainly utilized on premium passenger vehicles, which were 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 understood 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.

Global Pandemic

In March 2020, the World Health Organization made an assessment and characterized the worldwide outbreak of novel coronavirus (COVID-19) as a pandemic (“Pandemic”) and reminded all countries to activate and scale up emergency response mechanisms. With the increasing number of confirmed cases of COVID-19, various countries in Europe imposed containment and mitigation measures in the second quarter of 2020. The containment and mitigation measures included travel bans, quarantines, “stay-at-home” orders, and similar mandates for people to significantly restrict daily activities and for business to reduce or cease normal operations. The measures led to disruption and temporary suspension of the operations of the Group’s plants in the UK, Poland and the Czech Republic. Starting in June 2020, the Group implemented new safety measures at the plants and took a phased approach to resume the manufacturing operations. As at 30 June 2020, the manufacturing operations of all the plants were resumed.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

Revenue

For the period ended 30 June 2020, the Group recorded revenue of HK\$909.64 million from manufacture and sales of suspension products. While for the period ended 30 June 2019, the Group recorded revenue of HK\$1,331.64 million from manufacture and sales of suspension products. The decrease in revenue for the period ended 30 June 2020 is mainly due to the disruption and temporary suspension of the operations of the Group's plants in the UK, Poland and the Czech Republic. In addition, the major customers of the Group are well-known European automobile manufacturers. They were also negatively affected by the Pandemic. These affected the sales of suspension products.

For the period ended 30 June 2020, the Group also recorded revenue of HK\$75.40 million in provision of technical services (period ended 30 June 2019: HK\$82.48 million).

Gross Profit and Gross Profit Margin

For the period ended 30 June 2020, the gross profit and gross profit margin were HK\$171.24 million and 17.4% respectively. While for the period ended 30 June 2019, the gross profit and gross profit margin were HK\$294.43 million and 20.8% respectively. The gross profit decrease was mainly due to the decrease in revenue as affected by the Pandemic. The gross profit margin also decreased because some fixed costs of the manufacturing plants were unavoidable even though the operations of the Group's plants were temporarily suspended as a result of the Pandemic. This dragged down the gross profit margin for the period ended 30 June 2020.

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 2020 increased by 34.9% to HK\$32.41 million (period ended 30 June 2019: HK\$24.04 million), which was mainly contributed by the government grants from various European governmental authorities to contain and combat the outbreak and spread of COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Selling and Distribution Expenses

Selling and distribution expenses of the Group for the period ended 30 June 2020 decreased by 19.5% to HK\$14.51 million (period ended 30 June 2019: HK\$18.03 million), mainly due to the decrease in orders delivery and temporary suspension of the operations of the Group's plants as a result of the Pandemic. 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 2020 decreased by 12.4% to HK\$79.63 million (period ended 30 June 2019: HK\$90.91 million). The decrease was mainly because tighten cost control was in place to mitigate the unfavorable effects brought by the Pandemic. 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 2020 decreased by 3.6% to HK\$136.51 million (period ended 30 June 2019: HK\$141.55 million). The decrease was mainly because 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 2020 decreased by 6.0% to HK\$5.55 million (period ended 30 June 2019: HK\$5.91 million) because the level of bank borrowing during the period ended 30 June 2020 decreased as compared to that for the period ended 30 June 2019. Finance costs mainly represented interest on bank loans obtained by subsidiaries in Europe and Hong Kong.

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

For the period ended 30 June 2020, loss for the period attributable to owners of the Company approximate to HK\$44.58 million (period ended 30 June 2019: profit for the period attributable to owners of the Company of HK\$23.56 million). The loss for the period attributable to owners is mainly due to the decrease in revenue and gross profit as affected by the Pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 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 2020, in which net cash used in operating activities amounted to HK\$12.00 million (period ended 30 June 2019: HK\$22.48 million). As at 30 June 2020, the Group maintained cash and cash equivalents of HK\$304.58 million (as at 31 December 2019: HK\$366.84 million).

Indebtedness

As at 30 June 2020, the Group had bank borrowings of HK\$108.80 million, which were obtained by subsidiaries in Europe and were denominated in Euro ("EUR") with an interest of 1-month EURIBOR plus 2.00% per annum or 1-month LIBOR plus 2.20% per annum and Polish Zloty ("PLN") with an interest of 1-month WIBOR plus 2.00% per annum.

As at 31 December 2019, the Group had bank borrowings of HK\$98.27 million, which were obtained by subsidiaries in Europe and were denominated in EUR with an interest of 1-month EURIBOR plus 2.00% per annum and PLN with an interest of 1-month WIBOR plus 2.00% per annum.

The Group's gearing ratio (measured as total bank borrowings over total assets) as at 30 June 2020 was 5.83% (as at 31 December 2019: 5.06%). 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 2020 and 31 December 2019, there were no assets of the Group being pledged.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Foreign Exchange Exposure

The Group's transactions are mainly denominated in EUR and the local currencies of our operations, which include PLN, Great British Pound Sterling and Czech Koruna. Some transactions would also be denominated in United States Dollar. 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 2020 and 31 December 2019.

Contingent Liabilities

As at 30 June 2020, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

The Group has accumulated extensive technical knowledge and developed a high degree of technical expertise with a consistent focus on research and development. We believe that our technical expertise, the long-term relationship with different vehicle manufacturers, as well as the well-understanding of the requirements of the vehicle manufacturers will enable us to capture more market opportunities and develop products that meet the technical requirements of the vehicle manufacturers. It would be a strong support for the Group's long-term 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.

The impact of the Pandemic created significant volatility in the global economy. For the Group's full year financial performance of 2020, the impact of the Pandemic will depend on future developments, such as the ultimate duration and scope of the outbreak, its impact on our operations, customers, suppliers, and the rate at which economic conditions return to pre-COVID-19 business activity level. Accordingly, the ultimate impact on the Group cannot be determined at this moment.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Employees and Remuneration Policy

As at 30 June 2020, the Group had approximately 930 full-time employees (as at 30 June 2019: 910). During the period ended 30 June 2020, the total employees' cost was HK\$225.74 million (period ended 30 June 2019: HK\$246.57 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 2020 (for the six months ended 30 June 2019: 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 2020, 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 2020.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2020, 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 30.06.2020	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 2020, 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 2020, there was no share option outstanding under the Share Options Scheme.

AUDIT COMMITTEE

The Company has engaged the Auditor to review the 2020 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 25 August 2020 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2020.

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 2020.

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 2020.



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 2019 Annual Report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Chen Zhouping, the Managing Director of the Company, was a director of Shougang Concord International Enterprises Company Limited (“Shougang International”) from November 2002 to September 2014. Shougang International has changed its company name to “Shoucheng Holdings Limited” with effect from 28 May 2020.
2. Mr. Chan Pat Lam, an Independent Non-executive Director of the Company, was an independent non-executive director of Shougang Fushan Resources Group Limited (“Shougang Resources”). Mr. Chan ceased to be an independent non-executive director of Shougang Resources upon his retirement by rotation with effect from the conclusion of the annual general meeting of Shougang Resources held on 21 May 2020.

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, 28 August 2020