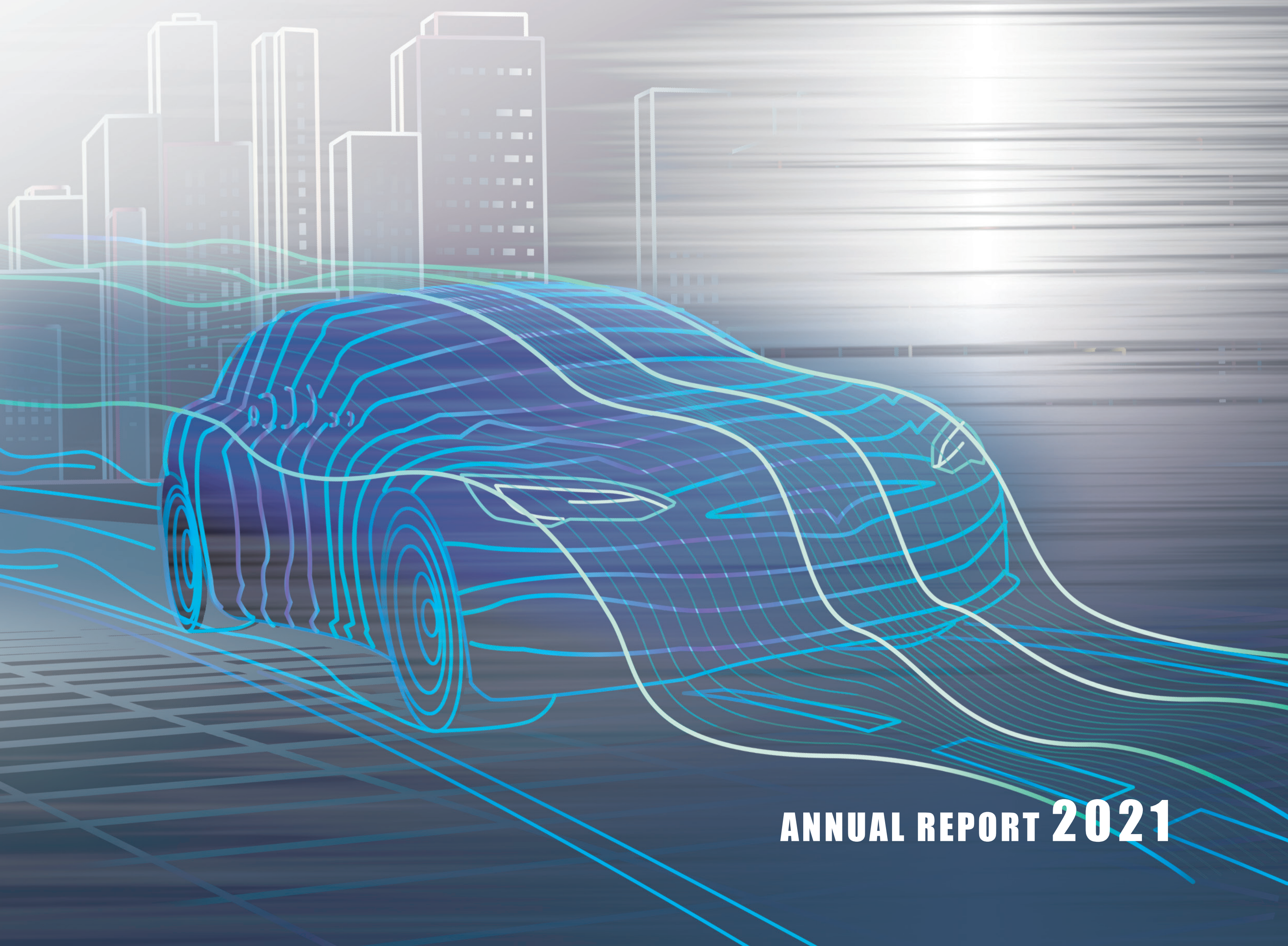
京西重工國際有限公司
BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

Incorporated in the Cayman Islands with limited liability
Stock Code : 2339



ANNUAL REPORT 2021

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Zhao Jiuliang *(Chairman)*

Chen Zhouping *(Managing 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

Zhao Jiuliang *(Chairman)*

Chen Zhouping

AUDIT COMMITTEE

Tam King Ching, Kenny *(Chairman)*

Yip Kin Man, Raymond

Chan Pat Lam

NOMINATION COMMITTEE

Zhao Jiuliang *(Chairman)*

Li Zhi

Tam King Ching, Kenny

Yip Kin Man, Raymond

Chan Pat Lam

REMUNERATION COMMITTEE

Yip Kin Man, Raymond *(Chairman)*

Zhao Jiuliang

Tam King Ching, Kenny

Chan Pat Lam

COMPANY SECRETARY

Cheng Chun Shing

AUDITOR

Ernst & Young

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

DIRECTORS' BIOGRAPHIES

Mr. Zhao Jiuliang, aged 55, a professor-level senior engineer of metallurgical equipment. He graduated from Wuhan Iron and Steel Institute (武漢鋼鐵學院) in 1988 with a major in fluid transmission and control. He also holds a doctoral degree in mechanical design and theory from Northeastern University (東北大學). Mr. Zhao was appointed as an Executive Director of the Company and the Chairman of the board of directors of the Company (the "Board") in April 2021. He is also the chairman of each of the Executive Committee and the Nomination Committee of the Company, as well as a member of the Remuneration Committee of the Company. Mr. Zhao joined Shougang Group Co., Ltd. (formerly known as Shougang Corporation) ("Shougang Group") in 1988 and thereafter held various senior positions in the Shougang Group. Mr. Zhao was appointed as a director of BeijingWest Industries Co., Ltd. (北京京西重工有限公司) ("BWI"), a subsidiary of Shougang Group, in November 2019 and he is currently the chairman and president of BWI. He is also a director of BWI Company Limited ("BWI HK"), a wholly-owned subsidiary of BWI. Each of Shougang Group, BWI and BWI HK is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Mr. Zhao has extensive experiences in steel industry, mechanical engineering and management.

A service agreement was entered into between Mr. Zhao and the Company for a term commencing on 20 April 2021 and ending on 31 December 2022, subject to renewal. Under the service agreement, Mr. Zhao will be entitled to a salary and discretionary bonus as may be determined by the Board or its delegated committee(s) from time to time. Mr. Zhao declined any salary from the Group voluntarily since the date of his appointment as a Director of the Company.

Mr. Chen Zhouping, aged 56, graduated from the School of Economics and Management, Tsinghua University and is a member of the Chinese Institute of Certified Public Accountants. Mr. Chen was appointed as an Executive Director and the Managing Director of the Company in September 2016 and is a member of the Executive Committee of the Company. He joined Shougang Group in 1988 and held various senior positions in the group companies of Shougang Group. Mr. Chen was appointed as a director of BWI, a subsidiary of Shougang Group, in June 2017. He is also a director of BWI HK (a wholly-owned subsidiary of BWI) and certain other wholly-owned subsidiaries of BWI. Each of Shougang Group, BWI and BWI HK is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Chen was a director of Shougang Fushan Resources Group Limited ("Shougang Resources") and Shougang Concord International Enterprises Company Limited (currently known as Shoucheng Holdings Limited), both are Hong Kong listed companies, as well as a non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange. He has extensive experience in steel industry, engineering design, human resources and management.

A service agreement was entered into between Mr. Chen and the Company for a term of three years commencing on 1 January 2020. Under the service agreement, Mr. Chen is entitled to a salary and discretionary bonus as may be determined by the Board or its delegated committee(s) from time to time. For both financial years 2021 and 2022, Mr. Chen's salary is HK$2,136,000 per annum. Such salary was determined by the Remuneration Committee with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Chen's individual performance.

Mr. Li Zhi, aged 57, a senior economist. He holds a bachelor's degree in engineering. Mr. Li was appointed as a Non-executive Director of the Company in January 2020 and is a member of the Nomination Committee of the Company. Mr. Li held various senior positions in Beijing Yanshan Petrochemical Corporation (北京燕山石油化工公司) from 1986 to 1999, and worked for various departments in the local government of Fangshan District, Beijing, China from 1999 to 2018. Mr. Li is a vice chairman of BWI, and he is a director of BWI HK, a wholly-owned subsidiary of BWI. Mr. Li is also the chairman and general manager of Beijing Fangshan State-owned Assets Management Co. Ltd. (北京房山國有資產經營有限責任公司) ("Beijing Fangshan"). Each of BWI, BWI HK and Beijing Fangshan is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Li has extensive experience in mechanical engineering, corporate operations management as well as governmental economic planning and development.

An engagement letter was entered into between Mr. Li and the Company for a term commencing on 17 January 2020 and ending on 31 December 2022, subject to renewal. Under the engagement letter, Mr. Li is entitled to a director's fee as may be determined by the Board from time to time. Mr. Li declined any director's fee from the Group voluntarily since the date of his appointment as a Director of the Company.

Mr. Tam King Ching, Kenny, aged 72, holds a bachelor's degree in commerce from Concordia University, Canada. Mr. Tam was appointed an Independent Non-executive Director of the Company in January 2014 and is the chairman of the Audit Committee as well as a member of each of the Nomination Committee and the Remuneration Committee of the Company. He is a practising Certified Public Accountant in Hong Kong. Mr. Tam is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Chartered Professional Accountants of Ontario, Canada. He is a Past President of The Society of Chinese Accountants and Auditors. Mr. Tam also serves as an independent non-executive director of certain companies listed on the main board of The Stock Exchange of Hong Kong Limited, namely, Capital Industrial Financial Services Group Limited (formerly known as Shougang Concord Grand (Group) Limited), CCT Fortis Holdings Limited, GBA Holdings Limited, Hong Kong Shanghai Alliance Holdings Limited, Kingmaker Footwear Holdings Limited, Starlite Holdings Limited, West China Cement Limited and Wisdom Education International Holdings Company Limited.

An engagement letter was entered into with Mr. Tam for a term of three years commencing on 1 January 2020. Under the engagement letter, Mr. Tam is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2021 and 2022, the director's fee of Mr. Tam is HK$240,000 per annum. Such director's fee was determined with reference to Mr. Tam's experience and duties as well as the then prevailing market conditions.

Mr. Yip Kin Man, Raymond, aged 75, holds a bachelor's degree in arts with honours from the University of Hong Kong. Mr. Yip was appointed an Independent Non-executive Director of the Company in January 2014 and is the chairman of the Remuneration Committee as well as a member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Yip is also an independent non-executive director of Shougang Century Holdings Limited (formerly known as Shougang Concord Century Holdings Limited), a Hong Kong listed company. He was an independent non-executive director of Shougang Concord Grand (Group) Limited (now known as Capital Industrial Financial Services Group Limited) from January 2007 to December 2019. Mr. Yip is a practising solicitor, notary public and Attesting Officer appointed by the Ministry of Justice of the PRC. He has extensive experience in legal profession.

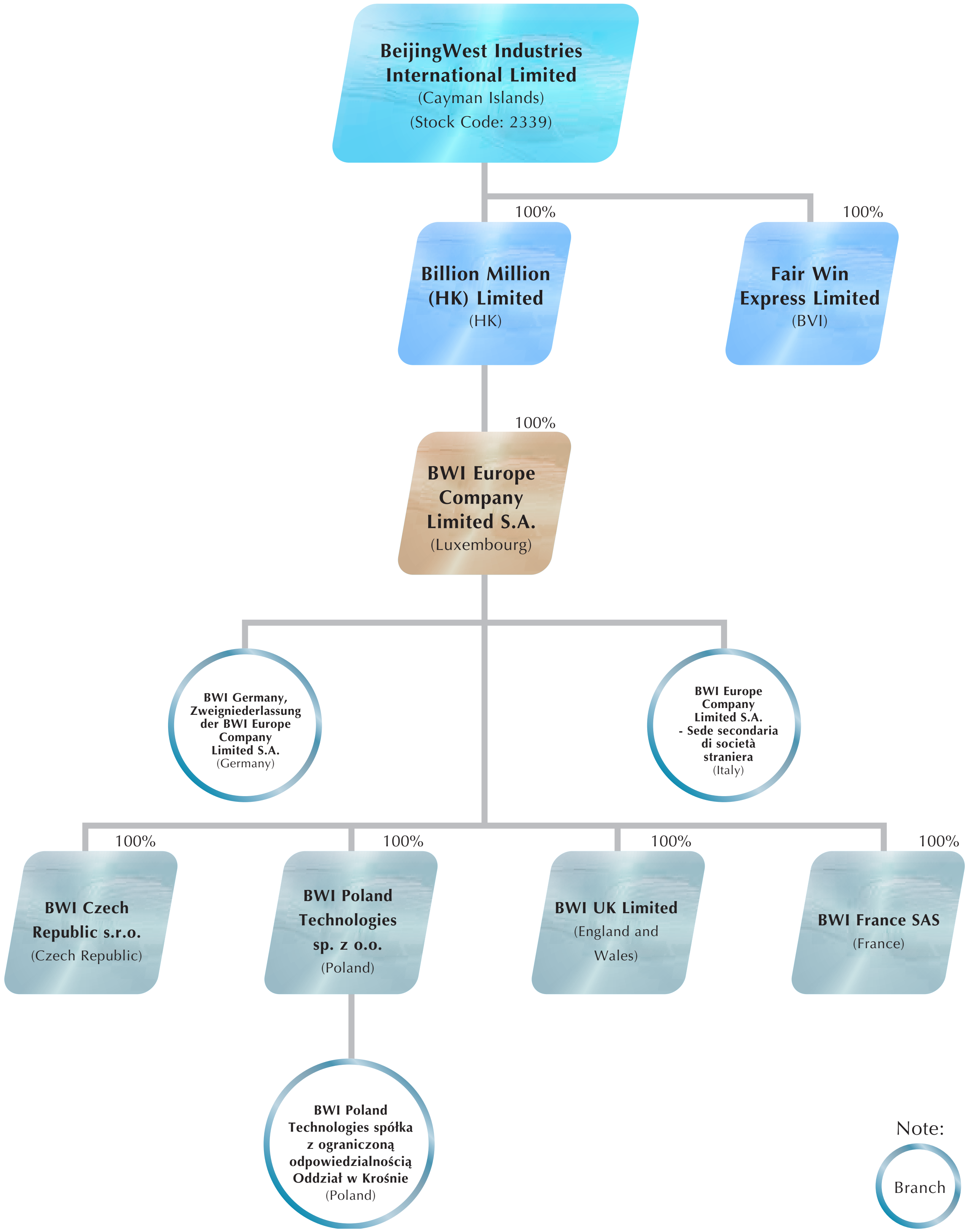
An engagement letter was entered into with Mr. Yip for a term of three years commencing on 1 January 2020. Under the engagement letter, Mr. Yip is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2021 and 2022, the director's fee of Mr. Yip is HK$240,000 per annum. Such director's fee was determined with reference to Mr. Yip's experience and duties as well as the then prevailing market conditions.

Mr. Chan Pat Lam, aged 73. Mr. Chan was appointed an Independent Non-executive Director of the Company in November 2018 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He was an independent non-executive director of Shougang Resources, a Hong Kong listed company, from December 2004 to May 2020. Mr. Chan is the consultant of a private company which is an international container shipping agency in the Western region of Pearl River Delta, as well as a partner of Chan Kai Wing & Brothers Limited, a private company which engages in trading and wholesaling of grocery items. Mr. Chan has extensive experience in the field of international banking industry in Hong Kong, Macau and California.

An engagement letter was entered into with Mr. Chan for a term of three years commencing on 1 January 2020. Under the engagement letter, Mr. Chan is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2021 and 2022, the director's fee of Mr. Chan is HK$240,000 per annum. Such director's fee was determined with reference to Mr. Chan's experience and duties as well as the then prevailing market conditions.

GROUP STRUCTURE

As at 31 December 2021



CHAIRMAN'S STATEMENT

On behalf of the board of directors of BeijingWest Industries International Limited (the "Company"), I am pleased to present the annual report and the financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021 (the "Year under Review").

FINANCIAL PERFORMANCE

In 2021, although the COVID-19 pandemic kept raging globally, the world economy began to recover gradually. As for the automotive retail market, the demand improved due to combined factors such as alleviation of the impact of the pandemic and active consumption stimulus policies. Nevertheless, automobile manufacturers generally faced the challenge of semiconductor shortage, which led to the reduced production of many automobile manufacturers. The Group's plants in the UK, Poland and the Czech Republic took effective measures to maintain normal production operations and achieved revenue growth. For the year ended 31 December 2021, the Group recorded revenue of HK$2,601.96 million from the manufacture and sales of suspension products and the provision of technical services, representing a growth of 12.54% as compared to the year 2020.

For the Year under Review, the gross profit and gross profit margin of the Group were HK$411.79 million and 15.83% respectively. While for the year 2020, the gross profit and gross profit margin were HK$382.85 million and 16.56% respectively. The sluggish growth of gross profit and decease in gross profit margin were mainly attributable to the rise in the cost of raw materials. Nevertheless, the Group managed to control other expenses and eventually reduced the loss position, and recorded a net loss of HK$9.31 million for the Year under Review.

In addition, the Group maintained a healthy financial position. As at 31 December 2021, the cash and cash equivalents of the Group amounted to HK$184.57 million and its gearing ratio (calculated using total borrowings over total assets) was further reduced to 3.19%.

CHAIRMAN'S STATEMENT

OUTLOOK

Looking forward to the year 2022, the economic development will mainly depend on the impact of the COVID-19 pandemic. As the European countries are planning to loosen the pandemic control measures, the European economic growth is expected to maintain a cautiously optimistic outlook. However, the global car productions are greatly affected by the shortage in semiconductors. Although chipmakers will actively expand their production capacities and supplies, the shortage of automotive chips is unlikely to be solved in a short period of time. Thus, we expect this will constrain the production and sales of vehicles of the Group's major customers, and accordingly will pose a challenge to the Group's continual growth in the year 2022. The Group will proactively address all potential challenges ahead.

In order to maintain and increase sales revenue, the Group will commit to strengthening the cooperation with European automobile manufactures, providing them with high quality products and services, and ensuring the completion of order deliveries. Meanwhile, we will make effort to boost the capability of acquiring new orders and new market opportunities in the future so as to safeguard the steady development of the Group in long run. Moreover, we will cooperate closely with our raw materials suppliers and try our best to lower the relevant supply-chain risks and strengthen the management of cost control.

Furthermore, we will keep working on improving our technology and product development, exploring more market opportunities through innovation and keeping pace with our customers' developments. We will also strive to improve the product mix and increase the proportion of high-margin products. Besides, the Group will continue to keep a close watch on the development of the automotive industry so as to strengthen our capacity for the research and development of market-oriented products, and enhance our core competitiveness for achieving our long-term goal – a guaranteed success.

Overall, I am satisfied with the performance of the Group in the Year under Review, and I am cautiously optimistic about our development in future. In the coming year, I will continue to lead all my staff to work closely together and create more value for the shareholders of the Group.

INVESTOR RELATIONS AND COMMUNICATION

The Group is committed to continuously maintaining and enhancing its transparency. Latest developments and financial reports of the Group are available to investors through the Company's website, or by directly contacting the Group's Investor Relations Department. The Company also maintains effective communications and good relationships with fund managers and analysts through meetings, conference calls, road shows, etc.

CHAIRMAN'S STATEMENT

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to all our Directors, management team and all staff for their efforts in contributing to the Group. I would also like to thank all our shareholders, customers and business partners for their trust and support throughout all these years, and I sincerely value your continued support to the Group.

Zhao Jiuliang
Chairman

30 March 2022

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 in the second quarter of 2020, various countries in Europe imposed containment and mitigation measures. 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 phrased approach to resume the manufacturing operations, and the manufacturing operations of all the plants were resumed in June 2020. In 2021, the plants of the Group returned to normal operations. Meanwhile, productions orders of the Group from the major customers have been recovering in early 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Due to the Pandemic, the demand for semiconductors soared in 2020 as consumers rushed to purchase household appliances and home office gadgets during the Pandemic, which resulted in a global shortage of semiconductors. This presented challenges and production disruptions for a wide range of industries worldwide, including the automotive industry. In 2021, the automotive industry gradually emerged a significant shortage of semiconductors, which forced many automobile manufacturers announcing to cut production for 2021.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group recorded revenue of HK$2,448.18 million from manufacture and sales of suspension products. While for the year ended 31 December 2020, the Group recorded revenue of HK$2,122.23 million from manufacture and sales of suspension products. The increase in revenue for the year ended 31 December 2021 is mainly due to the non-recurrence of the COVID-19-related temporary suspension for the plants of the Group in 2021, partially offset by the shortage of semiconductors in the automotive industry.

For the year ended 31 December 2021, the Group also recorded revenue of HK$157.78 million in provision of technical services (year ended 31 December 2020: HK$189.75 million).

Gross Profit and Gross Profit Margin

For the year ended 31 December 2021, the gross profit and gross profit margin of the Group were HK$411.79 million and 15.83% respectively. While for the year ended 31 December 2020, the gross profit and gross profit margin of the Group were HK$382.85 million and 16.56% respectively. The gross profit increase was mainly due to the increase in revenue as there was non-recurrence of the COVID-19-related temporary suspension for the plants of the Group in 2021. However, the gross profit margin decreased. The Pandemic caused disruptions across global supply chains, resulting in a rise in cost of raw materials. This dragged down the gross profit margin for the year ended 31 December 2021.

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 year ended 31 December 2021 decreased by 30.99% to HK$40.95 million (year ended 31 December 2020: HK$59.33 million), which was mainly due to the decrease in the government grants from various European governmental authorities to contain and combat the outbreak and spread of COVID-19.

Selling and Distribution Expenses

Selling and distribution expenses of the Group for the year ended 31 December 2021 decreased by 65.94% to HK$16.93 million (year ended 31 December 2020: HK$49.70 million), mainly due to a reversal of warranty provision. 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 year ended 31 December 2021 decreased by 2.04% to HK$156.20 million (year ended 31 December 2020: HK$159.45 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 year ended 31 December 2021 decreased by 6.14% to HK$246.14 million (year ended 31 December 2020: HK$262.24 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 year ended 31 December 2021 increased by 47.28% to HK$18.36 million (year ended 31 December 2020: HK$12.47 million) mainly because the interest on lease liabilities increased as a result of the additions of right-of-use assets under lease contracts during the year ended 31 December 2021. Finance costs mainly represented interest on bank loans obtained by subsidiaries in Europe and interest on lease liabilities.

Loss for the Year Attributable to Owners of the Company

For the year ended 31 December 2021, loss for the year attributable to owners of the Company approximate to HK$9.31 million (year ended 31 December 2020: HK$51.54 million). The reduction in loss for the year attributable to owners is mainly due to the non-recurrence of the COVID-19-related temporary suspension for the plants of the Group in 2021.

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 year ended 31 December 2021, in which net cash used in operating activities amounted to HK$66.12 million (year ended 31 December 2020: net cash generated from operating activities amounted to HK$157.27 million). As at 31 December 2021, the Group maintained cash and cash equivalents of HK$184.57 million (as at 31 December 2020: HK$424.11 million).

Indebtedness

As at 31 December 2021, the Group had bank borrowings of HK$65.22 million, which were obtained by subsidiaries in Europe and were denominated in Euro ("EUR") with an interest of 1-month EURIBOR plus 2.80% per annum and Polish Zloty ("PLN") with an interest of 1-month WIBOR plus 2.60% per annum.

As at 31 December 2020, the Group had bank borrowings of HK$103.73 million, which were obtained by subsidiaries in Europe and were denominated in EUR with an interest of 1-month EURIBOR plus 2.00% to 2.20% 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 31 December 2021 was 3.19% (as at 31 December 2020: 4.62%). 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 31 December 2021 and 31 December 2020, there were no assets of the Group being pledged.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in EUR and the local currencies of our operations, which include PLN, Great 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 31 in the notes to financial statements, the Group and the Company had no other commitments as at 31 December 2021 and 31 December 2020.

Contingent Liabilities

As at 31 December 2021, 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 year 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 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 has caused significant volatility in the global economy and production disruptions for a wide range of industries worldwide. In 2021, the automotive industry gradually emerged a significant shortage of semiconductors, which forced many automobile manufacturers announcing to cut production for 2021.

The chipmakers are continuously adding production capacity which will lead to improve supply conditions for semiconductors. It is expected that the shortage of semiconductors in automotive industry should ease in 2022 but it will be likely for the automotive industry to get back to normal after 2022. Looking forward to 2022, the Group expects that the future impact of the Pandemic will depend on future developments, such as vaccination rate in Europe, the contagious strain of mutated COVID-19 variant and its impact on our operations, customers and suppliers, the rate at which economic conditions return to pre-COVID-19 business activity level. Accordingly, the ultimate impact of the Pandemic on the Group cannot be determined at this moment.

Employees and Remuneration Policy

As at 31 December 2021, the Group had approximately 840 full-time employees (as at 31 December 2020: 950). During the year ended 31 December 2021, the total employees' cost was HK$474.90 million (year ended 31 December 2020: HK$442.67 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.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders and enhancing accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") was revised, re-arranged, and renamed to "Corporate Governance Code" effective from 1 January 2022 (the "Code Amendment"). In this report, the code provisions on corporate governance practices as set out in Appendix 14 prior to the Code Amendment will refer to as the "Former Code", and the code provisions on corporate governance practices as set out in Appendix 14 upon the Code Amendment came into effect will refer to as the "Revised Code" (collectively, the "CG Code").

The Company has complied with the Former Code during the financial year ended 31 December 2021. In addition, the Company will endeavor to comply with the Revised Code from 1 January 2022 onwards in accordance with the relevant implementation dates of the requirements under the Code Amendment.

BOARD OF DIRECTORS

(a) Composition

The Board currently comprises a total of six Directors, being two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" in this annual report. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company respectively.

The Board is characterised by diversity and has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors' Biographies" in this annual report.

The Directors give sufficient time and attention to the affairs of the Company and its subsidiaries (the "Group"). All Directors are required to disclose to the Company at the time of their appointments and annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

Save for those as disclosed in the section headed "Directors' Biographies" as set out on page 3 to page 5 of this annual report, the Board members have no other financial, business, family or other material/relevant relationships with each other.

BOARD OF DIRECTORS (continued)

(a) Composition (continued)

The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a sufficient independent element on the Board, which can effectively exercise independent judgement.

The Non-executive Directors are of sufficient number and calibre for their views to carry weight. The functions of Non-executive Directors include:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance and monitoring performance reporting.

The Non-executive Directors (including Independent Non-executive Directors) have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They give the Board and the committees on which they serve the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

Composition of the Board is disclosed, and the Independent Non-executive Directors are identified, in all corporate communications to shareholders.

(b) Role and function of the Board and the management

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the Executive Committee and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these committees are set out in this report.

BOARD OF DIRECTORS (continued)

(c) Board meetings

The Board meets regularly and holds at least four Board meetings a year. Additional meetings will be arranged, if and when required. The Directors can attend meetings in person or through electronic means of communication in accordance with the articles of association of the Company (the "Articles").

The Company Secretary assists the Chairman in drawing up the agenda of each Board meeting. Draft agenda of each regular Board meeting will be sent to all Directors for review before the agenda is issued and all Directors may request for inclusion of other matters in the agenda. The Chairman will take into account the matters proposed by the Directors and where appropriate, approve the inclusion of such matters in the agenda of the Board meeting. Generally, at least 14-day notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting. Where queries are raised by Directors, prompt and full responses will be given if possible.

The Company Secretary is responsible for taking minutes of Board meetings and Board committee meetings, draft and final versions of which would be sent to Directors for comments and records respectively, within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of Board meetings and Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, the matter will be dealt with by a physical Board meeting, rather than a written resolution. Independent Non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at that Board meeting.

BOARD OF DIRECTORS (continued)

(c) Board meetings (continued)

Except for those circumstances permitted by the Articles and all applicable laws, rules and regulations, a Director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates (or associates where the transaction or arrangement is a connected transaction under Chapter 14A of the Listing Rules) has a material interest nor shall he be counted in the quorum present at the meeting.

(d) Attendance records

During the financial year ended 31 December 2021, the Directors have made active contribution to the affairs of the Group and four physical Board meetings were held to consider various projects contemplated by the Group, as well as to review and approve the interim results and final results of the Group.

Details of the Directors' attendances in 2021 are as follows:

		Number of meeting(s) attended/ eligible to attend
Executive Directors		
Zhao Jiuliang*	*(Chairman)*	3/3
Jiang Yunan**	*(Chairman)*	1/1
Chen Zhouping		4/4
Non-executive Director		
Li Zhi#		4/4
Independent Non-executive Directors		
Tam King Ching, Kenny		4/4
Yip Kin Man, Raymond		4/4
Chan Pat Lam		4/4

* *Appointed as Director with effect from 20 April 2021.*

** *Resigned as Director with effect from 20 April 2021.*

Due to other business engagement, Mr. Li Zhi appointed a Director as his proxy to attend a Board meeting held during the year.

BOARD OF DIRECTORS (continued)

(e) Access to information

The Board is supplied with sufficient explanation and information by the management to enable the Board to make an informed assessment of financial and other information put before it for approval. The management provides all Board members with monthly updates which give a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Directors to discharge their duties. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

(f) Procedures for Directors to seek independent professional advice

There has been procedure in place to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses. The Board shall resolve to, upon reasonable request, provide separate independent professional advice to Directors to assist them in performing their duties to the Company.

Directors who intend to seek independent professional advice on any matters during the performance of his/her duties as a Director shall give prior written notice to the Company Secretary containing (i) a summary of issues on which advice is sought; (ii) the reasons for such request; and (iii) the proposed independent advisor, if any, from which the advice is to be obtained. The Company Secretary shall forward a copy of the notice to the Chairman and obtain the approval from the Chairman. The Chairman may prescribe a reasonable limit on the amount of the cost relating to the advice. If the Chairman does not consider the request for independent advice to be reasonable or the proposed independent advisor to be appropriate, the matter shall be fed back to the Director who seeks for independent professional advice. If the matter cannot be resolved between the Chairman and the Director concerned, it shall be referred to a committee comprising all the Independent Non-executive Directors other than the Director concerned, as the case may be (the "Independent Committee"). The matter shall be decided by the simple majority of the Independent Committee. The Company Secretary shall then make necessary arrangements for appointment of an independent advisor and inform the Board of the arrangements. Any advice obtained from the independent advisor shall be made available to the full Board by the Company Secretary. Any discussion of, or decision on, the relevant subject, as the case may be, shall be delayed until the Board has received the independent advices.

BOARD OF DIRECTORS (continued)

(g) Board diversity

The Company adopted a board diversity policy (the "Board Diversity Policy") on 27 January 2014 which sets out its approach to achieve diversity on the Board with a view to achieving a sustainable and balanced development of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board Diversity Policy is posted on the website of the Company.

Pursuant to the new requirements under the Rule 13.92 under the Listing Rules which came into effect on 1 January 2022, the Company will have to appoint at least one female Director on the Board no later than 31 December 2024. The Board will strive to look for suitable candidate(s) in accordance with the Nomination Policy and the Board Diversity Policy and appoint new director(s) to join the Board no later than 31 December 2024.

(h) Nomination, appointment and re-election of Directors

Recommendation of candidates for directorship of the Company is a matter for consideration by the Nomination Committee. The Company adopted a director nomination policy (the "Nomination Policy") on 11 December 2018 which sets out the nomination procedures and the process and the criteria to select and recommend candidates for directorship.

In evaluating and selecting any candidate for directorship, the Nomination Committee and/or the Board should consider the certain criteria including but not limited to:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, as well as diversity aspects under the Board Diversity Policy of the Company;

BOARD OF DIRECTORS (continued)

(h) Nomination, appointment and re-election of Directors (continued)

- any potential contributions that the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity; and

- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

As regards the nomination process, the Nomination Committee should review the biographical information of the candidate and evaluate such candidate based on the criteria as set out in the Nomination Policy to determine whether such candidate is qualified for directorship. If the process yields one or more desirable candidates, the Nomination Committee should rank them by order of preference based on the needs of the Company. After reviewing the suitable candidates, the Nomination Committee should make recommendation to the Board for appointment of the appropriate candidate for directorship.

For re-election of Directors at general meeting, the Nomination Committee will give adequate consideration to the Board Diversity Policy, the Nomination Policy and the relevant requirements of the Listing Rules before making recommendations to the Board.

According to the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the first general meeting of the Company after his/her appointment or, in the case of an addition to the existing Board, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director is subject to retirement by rotation at least once every three years.

All Directors (including all Non-executive Directors) have entered into service agreements or letters of engagement with the Company for a term of not more than three years.

BOARD OF DIRECTORS (continued)

(i) Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three Independent Non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to Rule 3.10A of the Listing Rules, the number of Independent Non-executive Directors of the Company represents not less than one-third of the Board.

The Company has received from each of its Independent Non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent.

Any re-election of an independent non-executive director who has served the board for more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders.

(j) Insurance for directors' and officers' liability

Appropriate insurance covering directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

(k) Directors' training and professional development

Newly appointed Directors will be given a director's induction kit containing general information on the Company's structure, key policies of the Company, role and responsibility of Directors and introduction of regulatory requirements. Directors are continually updated on the latest development of the Listing Rules, legal and other regulatory requirements to ensure compliance and upkeep of good corporate governance practice. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary facilitates induction and professional development of Directors and the Company is responsible for arranging and funding suitable training for the Directors.

BOARD OF DIRECTORS (continued)

(k) Directors' training and professional development (continued)

All Directors have provided to the Company their records of training received during the financial year ended 31 December 2021, a summary of which is as follows:

Directors	Continuous professional development Type (Note I)	Continuous professional development Subject (Note II)
Zhao Jiuliang*	A	1
	B	1, 4
Jiang Yunan**	B	1, 4
Chen Zhouping	A	1
	B	1, 4
Li Zhi	A	1
	B	1, 4
Tam King Ching, Kenny	A	1, 2
	B	1, 4
Yip Kin Man, Raymond	A	1, 3, 4
	B	1, 3, 4
Chan Pat Lam	A	1
	B	1, 4

* *Appointed as Director with effect from 20 April 2021.*

** *Resigned as Director with effect from 20 April 2021.*

Note I:

A: Attending seminars, conferences, forums, in-house briefings or in-house training

B: Reading newspapers, journals and updates

Note II:

1: Laws, rules and regulations

2: Finance, accounting or taxation

3: Management

4: Businesses relating to the Company

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate and exercised by different individuals to reinforce their independence and accountability. Mr. Zhao Jiuliang is the Chairman and Mr. Chen Zhouping serves as the Managing Director of the Company. The Chairman provides leadership for the Board and ensures that the Board works effectively and performs its responsibilities. The Managing Director has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

The responsibilities of the Chairman include, amongst other things:

- taking primary responsibility for ensuring that good corporate governance practices and procedures are established;
- ensuring that all Directors are properly briefed on issues arising at Board meetings, and ensuring that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;
- encouraging all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interest of the Company;
- encouraging Directors with different views to voice their concerns, allowing sufficient time for discussion of issues and ensuring that Board decisions fairly reflect Board consensus;
- ensuring that appropriate steps are taken to provide effective communications with shareholders and that their views are communicated to the Board as a whole; and
- promoting a culture of openness and debate by facilitating the effective contribution of Non-executive Directors in particular and ensuring constructive relations between Executive and Non-executive Directors.

During the year, the Chairman met with the Independent Non-executive Directors without the presence of other Directors.

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

(a) Executive Committee

An Executive Committee of the Board was established in January 2014 with specific written terms of reference which deal clearly with its authorities and duties.

The Executive Committee has been conferred with the general powers of the Board (except those matters specifically reserved for the Board) to manage and oversee the operations of the Group and has been assigned with the responsibilities to perform the corporate governance duties as follows:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Group's employees and Directors;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- to conform to any requirement, direction, regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The Executive Committee comprises all Executive Directors of the Company.

BOARD COMMITTEES (continued)

(a) Executive Committee (continued)

During the year, five physical meetings of the Executive Committee were held. Amongst those meetings, one meeting was held for the purpose of performing the corporate governance duties and the attendances of the members of the Executive Committee at that meeting are as follows:

Committee members		Number of meeting(s) attended/ eligible to attend
Zhao Jiuliang*	*(chairman of the committee)*	3/3
Jiang Yunan**	*(chairman of the committee)*	2/2
Chen Zhouping		5/5

* *Appointed as committee member with effect from 20 April 2021.*

** *Ceased to be committee member with effect from 20 April 2021.*

The major work in relation to the corporate governance of the Group performed by the Executive Committee during the year included, amongst other things, the following:

- reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company for the year ended 31 December 2020.

(b) Audit Committee

An Audit Committee of the Board was established in January 2014 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Audit Committee include, amongst other things:

- overseeing the relationship with the Company's auditor;
- reviewing the interim and annual financial statements;
- reviewing the Company's financial reporting system, risk management and internal control systems; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

BOARD COMMITTEES (continued)

(b) Audit Committee (continued)

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. It is given access to and assistance from the employees and reasonable resources to perform its duties properly.

The chairman of the Audit Committee is an Independent Non-executive Director and the Audit Committee comprises all Independent Non-executive Directors of the Company. None of the members of the Audit Committee are former partners of the auditor of the Company.

During the year, two physical meetings of the Audit Committee were held and the attendances of the members of the Audit Committee are as follows:

Committee members	**Number of meeting(s) attended/ eligible to attend**
Tam King Ching, Kenny *(chairman of the committee)*	2/2
Yip Kin Man, Raymond	2/2
Chan Pat Lam	2/2

The major work performed by the Audit Committee during the year included, amongst other things, the following:

- reviewing the final results of the Group for the year ended 31 December 2020;
- reviewing the interim results of the Group for the six months ended 30 June 2021; and
- reviewing the reports on the risk management and internal control systems of the Group prepared by an independent advisory firm.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

BOARD COMMITTEES (continued)

(c) Nomination Committee

A Nomination Committee of the Board was established in January 2014 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board;

- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors;

- assessing the independence of Independent Non-executive Directors;

- reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that have been set for implementing the Board Diversity Policy, and reviewing the progress on achieving the objectives; and

- reviewing the Nomination Policy, including to review the nomination procedures and the process and criteria to select and recommend candidates for directorship, as appropriate.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will give adequate consideration to the Board Diversity Policy and the Nomination Policy, and take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

BOARD COMMITTEES (continued)

(c) Nomination Committee (continued)

The Board Diversity Policy is posted on the website of the Company. For further details of the Nomination Policy, please refer to the sub-section headed "Nomination, appointment and re-election of Directors" under "Board of Directors" section in this report.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The chairman of the Nomination Committee is the Chairman of the Board and the Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

During the year, two physical meetings of the Nomination Committee were held and the attendances of the members of the Nomination Committee are as follows:

Committee members	**Number of meeting(s) attended/ eligible to attend**
Zhao Jiuliang* *(chairman of the committee)*	1/1
Jiang Yunan** *(chairman of the committee)*	1/1
Li Zhi#	2/2
Tam King Ching, Kenny	2/2
Yip Kin Man, Raymond	2/2
Chan Pat Lam	2/2

* *Appointed as a committee member with effect from 20 April 2021.*

** *Ceased to be a committee member with effect from 20 April 2021.*

Due to other business engagement, Mr. Li Zhi appointed a Director as his alternate to attend a Nomination Committee meeting held during the year.

BOARD COMMITTEES (continued)

(c) Nomination Committee (continued)

The major work performed by the Nomination Committee during the year included, amongst other things, the following:

- assessing the independence of the Independent Non-executive Directors;
- considering and making recommendations to the Board on the re-election of Directors at the annual general meeting;
- reviewing the structure and composition of the Board with due regard for the benefits of diversity on the Board; and
- considering and making recommendations to the Board on the appointment of Mr. Zhao Jiuliang as Executive Director of the Company and the Chairman of the Board.

(d) Remuneration Committee

A Remuneration Committee of the Board was established in January 2014 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;
- reviewing and approving the management's remuneration proposals with reference to the Company's goals and objectives;
- determining, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-executive Directors;

BOARD COMMITTEES (continued)

(d) Remuneration Committee (continued)

- reviewing and approving compensation payable to Executive Directors and senior management and compensation arrangements relating to dismissal or removal of Directors for misconduct; and

- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee may consult the Chairman of the Board and/or the Managing Director of the Company about their remuneration proposals for other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

The chairman of the Remuneration Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

BOARD COMMITTEES (continued)

(d) Remuneration Committee (continued)

During the year, two physical meetings of the Remuneration Committee were held and the attendances of the members of the Remuneration Committee are as follows:

Committee members	Number of meeting(s) attended/ eligible to attend
Yip Kin Man, Raymond *(chairman of the committee)*	2/2
Zhao Jiuliang*	1/1
Jiang Yunan**	1/1
Tam King Ching, Kenny	2/2
Chan Pat Lam	2/2

* *Appointed as a committee member with effect from 20 April 2021.*

** *Ceased to be a committee member with effect from 20 April 2021.*

The major work performed by the Remuneration Committee during the year included, amongst other things, the following:

- considering, reviewing and determining the remuneration of the Executive Directors of the Company for the year 2022;
- considering the bonuses of the Executive Directors of the Company for the year 2021;
- making recommendations to the Board on the director's fee of the Non-executive Directors of the Company for the year 2022; and
- making recommendations to the Board on the salary of Mr. Zhao Jiuliang, the Executive Director appointed during the year.

Details of remuneration paid to Directors and senior management for the year are set out in note 8 to financial statements.

COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairman and/or the Managing Director of the Company on corporate governance and the implementation of the CG Code. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs.

The Company Secretary reports to the Chairman and the Managing Director. All Directors also have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations, are followed. The selection, appointment and dismissal of the Company Secretary is subject to the Board approval.

Mr. Cheng Chun Shing has been appointed as the Company Secretary of the Company since 21 March 2018. He has confirmed that he has taken no less than 15 hours of relevant professional training during the year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledged that it is the Board's responsibility to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems.

During the year, the Group has complied with Principle C.2 of the Former Code by maintaining appropriate and effective risk management and internal control systems. The management is responsible for the design, implementation and monitoring of such systems, while the Board, with the assistance of the Audit Committee, oversees the management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below.

Risk Management System

The Group adopts a risk management system which manages the risks associated with its businesses and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that may affect the achievement of objectives.

- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Risk Management System (continued)

Based on the risk assessments conducted in 2021, the details of significant risks and the relevant risk responses are highlighted as follow:

Risk Category	Risk Title	Risk Description	Risk Response
Operational risk	Shortage of materials	In 2021, the automotive industry had suffered a significant shortage of semiconductors, causing numerous automobile manufacturers to announce production cuts for 2021. If the situation continues, it may significantly affect the sales and profitability of the Group.	The Group has worked closely with different automobile manufacturers and maintained a good and stable relationship with the customers. In order to capture more market opportunities, the sales team has worked closely to understand the requirement and demand of the automobile manufacturers. The purchasing team has maintained good relationship with our suppliers to ensure raw materials can be provided within reasonable timeframe and the disruption of the production could be mitigated. The Group has also increased its safety stock level in order to ensure there are enough materials for production to continue and to meet customer demand.
Operational risk	Employee retention	As the pandemic is better under control, many European countries have started easing travel restriction in late 2021. The demand for qualified worker has been increased. Besides, many enterprises tend to provide competitive salary package to attract qualified workers. Therefore, some qualified workers will prefer working in other European countries and joining other companies. Hence, it is important to retain qualified workers for maintaining the operations and business performance.	The Group seeks to retain employee by implementing the measures including (i) annual market research has been conducted to obtain economic data to ensure the remuneration package and fringe benefits are comparable with other rivals; (ii) annual performance appraisal has been conducted, employees with satisfactory performance will be offered with salary increment and promotion; (iii) on-the-job trainings have been provided to workers to increase their competitiveness; and (iv) communication channels have been set up to enhance staff communication.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Risk Management System (continued)

The management has established risk management framework to identify risks, set risk aptitudes and develop risk responses plans. The management will review the framework regularly to ascertain the effectiveness of the risk management process. The management will also actively identify, report and discuss the risk responses based on the dynamic economic environment and uncertainties. In addition, the management will also establish mechanisms to identify environmental changes and analyze the related risks and opportunities.

Internal Control Systems

The Board is responsible for overall ensuring, maintaining and overseeing the internal control systems of the Group. The Executive Committee assists the Board to discharge its responsibilities of ensuring and maintaining appropriate and effective internal control functions by continuously reviewing and monitoring the internal control systems and processes so as to ensure that they can manage the risk of failure to achieve business objectives and provide reasonable assurance against material misstatement or loss of the Group.

The internal control systems of the Group are embedded within the business processes so that they function as an integral part of the overall operations of the Group. The systems comprise a comprehensive organization structure with assignment of definite accountabilities and delegation of the corresponding authorities to each post. Based on the organization structure, a reporting system has been developed which includes a reporting system from division head of each principal business unit to the Executive Committee.

The Company has in place internal control systems which are compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The main components of the framework are shown as follows:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- *Control Activities:* Policies and procedures to help ensure that the management directives to mitigate risks to the achievement of objectives are carried out.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Internal Control Systems (continued)

- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring:* Ongoing and separate evaluations to ascertain whether each component of the internal control systems is present and functioning.

The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control systems in order to ensure that they can meet with the dynamic and ever-changing business environment. During the year under review, the Board has reviewed, with the assistance of the Audit Committee, the Group's risk management and internal control systems and is not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal control systems of the Group. Also, based on the internal control reviews conducted in 2021, no significant control deficiency was identified.

Internal Audit

The Group has an internal audit ("IA") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA personnel are independent of the Group's daily operations and carry out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Audit Committee and the Board.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by the IA personnel and the Audit Committee, concluded that the risk management and internal control systems of the Group were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In respect of accounting, internal audit and financial reporting functions of the Company, the Board also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

INSIDE INFORMATION DISCLOSURE POLICY

The Company adopted an inside information disclosure policy (the "Inside Information Disclosure Policy") on 21 December 2015 which sets out the procedures for the handling and dissemination of inside information with a view to preventing uneven, inadvertent or selective dissemination of inside information and ensuring shareholders and the public are provided with full, accurate and timely information about the activities and the financial condition of the Group. The Inside Information Disclosure Policy covers the following:

- setting out the processes for identifying, assessing and escalating potential inside information to the Board;

- setting out the responsibilities of officers in preserving the confidentiality of inside information, escalating upwards any such potential information and cascading down the message and responsibilities to relevant staff; and

- identifying who are the Company's authorized spokespersons and their responsibilities for communications with stakeholders of the Company.

In addition, the Company has communicated to all relevant staff regarding the implementation of the Inside Information Disclosure Policy.

The Board considers that the Company's existing measures are effective and appropriate compliance mechanisms to safeguard the Company and its officers in discharging their disclosure obligations in respect of inside information.

The Inside Information Disclosure Policy is posted on the website of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules 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 year ended 31 December 2021.

Employees who are likely to possess inside information in relation to the Company or its shares are required to prohibit from dealing in shares of the Company during the black-out period.

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's auditors is set out as follows:

Services rendered	*HK$'000*
Audit services	2,999
Non-statutory audit services:	
– Interim review	1,282
	4,281

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the annual and interim reports and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

The statement of the auditor of the Company, Ernst & Young, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 91 to 96 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with the shareholders, the Company provides extensive information in its annual and interim reports and announcements. All shareholders' communications are also available on the Company's website at www.bwi-intl.com.hk.

(a) Shareholders' Communication Policy

On 27 January 2014, the Board adopted a Shareholders' Communication Policy reflecting the current practices of the Company for communication with its shareholders. Such policy aims at ensuring the shareholders of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders to engage actively with the Company.

(b) General meeting

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries.

During the year, two general meetings were held by the Company. One of the general meetings was the annual general meeting of the Company was held on 28 May 2021 (the "2021 AGM"), and the other one was the extraordinary general meeting of the Company was held on 9 December 2021 (the "EGM") for approving the revision of existing annual cap of the continuing connected transactions of the Group.

COMMUNICATION WITH SHAREHOLDERS (continued)

(b) General meeting (continued)

The auditor of the Company, Ernst & Young, attended the 2021 AGM. Details of the Directors' attendances at the general meetings held during the year are as follows:

Directors	2021 AGM	EGM
Executive Directors		
Zhao Jiuliang *(Chairman)*	✓	✓
Chen Zhouping	✓	✓
Non-executive Director		
Li Zhi	✓	×
Independent Non-executive Directors		
Tam King Ching, Kenny	✓	✓
Yip Kin Man, Raymond	✓	✓
Chan Pat Lam	✓	✓

During the year, all notice(s) of general meeting(s) despatched by the Company to its shareholders for meeting(s) held were sent for annual general meeting at least 21 clear days and at least 20 clear business days before the meeting and for extraordinary general meeting (at which the passing of a special resolution was considered) at least 21 clear days and at least 10 clear business days before the meeting, and for all other extraordinary general meeting(s) at least 14 clear days and at least 10 clear business days before the meeting(s). Separate resolutions were proposed at general meetings on each substantially separate issue, including the election of individual Directors, and all resolutions put to the vote of a general meeting were taken by way of a poll. At the general meeting, the chairman of the meeting explained the procedures for conducting a poll and answered questions from shareholders on voting by poll, if any. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

COMMUNICATION WITH SHAREHOLDERS (continued)

(c) Dividend Policy

The Company adopted a dividend policy (the "Dividend Policy") on 11 December 2018 which set out the principles and guidelines in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

The Company does not have any pre-determined dividend payout ratio. In respect of recommendation or declaration of any dividend, the Board should ensure that the Company can maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value on an ongoing basis.

The Board shall also take into account the following factors of the Company and its subsidiaries when considering the declaration and payment of dividends:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

Save for the factors as set out in the Dividend Policy, the Board must also comply with the Articles and all applicable laws and regulations before declaration and distribution of any dividends to the shareholders of the Company at its discretion.

SHAREHOLDERS' RIGHTS

(a) Convene an extraordinary general meeting and put forward proposals at shareholders' meetings

There are no provisions under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands allowing shareholders to propose new resolutions at general meetings.

However, pursuant to the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist himself may do so in the same manner, and all reasonable expenses incurred by the requisitionist as a result of the failure of the Board shall be reimbursed to the requisitionist by the Company.

(b) Shareholders' enquiries

Specific enquiries or suggestions by shareholders can be sent in writing to the Board or the Company Secretary at our principal office in Hong Kong or by email to our Company. In addition, shareholders can contact Tricor Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlement to dividend. Relevant contact details are set out on page 2 of this annual report.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

BeijingWest Industries International Limited (the "**Company**") and its subsidiaries (collectively the "**Group**" or "**We**") are pleased to present our environmental, social and governance ("**ESG**") report. The ESG report summarises the efforts and achievements made by the Group in corporate social responsibility and sustainable development. As for the information on corporate governance, please refer to the corporate governance report on pages 17 to 44 of this annual report.

Scope of the Report

The ESG report covers the business segment of the Group, namely, manufacturing and sales of auto parts, focusing on the operation of the production facilities in the Czech Republic, Poland, and the United Kingdom (the "**UK**") as well as the technical centre in Poland. Our sustainability approach and performance in the environmental and social aspects of our business for the reporting period from 1 January 2021 to 31 December 2021 (the "**Year**") are presented in the ESG report. The Group continues to strengthen information collection in order to enhance the performance in environmental domains and to disclose relative information on sustainable development.

Reporting Standard

The ESG report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). All mandatory disclosure requirements and "comply or explain" provisions are complied.

Reporting Principles

The Group has taken into consideration of the four primary reporting principles as set out under the Listing Rules, namely materiality, quantitative, balance and consistency in the course of preparation of the ESG report. Material issues are identified and prioritised according to a materiality assessment conducted through stakeholder engagement. The key issues shall be utilised as reference for determining goals, developing various strategies and compiling the ESG report. Relevant methodologies shall be disclosed in "About the Group" section below.

The Group's ESG performance shall be reflected by the disclosure of environmental and social key performance indicators ("**KPIs**"). The methodologies of KPI calculations shall be kept consistent for easy comparison unless otherwise specified. Particular standards, methodologies, assumptions and references adopted shall be presented in respective sections in the ESG report.

Feedback

We welcome your feedback and your opinions will be highly valued. Should you have any advice or suggestions on the ESG report, please contact us at info@bwi-intl.com.hk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

The Group principally engages in the manufacture and sale of automotive parts and components, trading of automotive parts and components and the provision of technical services. The Group's automotive suspension products are mainly for premium passenger vehicles, which are manufactured by our plants in Europe. Through developing and maintaining a strong relationship with the major customers, the Group well understands the technical requirements of the customers and has expertise in the manufacturing process for premium passenger vehicles.

Being a responsible enterprise with businesses in different countries, the Group and its employees are subject to the laws and regulations of the countries where it operates, as well as the requirements and standards of the industry.

Board Statement

The Group considers that excellent ESG governance strategies or initiatives are inextricably linked with stable enhancement of investment values, facilitating the sustainability of long-term returns to shareholders. The board of directors of the Company (the "**Board**") acknowledges the responsibility of sustaining ESG governance structure and it is responsible for overseeing the Group's execution of ESG-related matters, including evaluating ESG risks. The Board reviews, assesses and monitors how ESG strategies are cooperated among business divisions. The Board shall continue to review, discuss and seek for improvements for better compilation of the ESG report.

The Board is responsible for concerning and executing the stakeholder engagement to assemble views from various perspectives through questionnaires for a comprehensive materiality assessment. In order to facilitate independency, we have invited third-party ESG professionals to help analyse, evaluate and prioritise the significant ESG issues of the Group's business. The Board also provides several stakeholder engagement channels for better communication. The Board keeps track of emerging market trends and closely follows the latest international trends relating to ESG-related issues which may potentially impact the business operations of the Group. Accordingly, the Board shall make timely adjustments to business operations, monitor and review the compliance status of ESG-related laws and regulations enacted by external governing/regulatory parties.

The ESG achievements are presented to our stakeholders annually through the ESG report. The Board shall consider all opinions received and keep seeking improvement in ESG strategies to achieve our ultimate sustainable goals.

Stakeholder Engagement

During the preparation of the ESG report for the Year, the Group engaged an independent third-party consultant to assist in gathering opinions from its internal key stakeholders on ESG issues. The opinions received enabled us to improve our internal management while enhancing the quality of the ESG report. Therefore, the Group attaches great importance to stakeholders' opinions and takes their opinions as the basis for its formulation and implementation of short-term and long-term sustainability strategies. Through a wide range of channels, we strive to communicate with stakeholders, understand their requirements and expectations so as to further improve our ESG performance.

Stakeholders	Requirements and Expectations	Means of Communication and Response
Governments and Regulators	• Compliance with national policies, laws and regulations • Contribution to local employment • Tax payment in full and on time • Production safety	• Regular information reporting • Dedicated reports • Examinations and inspections • Safety Metrics
Shareholders	• Returns • Compliant operations • Company value enhancement • Transparency and effective communication	• General meetings • Announcements • Email, telephone communication and company website • Dedicated reports
Partners	• Operation with integrity • Performance of contracts • Mutual benefits	• Review and appraisal meetings • Discussion and exchange of opinions • Engagement and cooperation
Customers	• Outstanding products and services • Health and safety • Performance of contracts • Operation with integrity	• Customer service center and hotlines • Customer satisfaction survey • Meetings with customers • Social media • Collection of feedback

Stakeholder Engagement (continued)

Stakeholders	Requirements and Expectations	Means of Communication and Response
Environment	• Compliance with emission regulations • Energy saving and emission reduction • Environmental protection	• Communication with local environmental departments • Reporting (e.g. ESG Reporting) • Investigations and inspections
Industry	• Establishment of industry standards • Enhancement of industry development	• Participation in industry forums
Employees	• Protection of rights • Occupational health and safety • Remunerations and benefits • Career development • Humanity cares	• Meetings with employees • House journal and intranet • Employee mailbox • Training and workshops
Community and the Public	• Enhancement of community environment • Participation in charity • Transparency	• Company website • Announcements • Social media

Materiality Assessment

The materiality assessment was conducted by scoring the material issues based on internal stakeholder surveys. With the aid of third-party professionals, we also gathered the material issues for the industry addressed by two well-known external authorities[1]. We further merged those material issues and finalised the representative material issues as shown below:

Aspects	Material Issues	Corresponding Sections
Environmental	• Energy Management	• Excellence in Environment ➢ Reducing energy consumption
	• Waste and Hazardous Materials Management	• Excellence in Environment ➢ Sorting of waste
Employment and Labour Practices	• Labour Management	• Excellence in Our Workplace ➢ Employment and Welfare
	• Occupational Health and Safety	• Excellence in Our Workplace ➢ Health and Safety
Operating Practices	• Development and Training	• Excellence in Our Workplace ➢ Development and Training
	• Anti-corruption	• Excellence in Our Workplace ➢ Promoting Integrity
	• Materials Sourcing & Efficiency	• Excellence in Our Workplace ➢ Fair Treatment of Suppliers ➢ Product Quality
	• Product Quality & Safety	• Excellence in Our Workplace ➢ Product Quality

1 The material issues are addressed via materiality maps of two external authorities, namely the Sustainability Accounting Standards Board (SASB) and MSCI Inc..

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EXCELLENCE IN ENVIRONMENT

Environmental Principles

The role of a responsible corporate citizen is largely defined by the Group's commitment to protecting natural resources and the global environment. The Group strictly abides by the local laws and regulations where it operates regarding environmental protection, including the Act on Integrated Pollution Prevention and Control of the Czech Republic, Environmental Protection Law of Poland and Environmental Protection Act 1990 of the UK. The daily operation of the Group is governed by the environmental principles. To ensure the Group's sustainable growth and prosperity while protecting the environment, it keeps on reducing solid waste and air pollution, conserving resources and recycling materials by harnessing technologies.

Our commitment goes beyond the compliance with laws and encompasses the integration of sound environmental practices in our business decisions. Necessary permits were obtained under applicable environmental protection laws for the operation of production facilities in the Czech Republic, Poland and the UK, such as environmental permits in the areas of air emissions, water discharge and waste disposal.

To further urge the Group forward for environmental sustainability, the Group has declared several environment-related targets and goals in its Sustainability Policy, governing the direction of the Group's development towards a more environmentally sustainable future. The targets revolve around four main aspects, including greenhouse gas emissions, energy and water resource consumption, as well as waste production, mainly focusing and aiming to use sustainable energy and materials, generating less waste and reducing greenhouse gas emissions. The Group constantly looks for methods to reduce the strain on the environment during the development, manufacturing and disposal of products.

Aiming at indicating risk factors in business operation, the environmental management system was executed. According to the system, identification and determination of environmental aspects are conducted by site environmental specialists to control the environmental risks and further lessen the environmental impact. Environmental management system procedure has been developed with clear responsibilities of managerial staff from various departments. Our dedication to implementing the environmental management system can be reflected by the certifications of ISO14001:2015 Environmental Management System Standard obtained by the production facilities in the Czech Republic, Poland and the UK.

EXCELLENCE IN ENVIRONMENT (continued)

Environmental Principles (continued)

The Group endeavours to make contributions to the sustainability of our businesses and believes that sustainability should be firstly reinforced from employees, as employees are essential to the Group's overall success. In order to raise employees' awareness on environmental protection, the Group educate, train and motivate them to carry out tasks in an environmentally responsible manner. During the Year, numerous environmental training sessions were held in the production facilities in the Czech Republic, Poland, the UK, as well as the technical centre in Poland to broaden employees' environmental protection knowledge. Such environmental training courses covered environmental policy, dangerous goods handling and waste segregation. Looking forward, we will conduct an ongoing assessment on the impact of our production facilities and products on the environment and the communities, in an effort to achieve the goal of continual improvement.

Minimising Emissions and Reducing Resource Consumptions

We highly value the importance of sustainability and recognise the importance of the environment to our businesses, therefore it is our mission to strive to protect the environment and uphold the principles of sustainability through a multitude of different actions. By enforcing different measures in aspects like pollution and emission reduction and resource conservation, we try our best in reducing our footprint on the environment and operating sustainably.

(a) Minimising air and water pollutants

Air and water pollution in our business operations are mainly generated from the manufacturing processes of the production facilities in the Czech Republic and Poland, while there are only air pollutants emitted from the technical centre in Poland. Neither air pollutants nor water pollutants are emitted from the production facility in the UK. Our air emissions and wastewater discharges are monitored on a regular basis to ensure the compliance with the relevant emission standards.

EXCELLENCE IN ENVIRONMENT (continued)

Minimising Emissions and Reducing Resource Consumptions (continued)

(a) Minimising air and water pollutants (continued)

The following table shows the Group's performance in relation to air emissions and wastewater discharges in the Year.

Production Facility	Pollutant	Emission Amount	Emission Limit of the Standard
Czech Republic	Air Pollutants: (Relevant Standard: Requirements of Integrated Pollution Prevention and Control)		
	Carbon monoxide	6.30 mg/m^3	50 mg/m^3
	Nitrogen dioxide	2.35 mg/m^3	100 mg/m^3
	Volatile Organic Compounds	16.50 mg/m^3	20 mg/m^3
	Water Pollutants: (Relevant Standard: Requirements of Integrated Pollution Prevention and Control)		
	Aluminium	0.14-9.01 mg/L	10 mg/L
	Iron	2.06-18.27 mg/L	20 mg/L
	Nickel	0.04-0.09 mg/L	0.2 mg/L
	Sulphates	590-687 mg/L	1,600 mg/L
Poland	Air Pollutants: (Relevant Standard: Requirements of Integrated Pollution Prevention and Control)		
	Aliphatic hydrocarbons	<=0.003 kg/h	0.143 kg/h
	Aromatic hydrocarbons	<=0.007 kg/h	0.093 kg/h
	Chromium	<=0.001 kg/h	0.100 kg/h
	Nitrogen Oxides	<=0.026 kg/h	0.078 kg/h
	Particulates	<=0.001 kg/h	0.100 kg/h
	Water Pollutants: (Relevant Standard: Integrated Wastewater Discharge Standard)		
	Chromium	0.005-0.095 mg/L	0.25 mg/L
	Copper	0.006-0.013 mg/L	0.25 mg/L
	Nickel	0.002-0.004 mg/L	0.25 mg/L
	Zinc	0.010-0.970 mg/L	1.00 mg/L

EXCELLENCE IN ENVIRONMENT (continued)

Minimising Emissions and Reducing Resource Consumptions (continued)

(a) Minimising air and water pollutants (continued)

In addition to the emissions from manufacturing processes, air pollutants are also produced from the use of vehicles and stationary combustion equipment. The air pollutants of vehicles and stationary combustion from production facilities in the Czech Republic, Poland and the UK, as well as the technical centre in Poland are as follows:

Air Emissions *(Note 1)*	**2021**	2020
Nitrogen oxides (kg)	**5,472**	3,204
Sulphur oxides (kg)	**48**	27
Particulate matter (kg)	**56**	33

Note:

1. Based on the emission factors according to the operation locations of the business, including EMEP/EEA Air Pollutant Emission Inventory Guidebook 2019 issued by European Environment Agency, 2006 IPCC Guidelines for National Greenhouse Gas Inventories and Greenhouse gas reporting: conversion factors 2020 issued by the Department for Business, Energy and Industrial Strategy of the UK.

The Group has set a reduction target for air emission, specifically on the vehicles involved in operation processes, such as fork trucks. To achieve the target, the purchase team shall take into consideration new fuel types which emit less pollutants. The Group has also set a reduction target for water pollutant emissions through enhancing the technology of sewage treatment plants. In order to improve the sewage treatment, the production facility has dedicated to improving of the ventilation system and automating the control system of the plants.

EXCELLENCE IN ENVIRONMENT (continued)

Minimising Emissions and Reducing Resource Consumptions (continued)

(b) Minimising greenhouse gas emissions

As a responsible enterprise, the Group understands the importance of contributing to the greenhouse gas emissions reduction. The greenhouse gas emissions from the production facilities in the Czech Republic, Poland and the UK, as well as technical centre in Poland are set out in the table below:

Greenhouse Gases	**2021**	2020
Total greenhouse gas emissions (tonnes CO_2e)	**24,983**	23,677
Greenhouse gas emissions per production machine (tonnes CO_2e/production machine)	**38.38**	35.82
Scope 1 – Direct emissions *(Note 1)* (tonnes CO_2e)	**4,336**	4,500
Scope 2 – Energy indirect emissions *(Note 2)* (tonnes CO_2e)	**20,294**	18,996
Scope 3 – Other indirect emissions *(Note 3)* (tonnes CO_2e)	**353**	181

Notes:

1. Based on the emission factors according to the operation locations of the business, including EMEP/EEA Air Pollutant Emission Inventory Guidebook 2019 issued by European Environment Agency, 2006 IPCC Guidelines for National Greenhouse Gas Inventories and Greenhouse gas reporting: conversion factors 2020 issued by the Department for Business, Energy and Industrial Strategy of the UK.

2. Based on the emission factors according to the operation locations of the business, including a) Czech Republic Energy Efficiency Report, b) Electricity Emission Factor of Poland by the National Centre for Emissions Management, c) Intensification of the Biomethanisation Process in Wastewater Treatment Plant by University of Warmia and Mazury and Water and Sewage Corporation, d) 2019 Water, Wastewater Benchmark – Learning from Internation Best Practices by European Benchmarking Co-operation, and (e) Greenhouse gas reporting: conversion factors 2020 issued by the Department for Business, Energy and Industrial Strategy of the UK.

3. Calculated based on the International Civil Aviation Organization Carbon Emissions Calculator.

In the future, the Group will continue to use natural resources rationally through closely monitoring the consumption of resource and taking actions if the limit is exceeded so as to further reduce the greenhouse gas emissions.

EXCELLENCE IN ENVIRONMENT (continued)

Minimising Emissions and Reducing Resource Consumptions (continued)

(c) Reducing energy consumption

The Group recognises that natural resources are scarce and must be well managed and conserved so that they will not be depleted in a near future. Therefore, the Group has put in place various energy-saving initiatives, carried out regular monitoring on energy consumption and annual surveys to look for irregularities and areas of improvement in energy utilisation, and set goals for further reduction of energy consumption. During the Year, energy saving programmes have been introduced in the production facilities in both Poland and the UK, as well as training sessions conducive to boost employees' energy-saving awareness were provided.

The energy consumption from the production facilities in the Czech Republic, Poland and the UK, as well as the technical centre in Poland is as follows:

Energy Consumption	**2021**	2020
Total energy consumption (MWh)	**55,954**	45,584
Energy consumption per production machine (MWh/production machine)	**85.95**	68.96
Non-renewable fuel consumption *(Note 1)* (MWh)	**20,120**	11,559
Purchased electricity and heating *(Note 2)* (MWh)	**35,834**	34,025

Notes:

1. Based on the actual fuel consumption for mobile vehicles and stationary combustion sources of the Group. The unit conversions for the consumption from mobile vehicles (litre) were calculated with reference to EMEP/EEA air pollutant emission inventory guidebook 2019 issued by European Environment Agency and Greenhouse gas reporting: conversion factors 2020 issued by the Department for Business, Energy and Industrial Strategy of the UK.

2. Based on the actual energy consumption record of the Group.

At the beginning of the Year, the production facilities in the Czech Republic, Poland and the UK decided their energy reduction objectives, focusing on the reduction of thermal energy consumption. Several actions have been taken to achieve the goals within the Year. For instance, the energy consumptions for heating building and water in dishwashers are aimed to reduce through optimisation of heating temperature. The progress of those objectives is closely monitored with the application of Plan-Do-Check-Act cycle.

EXCELLENCE IN ENVIRONMENT (continued)

Minimising Emissions and Reducing Resource Consumptions (continued)

(d) Reducing water consumption

We are dedicated to reducing water consumption in the manufacturing processes of our business operations, and have taken various measures to achieve such target. Analysis of water consumption is conducted from time to time for better control of water usage.

Details of water consumption from the production facilities in the Czech Republic, Poland and the UK, as well as the technical centre in Poland are as follows:

Water Consumption *(Note 1)*	**2021**	2020
Total water consumption (m^3)	**70,579**	70,155
Water consumption per production machine (m^3/production machine)	**108.42**	106.13

Note:

1. Based on the actual water consumption record of the Group.

Likewise, the production facilities also decided the yearly water consumption objectives to optimise water consumption. Water consumption is aimed to be reduced gradually through different means, including by reducing the frequency of washing company vehicles from once every 2 weeks to once every 5 weeks. The data comparison on water consumption against production is monitored once a month.

(e) Sorting of waste

The Group has established several waste management procedures on sites, complying with corporate standards and local legal requirements. We have a clear process in handling the waste, from the generation of waste to the transfer of waste to the contractor.

A waste sorting system that is applicable to waste like paper, glass, plastic and metal is implemented in the production areas. Waste is collected and stored in clearly labelled segregation containers. Mixed storage of hazardous waste and non-hazardous waste or hazardous waste of different types is strictly forbidden. Thus, hazardous waste and non-hazardous waste are collected and stored separately in distinctly different containers. After the waste sorting, we cooperate with authorised waste contractors to collect the waste. The waste is recycled to its greatest extent before disposal. Non-recyclable waste, such as municipal waste, is disposed of by an external service provider via landfill or incineration.

EXCELLENCE IN ENVIRONMENT (continued)

Minimising Emissions and Reducing Resource Consumptions (continued)

(e) ***Sorting of waste (continued)***

The hazardous waste and non-hazardous waste produced by the production facilities in the Czech Republic, Poland and the UK, as well as the technical centre in Poland are listed in the table below:

Wastes *(Note 1)*	**2021**	2020
Hazardous waste generated (tonnes)	**237**	250
Hazardous waste generated per production machine (tonnes/production machine)	**0.36**	0.38
Total non-hazardous waste generated (tonnes)	**4,674**	4,745
Non-hazardous waste generated per production machine (tonnes/production machine)	**7.18**	7.18

Note:

1. Based on the actual waste record of the Group.

The Group has set several reduction targets for specific operating locations and categories of waste, such as contaminated cloth and cups. For hazardous waste, contaminated clothing classified as hazardous waste (European Waste Code: 15 02 02) shall be reduced by about 50%. For non-hazardous waste, the Group aims at increasing the proportion of secondary raw materials in post-production and municipal waste. To achieve our goal of recycling the waste to the greatest extent, we recycled over 90% of non-hazardous waste, including paper or carton, plastic, wood and metal, in the production facilities in the Czech Republic, Poland and the UK, as well as the technical centre in Poland during the Year. By recycling reusable waste, we have minimised the disposal of waste at landfills. During the Year, we continued to update the waste management system in connection with the changes in production or new projects that generates new types of waste to achieve the long-term goal set previously.

The Group is also aware of the impacts on the environment from paper consumption. The Group encourages the use of electronic systems for information dissemination, especially for office operations. Through replacing paper documents with electronic means such as emails, paper consumption and subsequent disposal from the Group are greatly reduced.

EXCELLENCE IN ENVIRONMENT (continued)

Minimising Emissions and Reducing Resource Consumptions (continued)

(f) Utilising packaging materials

The Group acknowledges that the greater packaging material it uses, the greater waste it produces, therefore the Group strives to reduce the amount of packaging material used through different measures, such as adopting collective packaging instead of individual packaging for bulk products, as well as making use of returnable packaging with suppliers.

Packaging materials used by the production facilities in the Czech Republic, Poland and the UK, as well as the technical centre in Poland are as follows:

Packaging Materials *(Note 1)*	**2021**	2020[2]
Total packaging materials used (tonnes)	**707**	1,410
Packaging materials used per production machine (tonnes/production machine)	**1.09**	2.13
Paper or carton (tonnes)	**426**	714
Plastic (tonnes)	**25**	43
Wood (tonnes)	**255**	652
Metal (tonnes)	**1**	1

Note:

1. Based on the actual packaging material record of the Group.

[2] The amounts of packaging materials used in 2020 were recalculated and restated.

EXCELLENCE IN ENVIRONMENT (continued)

Response to Climate Change

The Group recognises that climate change poses risks and opportunities to the Group and society as a whole, and understands that it is infeasible to ignore. Due to climate-related issues, customer preferences could shift towards demanding for more sustainable products, which may induce increases in both the input prices of resources and output costs of production; while capital investments and operational costs may potentially rise due to increasingly stringent regulations requiring more environmental-friendly technology and posing more costly fines from cases of non-compliance. Recognising the more severe impact of ignoring climate change on water resources, agriculture, natural ecosystems and human health, the Group is willing to take action to alleviate the deterioration of climate.

The Group understands that carbon emissions contribute to climate change in a great extent, therefore the Group has developed the Carbon Reduction and Carbon Footprinting Policy for monitoring and managing its carbon footprint. As aforementioned, the Group has set its own targets for enhancement of energy efficiency and reduction of harmful gas emissions. Apart from minimising energy consumptions, the Group considers steps for the concept of carbon offsetting, including planting trees within company premises and setting up car-sharing schemes for employees. In the meantime, the Group has carried out regular environmental audits, reviewed global and local government policies and enhanced the resilience towards climate change through design, maintenance and executing recovery plans.

EXCELLENCE IN OUR WORKPLACE

Employment and Welfare

Our employees are the most valuable asset to the Group and are the foundation of our development. We continue to comply with national and local labour laws and regulations relating to employment, as well as the rights and welfare of employees, including the Labour Code of the Czech Republic, Labour Code of Poland and Employment Rights Act 1996 of the UK. The Group has developed the Sustainability Policy which is adopted by all divisions to strictly prohibit child labour, modern slavery including servitude, forced or compulsory labour, human trafficking and any forms of harassment and discrimination.

We believe that the key to success lies in talent attraction and retention. We have commenced internal and external hiring process for relevant vacancy under the principle of fairness. The Group, including the divisions covered in the ESG report, has developed human resources management policy to govern the selection process. To ensure no child labour is recruited, the dates of birth of all employees are checked during the recruitment process. Furthermore, our employees enjoy equal treatment in the establishment and termination of employment, conditions of employment, promotion and access to professional development trainings, regardless of sex, age, disability, race, religion, nationality and mode of employment, etc. For departing employees, exit interviews are conducted to understand the reasons of departure, and for our further improvement in business operations.

The working hours are set in accordance with the relevant labour laws and our internal regulations to ensure sufficient rest is provided to employees. Employees required to work outside normal hours are offered overtime pay. Otherwise, employees shall work only within the agreed time frame stated in their employment contracts in order to avoid forced labour. Apart from public holidays, employees are also entitled to annual leaves subject to their length of service. In order to attract, motivate and retain our talented employees, the Group offers comprehensive and competitive remuneration, retirement scheme and benefit packages to employees. Remuneration packages of the employees are reviewed annually by the management with reference to market conditions and individual performance.

EXCELLENCE IN OUR WORKPLACE (continued)

Employment and Welfare (continued)

The diversified experiences, background, ethnicity, lifestyles, cultural orientation and beliefs inject vitality to the Group. Reasonable accommodations are offered to disabled employees. The Group upholds values such as anti-discrimination, fairness and organizational justice. To maintain a positive working environment, the Group has developed an employee code of conduct guide to prohibit any sexual, racial or other harassment of or unlawful discrimination against any person. All employees are obligated to act in a manner that supports the policy and creates a comfortable working environment. If any employee encounters discriminatory situation or bullying in the workplace, he/she can submit an anonymous complaint to the Group via an external telephone line. We will not tolerate behaviour that is inconsistent with the mechanism and will take appropriate actions to prevent any behaviour that violates the said values.

Moreover, the Group emphasises the importance of employees' work-life balance and encourages employees to join our leisure events. During the Year, the production facility in the UK has provided several wellbeing-focused activities to employees, including on-site rapid flow testing for COVID-19, education and training on safety and mental health during the COVID-19 pandemic, etc.

Employment	**2021**
Total Number of Staff[3]	**2,008**
By Gender	
Male	**1,441**
Female	**567**
By Age Group	
Below 31 years old	**210**
31-50 years old	**1,223**
Above 50 years old	**575**
By Type of Employment	
Full-time	**840**
Part-time and flexible shift	**1,168**
By Geographical Location	
Poland	**1,678**
United Kingdom	**117**
Czech Republic	**213**

[3] In the Year, the Group starts to disclose the number of staff.

EXCELLENCE IN OUR WORKPLACE (continued)

Employment and Welfare (continued)

Employment	2021
Total Staff Turnover Rate[4]	**20%**
By Gender	
Male	**22%**
Female	**14%**
By Age Group	
Below 31 years old	**63%**
31-50 years old	**16%**
Above 50 years old	**13%**
By Geographical Location	
Poland	**22%**
United Kingdom	**17%**
Czech Republic	**4%**

Health and Safety

The Group is dedicated to protecting the health and safety of each employee, and closely observes the local health and safety laws and regulations, including the Act on Other Occupational Health and Safety Conditions of the Czech Republic, Labour Code of Poland and Health and Safety at Work Act 1974 of the UK. Employees should comply with all safety rules and policies at each location of the Group. By implementing a management system for health and safety, relevant risks are identified such that our employees can be protected from foreseeable work hazards. We promote the safety awareness to our employees as they go about the jobs, and managers are delegated to support safe work practices. Our production facility in the Czech Republic has been certificated to the ISO 45001:2018 Occupational Health and Safety Management System Standard.

4 In the Year, the Group starts to disclose the staff turnover rate.

EXCELLENCE IN OUR WORKPLACE (continued)

Health and Safety (continued)

To ensure safety at work, our employees are allowed to work after undergoing and passing the initial check-up and periodic medical examination. We believe that occupational injuries and illnesses are preventable. For staff working at production lines, we provide them with protective clothing and work clothing, as well as personal protective equipment and measures for maintaining personal hygiene. As regards the prevention of occupational diseases, we arrange prophylactic or sanatorium treatment for employees working in workplaces with potential harm. In order to pursue the ultimate goal of creating an injury and illness free workplace, the Group conducts regular safety trainings for employees in terms of regulations, rules and principles of occupational health and safety, such as general instructions of basic health and safety regulations, safe operations inside workshops, and information about potential risks regarding health and safety, if any.

Furthermore, hazardous material control programme and chemical material assessment procedure were adopted for safeguarding employees' health and safety. For example, hazardous and chemical substances must be properly marked, placed in original containers and stored at designated place, so as to prevent leakage of hazardous and chemical substances. At the same time, equipment and tools are kept in order, while materials, products and wastes are placed in specific areas and containers, for the sake of maintaining clean and safe workplace. Clear guidelines for handling emergencies were established to ensure prompt and effective control in case of any accidental situation. The production facility in the UK and Poland have set up a disaster recovery plan illustrating the responsibilities of managerial staff, including plant manager, operations manager, human resources manager, engineering manager, quality manager and finance manager, etc. The crisis management team and business recovery team are formed to help implementing the plan. During the Year, routine inspection on fire safety was carried out to minimise the potential hazards aroused by misuse or malfunction of equipment or improper material storage. Fire-fighting equipment and fire alarms were regularly checked. Emergency evacuation and fire drill were successfully held.

EXCELLENCE IN OUR WORKPLACE (continued)

COVID-19 Pandemic Response

The Group considers the health and safety of its employees to be of prime importance. Therefore, in face of the COVID-19 pandemic, the Group has stepped up its policies and measures regarding health and safety. Production facilities of the Group have each formulated COVID-19 related policies to better safeguard the workplace and our employees against the COVID-19 pandemic situations, as well as setting out measures that deals with different scenarios under the pandemic.

The COVID-19 pandemic response policies state out the specific measures to safeguard the health of employees and reduce the risk of COVID-19 infection, for example arranging "work from home" sessions, carrying out meetings via video conferences where possible and providing essential information on the precaution measures of COVID-19 to employees. Personal hygiene items, such as hand sanitisers and facemasks, are provided to employees working in facility premises. Pandemic response teams are also set up to enforce and monitor the measures regarding personal health and safety. The production facility in the UK has conducted coronavirus risk assessment regularly to evaluate the level of risk exposure in the premises and to suggest relevant control measures.

Health & Safety[5]	**2021**	2020	2019
Number of work related fatalities	**0**	0	0

Health & Safety[6]	**2021**
Number of work injuries	**22**
Lost days due to work injury	**3**

5 In the Year, the Group starts to disclose the number of work related fatalities for each of the past three years.

6 In the Year, the Group starts to disclose the number of work injuries and the lost days due to work injury.

EXCELLENCE IN OUR WORKPLACE (continued)

Development and Training

The Group aims at creating an intellectually stimulating environment which encourages employees to harness their talents and skills in the pursuit of high quality work. A clear career path is provided for every employee. Our merit-based promotion aims to promote outstanding employees to a higher level with regard to our evaluation on employees' performance and level description. In order to maintain fairness of promotion opportunities for all employees, the Group has adopted several strategies applied to the production facilities in the Czech Republic, Poland and the UK, as well as the technical centre in Poland. For instance, personal "Business Plan process" is adopted to provide consistent criteria for the evaluations on the past performance and training experiences. Also, the Group provides various trainings to employees in order to enrich their professional technical skills and job-related knowledge, as well as to make continual improvements. New employees are required to participate in the orientation training, which is essential for understanding their duties, practice of a given position and their fundamental rights. Professional trainings are also tailored to the needs of different positions. Examinations may be required for verifying the knowledge and skills acquired during the training, subject to the types of courses. Upon the completion of trainings, course evaluation, including lagging indicators and questionnaires, will be taken place in order to ensure the effectiveness of trainings.

During the Year, employees in the production facilities in the Czech Republic, Poland and the UK, as well as the technical centre in Poland have participated in various training courses in order to broaden their knowledge in the Group and help them in personal development. A wide range of training course in terms of different aspects of development were provided, such as personal skill development, cross functional training and trainings related to technical knowledge, in order to keep employees up-to-date with the latest working techniques and knowledge. Health and safety related seminars were also held to update employees with the latest information on the COVID-19 pandemic.

EXCELLENCE IN OUR WORKPLACE (continued)

Development and Training (continued)

	2021	
Development and Training[7]	**Percentage of Staff Trained (%)**	**Average Training Hours (hour)**
Total	**72%**	6
By Gender		
Male	**71%**	7
Female	**74%**	6
By Employment Department		
Production, Control & Logistics	**70%**	3
Quality	**79%**	10
Operations	**73%**	5
Finance	**39%**	9
Human Resources	**73%**	10
Purchasing	**48%**	6
Engineering	**80%**	11
Continuous Improvement	**100%**	6
Sales Support and New Projects	**44%**	4
Information Technology	**17%**	4
Program Management	**50%**	4
Administration	**20%**	1

7 In the Year, the Group starts to disclose the percentage of staff trained and average training hours.

EXCELLENCE IN OUR BUSINESS

Promoting Integrity

The Group complies with local laws and regulations in regard to anti-corruption, including the Criminal Code of the Czech Republic, Polish Penal Code of Poland and Bribery Act 2010 of the UK. The Group and its business partners are not allowed to engage in, endorse nor tolerate any form of bribery or corruption, directly or indirectly. They shall not offer nor accept any form of improper benefit to or from a third party, private or public, with the purpose of obtaining or retaining business or any form of preferential treatment. Employees are required to sign the online declaration of acknowledgement regarding non-disclosure of information. Through our consistent effort in promoting open communication, employees are strongly encouraged to immediately disclose any possible conflict of interest, suspected misconduct and misbehaviour committed by individuals on behalf of the Group. If our employees have a concern about any unethical, illegal or irresponsible activity, they may seek assistance from their supervisors. They may also report any breach of code of conduct through the new online reporting system or by telephone through the confidential reporting line anonymously. We shall handle and investigate all whistleblowing matters promptly and effectively. We are always dedicated to promoting integrity through our business practices.

To maintain our reputation of operation integrity, concrete effort has been made to educate our employees to avoid acts and relationships that violate or conflict with their duties or the interest of the Group, for example, the production facility in the UK issues an "Anti-corruption reminder" annually as a refreshment of knowledge for employees regarding anti-corruption practices. In order to inculcate anti-corruption norms into our employees and directors, we are dedicated to providing regular anti-corruption training, such as training on code of business conduct, bribery, and gifts and hospitality. During the Year, we have provided anti-corruption training for around 0.5 hours per session to all levels of employees in the production facility in Poland. Meanwhile, all employees in the production facilities in the Czech Republic and the UK are requested to read and sign the code of conduct and complete a conflict of interest survey.

During the Year, the Group was not aware of any incidents regarding non-compliance of laws and regulations related to anti-corruption.

Respecting Intellectual Property

The Group continually strives to maintain its competitive edge in the manufacturing industry and abides by the relevant local laws and regulations, including the Copyright Act of the Czech Republic, Act on Copyright and Related Rights of Poland and Patents Act 2004 of the UK. We respect and protect intellectual property, such as company patents, trademarks, copyrights, and trade secrets. We will take measures to protect new works of authorship, technological advances or unique solutions to business problems, if there is any suspicion of infringement of company patent, trademark, copyright or trade secret. It is our ongoing effort to safeguard our own confidential information, as well as respecting the proprietary and confidential information of others.

EXCELLENCE IN THE MARKETPLACE

Fair Treatment of Suppliers

Suppliers of the Group are valued partners in the success of our business. As a responsible corporate citizen, the Group is committed to protecting human health, natural resources, and the environment. We encourage and promote responsible environmental and social management to the suppliers and encourage them to achieve environmental and social certification, so as to mitigate the ESG risk of our supply chain.

Suppliers are selected on the basis of price, timeliness, quality, references, safety and environmental requirements, etc. We place quality and after-sales services with respect to the raw materials and components as the primary criteria, that ensure the quality of the raw materials will not affect the quality of our products. We also take priority to choose suppliers in the regions and countries where we operate to lower the greenhouse gases emissions from transportation. Suppliers' performance is monitored through their delivered product quality, delivery schedule performance and special status of customer notifications related to quality or delivery issues. We will maintain stable and fair relationships with our major suppliers and avoid relying on any single supplier for any given types of raw materials and components.

The ESG performance of our business partners or suppliers are governed by the Group's supplier sustainability policy, in order to ensure that the ESG and sustainability direction of business partners and suppliers are aligned with the Group. Furthermore, the purchasing department of the production facility in Poland has appointed a crisis team to determine the risk within its supply chain and the potential emergencies that may emerge, and develop a plan to secure the continuation of production.

Our business partners and suppliers are required to comply with all applicable environmental laws and regulations in all countries in which they operate. Suppliers and business partners are expected to minimise the consumption of resources and manage the environmental impact of emissions, pollutants, and waste. They shall develop environmental strategies that meet with the Group's environmental objectives. Supply chain due diligence at the Group is observed based on the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct. Suppliers shall implement a due diligence process themselves to comply all rules set out by the Group. They shall also map their supply chain to identify, analyse and prioritise ESG risks and take appropriate measures for mitigation. Collaboration between suppliers and sub suppliers is required to obtain maximum transparency in relevant high-risk supply chains down to the source of origin.

EXCELLENCE IN THE MARKETPLACE (continued)

Fair Treatment of Suppliers (continued)

Our business partners or suppliers shall have excellent capability to handle social risks. We have signed a statement of undertaking with certain suppliers for the management of the social risk in the supply chain. All suppliers are expected to follow the Code of Conduct Guide developed by the Group, especially for prohibition of child labour and modern slavery. We strongly encourage our suppliers to promote free competition and adhere to anti-corruption principles while trading. We also request our suppliers to make every effort to prevent counterfeit parts and materials from entering into our supply chain. Our business partners shall comply with all applicable fair trade, competition and anti-trust laws and regulations and shall not have any competitive discussions or enter into any anti-competitive agreements, including illegal price-fixing, market sharing, customer allocation or other illegal restrictive practices, at any level of the production or distribution chain.

Suppliers[8]	**2021**
Total Number of Suppliers	**223**
By Geographical region	
Western Europe	**37**
Central Europe	**115**
Southern Europe	**37**
Southeast Europe	**6**
Northern Europe	**1**
North America	**18**
South Africa	**1**
Asia	**8**

[8] In the Year, the Group starts to disclose the number of suppliers by geographical region.

EXCELLENCE IN THE MARKETPLACE (continued)

Product Quality

In the manufacture of products, the Group adheres to the local laws and regulations in regard to product quality, including the Act on General Product Safety of the Czech Republic, General Product Safety Act of Poland and Consumer Protection Act 1987 of the UK. On top of regulatory compliance, we strive to communicate with our customers on any potential issues at every step of the product launch, from product design to the provision of service. Moreover, with our customer-oriented operation and enthusiastic attitude, we aim at enhancing customer satisfaction through advanced method and achieving perfection at each step.

To provide high-quality products to our customers, the Group has also set up a comprehensive quality management system with rigorous production control plans, for the purpose of implementing and supervising the operating procedures to assure the quality of products. The manual of quality management system clearly states the roles and responsibilities for different management levels and employees on safeguarding product quality, as well as the specific procedures to execute quality management. The production facility in Poland has performed random inspections in order to verify the correctness of the production process on an ongoing basis. The quality management systems of the production facilities in the Czech Republic, Poland and the UK are certified to the IATF16949:2016 Quality Management System Standard.

Various quality checks are carried out before, during and after the production process. For example, to assure the quality of our products, the Group handles raw materials properly with the following actions:

i. Upon the arrival of the deliveries, the initial verification is performed. If the raw materials fail to meet the verification requirements, they will be rejected and returned to the carrier.

ii. After passing the preliminary approval, the materials are labelled with a unique tracking number for the traceability and stored in the closed area in the warehouse with restricted access.

iii. The materials are stored according to manufacturers' instructions on storage condition and shelf life.

iv. The condition of the materials stored is assessed periodically to ensure no damaged or deteriorated materials are used.

EXCELLENCE IN THE MARKETPLACE (continued)

Product Quality (continued)

Procedures for handling unsatisfactory goods have been implemented as well. To ensure the product quality, all unsatisfactory raw materials, finished goods and products are stored separately and are not allowed to proceed to the next production step without permission. For consistent improvement of service quality, designated procedures for complaint handling are also implemented to timely address and prevent potential issues. In case of receiving any complaints from customers, we will first identify the issue regarding the complaint and implement containment procedures as necessary. Internal communication regarding the complaint will be carried out with problem solving process for further implementing corrective action and dealing with the identified issue.

During the Year, the Group was not subjected to any product recalls due to safety and health reasons, and has received a total of 106 complaints with regards to the Group's products. All complaints were resolved via various methods, including through improvement of the design of the products.

Data Protection and Security

In order to secure the privacies of both our clients and the Group, we strictly obey the laws and regulations of data protection, including the Act on the Protection of Personal Data of Czech Republic, Personal Data Protection Act of Poland and Data Protection Act 2018 of the UK.

Suppliers are prohibited to manufacture goods for their own use or selling to third parties by using our information, without prior an explicit written consent from our authorised personnel. As for employees, stringent procedures are put in place for handling and managing internal documentation. Employees should save, store and communicate personal data only via internally authorised information and communications systems. Furthermore, the disclosure of any confidential information to a third party and the use of our computers to browse, download or transmit illegal materials are not allowed. The removal of any materials or items from the working premises without proper prior authorisation is also prohibited. At the end of a workday, documents of confidential nature are not allowed to be left on desks or in other generally accessible places. Such documents shall be placed in drawers or special locked file cabinets. To ensure the understanding of employees on the Group's firm practice in terms of confidentiality, training on handling confidential information was provided to employees in the production facility in Poland during the Year. For all resigned staff, they shall be reminded not to disclose any confidential information beyond termination through the exit interview.

EXCELLENCE IN SOCIETY AND COMMUNITIES

The Group adheres to its commitment to implementing a global philanthropy scheme that benefits the society and community in the pursuit of business growth. As a corporate citizen, our effort on community relations seeks to ensure the presence of brand image in our local communities in such a way that the Group is viewed as a "neighbour of choice". Contributions are tailored to local needs and priorities as well. During the Year, the Group has participated in the following charitable activities and other community events.

Support on Education

We have set a goal aimed at helping the youth to unearth the greatest possible potential through creating education opportunities and supporting mechanism, with an emphasis on technology education. Furthermore, our primary focus resides on programmes which are in alignment with our business vision and orientation, including the ability to measure effectiveness, innovative approach, customer-driven, and global programmes that encourage international reach and involvement. During the Year, the production facility in the UK was invited once again by the University of Bedfordshire as one of the members in its Industrial Advisory Committee for the School of Computer Science and Technology, so as to provide expertise on employability, industry challenges and project collaboration. Although the plant was unable to arrange plant tours during the Year due to the COVID-19 pandemic, the plant was still able to support the university in an advisory capacity.

Participation in Charity

To create a positive corporate culture, we are eager to join charitable events and make contributions to the local society. Various charitable events participated during the Year are as follows:

Production Facility in the UK

- Made clothes and food donations to a charity organisation to help the homelessness in the local community.

Technical Centre in Poland

- Participated in the Krakow Business Run by Poland Business Run Foundation to provide support to handicapped people who experience limb amputations. The amount of donation by employees was around 1,125 Polish złoty.

- Helped the Great Orchestra of Christmas Charity to raise money for supporting medical care in Poland. The duration of the activity was 14 days. The amount of donation by employees was 7,090 Polish złoty. The collected funds has been used for the purchase of paediatric medical devices.

- Took part in Charity Parcel event to encourage all employees to donate money for buying and providing all the goods requested by the family in need. The amount of donation by employees was around 7,747 Polish złoty.

REPORT OF THE DIRECTORS

The Board of Directors of the Company (the "Board") herein present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 1 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2021 and the state of affairs of the Group at that date are set out in the financial statements on pages 97 to 191 of this annual report.

The Board does not recommend the payment of any final dividend in respect of the year (2020: Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 7 to 9 and pages 10 to 16 of this annual report respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 192 of this annual report.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2021 are set out in note 23 to the financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 27 to the financial statements.

DONATION

No charitable donation was made by the Group during the year (2020: Nil).

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Zhao Jiuliang	*(appointed with effect from 20 April 2021)*
Chen Zhouping	
Li Zhi	
Tam King Ching, Kenny*	
Yip Kin Man, Raymond*	
Chan Pat Lam*	
Jiang Yunan	*(resigned with effect from 20 April 2021)*

* *Independent Non-executive Directors*

In accordance with clause 84 of the Company's articles of association, Messrs. Li Zhi and Yip Kin Man, Raymond will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' INDEMNITIES AND INSURANCE

As permitted by the articles of association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets and profit of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officer's liability coverage for the directors and officers of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

As at 31 December 2021, 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 of Hong Kong Limited (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").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, its parent company or any subsidiary of its parent company a party to any arrangement to enable the Company's Directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries, its parent company or any subsidiary of its parent company was a party and in which a Director of the Company or his/her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, the following Directors have declared interests in the following businesses (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group during the year:

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity	*Notes*
Zhao Jiuliang	北京京西重工有限公司 (BeijingWest Industries Co., Ltd.*) ("BWI")	Sale of auto parts, machinery and equipment	Director	*1*
Jiang Yunan	BWI	Sale of auto parts, machinery and equipment	Director	*1, 2*
Chen Zhouping	BWI	Sale of auto parts, machinery and equipment	Director	*1*
Li Zhi	BWI	Sale of auto parts, machinery and equipment	Director	*1*

* *For identification purpose only*

Notes:

1. *The relevant information is disclosed on a group basis. The businesses of such entity may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.*

2. *Due to retirement, Mr. Jiang Yunan resigned as Director of the Company during the year.*

The Board of the Company is independent from the board of the above-mentioned entities and is accountable to the Company's shareholders. Coupled with the diligence of its Independent Non-executive Directors whose views carry significant weight in the Board's decisions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of that entity.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2021, 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 31.12.2021	*Note*
BWI Company Limited ("BWI HK")	Beneficial owner	301,842,572	52.55%	*1*
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. 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 31 December 2021, 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.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transaction and Continuing Connected Transactions" below, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder (as defined under the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

SHARE OPTION SCHEME

On 6 June 2014, the shareholders of the Company adopted a share option scheme (the "Scheme").

The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any of the entities in which any member of the Group holds any equity interest (the "Invested Entities"). The Scheme shall be valid and effective from 18 June 2014, being the date on which 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 Scheme, and ending on 6 June 2024, being the tenth anniversary of the date on which the Scheme was adopted by the shareholders of the Company (both dates inclusive).

Under the Scheme, the Board may, at its discretion, offer full-time or part-time employees, executives, officers or directors (including executive and non-executive directors) of the Company or any of its subsidiaries or any of the Invested Entities, and any advisors, consultants, agents, suppliers, customers and distributors, who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries and/or any of the Invested Entities, share options to subscribe for shares of the Company.

SHARE OPTION SCHEME (continued)

No share option has been granted under the Scheme. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Scheme is 25,189,232, representing approximately 4.39% of the shares of the Company in issue as at the date of this annual report. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the number of shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant (a) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the grant; and (b) having an aggregate value of in excess of HK$5,000,000 (based on the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant), such further grant of options shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting on a poll at which the grantee, his/her associates and all core connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular. Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options).

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than ten years after it has been granted under the Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of offer of any share options.

SHARE OPTION SCHEME (continued)

The exercise price in relation to each share option will be determined by the Board at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1.00 as a consideration for his acceptance of the grant of share options in accordance with the Scheme. The offer of share options must be accepted within 30 days from the date of the offer.

Share options to be granted under the Scheme do not confer rights on the holders to dividends or to vote at general meetings.

No share option has been granted under the Scheme since its adoption. Accordingly, as at 31 December 2021, there was no share option outstanding under the Scheme.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

EQUITY-LINKED AGREEMENT

No equity-linked agreement that will or may result in the Company issuing shares or that require the Company to enter into any agreement that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

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 or otherwise) during the year.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution, as calculated in accordance with the applicable provisions of the Companies Law of the Cayman Islands (the "Cayman Companies Law"), amounted to approximately HK$983.25 million. Under the Cayman Companies Law, the amount in the share premium account of the Company as at 31 December 2021 was distributable to the Shareholders (subject to the provisions of the articles of association of the Company), provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which the dividend, if any, is proposed to be paid.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, revenue from sales of goods and rendering of services to the Group's five largest customers accounted for approximately 60.47% of the total revenue from sales of goods and rendering of services for the year and revenue from sales of goods and rendering of services to the largest customer included therein amounted to approximately 27.88%. Purchases from the Group's five largest suppliers accounted for approximately 21.94% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 8.57%. None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

1. Connected Transaction

The following connected transaction was recorded during the year:

Tooling Ownership Transfer Agreement

In October 2021, BeijingWest Industries Co., Ltd. (北京京西重工有限公司) ("BWI"), a controlling shareholder of the Company, informed the Group that a customer of BWI and its subsidiaries (other than the Group) (the "Customer") requested for the purchase of the tooling (the "Tooling"), being automotive tooling tailor made by the Group for manufacture of auto parts and components for a sub-system of a specific production project of the Customer.

On 5 November 2021, the Company entered into the Tooling Ownership Transfer Agreement with BWI, pursuant to which the Group agreed to sell and BWI and/or its associates agreed to purchase the Tooling for the purpose of reselling such Tooling to the Customer in respect of a sub-system of a specific production project of the Customer at a total consideration of not more than USD600,000 (equivalent to approximately HKD4,680,000), subject to the actual quantity of Tooling of which the ownership was required to be transferred to the Customer. The basis of determining the consideration was in accordance with the total amount of the resale value of the Tooling being resold by BWI and/or its associates to the Customer and was arrived at after arm's length negotiations between the parties. Details of the Tooling Ownership Transfer Agreement were disclosed in the announcement of the Company dated 5 November 2021.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Customer was a well-known automobile manufacturer, which was an independent third party being independent of and not connected with the Company and the connected person(s) of the Company. After the resale of the Tooling by BWI and/or its associates to the Customer, the ownership of the Tooling was transferred to the Customer.

As all applicable percentage ratios in respect of the transactions contemplated under the Tooling Ownership Transfer Agreement were more than 0.1% but less than 5%, transactions contemplated under the Tooling Ownership Transfer Agreement were subject to the reporting and announcement requirements under the Listing Rules, but were exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS (continued)

2. Continuing Connected Transactions

The following continuing connected transactions were recorded during the year and up to the date of this annual report:

BWI is a controlling shareholder of the Company. Accordingly, the transactions under the agreements as set out in (a) to (d) below would constitute continuing connected transactions for the Company.

(a) Mutual Technical Services Agreement

The Mutual Technical Services Agreement was entered into between the Company and BWI on 7 November 2019 for a term of three financial years ending on 31 December 2022.

Pursuant to the Mutual Technical Services Agreement, BWI and/or its associates would provide technical services to the Group (the "BWI Services") and the Group would provide technical services to BWI and/or its associates (the "Company Services"). Such technical services comprise engineering services and manufacturing services.

The basis of determining the technical services fees for the transactions contemplated under the Mutual Technical Services Agreement would be: (1) cost plus 5% for engineering services; and (2) cost plus 1.5% for manufacturing services.

The cap amounts of the transactions under the Mutual Technical Services Agreement for each of the three financial years ending 31 December 2022 are as follows:

	For the financial year ended 31 December 2020	For the financial year ended 31 December 2021	For the financial year ending 31 December 2022
	HK$ million	*HK$ million*	*HK$ million*
Cap amounts for the BWI Services	204.5	214.7	225.4
Cap amounts for the Company Services	181.4	190.5	200.0

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS (continued)

2. Continuing Connected Transactions (continued)

(a) Mutual Technical Services Agreement (continued)

The Mutual Technical Services Agreement was entered into to facilitate the continued provision of technical services between BWI and/or its associates and the Group. The arrangement for the mutual provision of technical services would allow both parties to save and pool their resources in providing a total solution to their customers. Details of the Mutual Technical Services Agreement were disclosed in the announcement of the Company dated 7 November 2019 and in the circular of the Company dated 28 November 2019. The Mutual Technical Services Agreement was approved, confirmed and ratified by the independent shareholders of the Company on 17 December 2019.

(b) Parts and Components Supply Agreement and the related Supplemental Agreement

The Parts and Components Supply Agreement was entered into between the Company and BWI on 7 November 2019 for a term of three financial years ending on 31 December 2022.

Pursuant to the Parts and Components Supply Agreement, the Group would supply auto parts and components to BWI and/or its associates (the "Sales").

The prices for the transactions under the Parts and Components Supply Agreement would base on the cost plus approach at margins within the range or no less favourable to the margins of the other products of the Group supplied to independent third party customers for the prior financial year, and the pricing policies for continuing connected transactions of the Group.

As the Board anticipated that the existing annual cap of the Sales under the Parts and Components Supply Agreement for the financial year ended 31 December 2021 would not be sufficient to meet the demand of BWI and/or its associates, on 5 November 2021, the Company entered into the supplemental agreement (the "Supplemental Agreement") with BWI pursuant to which the existing annual cap of the Parts and Components Supply Agreement for the financial year ended 31 December 2021 was revised from HK$86.9 million to HK$127.7 million (the "Revision of Annual Cap"). Save for the Revision of Annual Cap, all other terms and conditions of the Parts and Components Supply Agreement remain unchanged.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS (continued)

2. Continuing Connected Transactions (continued)

(b) Parts and Components Supply Agreement and the related Supplemental Agreement (continued)

The cap amounts of the transactions under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement) for each of the three financial years ending 31 December 2022 are as follows:

For the financial year ended 31 December 2020 *HK$ million*	For the financial year ended 31 December 2021 *HK$ million*	For the financial year ending 31 December 2022 *HK$ million*
23.5	127.7	212.1

The transactions under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement) are a continuation of the already established purchasing and supplying business between BWI and/or its associates and the Group. The Parts and Components Supply Agreement and the Supplemental Agreement were entered into to facilitate the continued supply of auto parts and components from the Group to BWI and/or its associates. Details of the Parts and Components Supply Agreement were disclosed in the announcement of the Company dated 7 November 2019 and in the circular of the Company dated 28 November 2019, and the details of the Supplemental Agreement were disclosed in the announcement of the Company dated 5 November 2021 and in the circular of the Company dated 23 November 2021. The Parts and Components Supply Agreement was approved, confirmed and ratified by the independent shareholders of the Company on 17 December 2019, and the Supplemental Agreement was approved, confirmed and ratified by the independent shareholders of the Company on 9 December 2021.

(c) Parts and Components Purchase Agreement

The Parts and Components Purchase Agreement was entered into between the Company and BWI on 7 November 2019 for a term of three financial years ending on 31 December 2022.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS (continued)

2. Continuing Connected Transactions (continued)

(c) Parts and Components Purchase Agreement (continued)

Pursuant to the Parts and Components Purchase Agreement, the Group would purchase auto parts and components from BWI and/or its associates.

The basis of determining the prices for the transactions under the Parts and Components Purchase Agreement would be in accordance with the following principles:

(i) by reference to the prevailing market prices of the same or substantially similar products, taking into account of the prices of the same or substantially similar products with comparable order quantities and quality offered by other suppliers; and on terms which are no less favourable to the Group than prevailing market practices; or

(ii) if (i) above is not applicable, by reference to the average price of similar products previously supplied or provided by a party, and on no less favourable terms comparable to those offered by the relevant party to independent third parties; and on normal commercial terms comparable to those received from independent third parties in respect of the same or substantially similar products with comparable quantities.

The cap amounts of the transactions under the Parts and Components Purchase Agreement for each of the three financial years ending 31 December 2022 are as follows:

For the financial year ended 31 December 2020 *HK$ million*	For the financial year ended 31 December 2021 *HK$ million*	For the financial year ending 31 December 2022 *HK$ million*
10.0	10.0	10.0

The transactions under the Parts and Components Purchase Agreement are a continuation of the already established purchasing and supplying business between the Group and BWI and/or its associates. The Parts and Components Purchase Agreement was entered into to facilitate the continued purchase of auto parts and components by the Group from BWI and/or its associates. Details of the Parts and Components Purchase Agreement were disclosed in the announcement of the Company dated 7 November 2019.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS (continued)

2. Continuing Connected Transactions (continued)

(d) Patent License Agreement

The Patent License Agreement was entered into between BWI as licensor and the Company as licensee on 7 November 2019 for a term of three financial years ending on 31 December 2022.

Pursuant to the Patent License Agreement, BWI would procure its wholly owned subsidiaries which are the registered holders of certain patents (the "Patents") related to automobile controlled and passive suspension products to grant to the Group a non-exclusive and non-transferrable license to use the Patents in the Group's manufacturing operations.

The Company would pay an annual license fee representing 0.5% of the net sales of the licensed products of the Group, which would be the products manufactured by the Group using the Patents. The net sales would be the total invoiced amount of licensed products less any sales allowances, customer discounts, and refunds for licensed products that were damaged or returned.

The cap amounts of the license fees for the Patents under the Patent License Agreement for each of the three financial years ending 31 December 2022 are as follows:

For the financial year ended 31 December 2020 *HK$ million*	For the financial year ended 31 December 2021 *HK$ million*	For the financial year ending 31 December 2022 *HK$ million*
13.5	13.5	13.5

The transactions under the Patent License Agreement are a continuation of the already established arrangement for the use of Patents between BWI and the Group. The entering into of the Patent License Agreement would enable the Group to continue to use the Patents which maintain and strengthen the competitive position of the Company in the automotive market. Details of the Patent License Agreement were disclosed in the announcement of the Company dated 7 November 2019.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS (continued)

The continuing connected transactions as set out in 2(a) to 2(d) above which took place during the year have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has provided a letter to the Board of Directors of the Company confirming the matters stated in Rule 14A.56 of the Listing Rules in respect of the continuing connected transactions as set out in 2(a) to 2(d) above which took place during the year.

As far as the transactions took place during the year as set out in note 32(a) to the financial statements under the heading of "Related Party Disclosures" are concerned, save for (i) the provision of administrative service by BWI HK which was connected transaction but was exempt from any disclosure and shareholders' approval requirements under the Listing Rules and (ii) transferring of tooling ownership to BWI Indiana Inc. which was connected transaction but was exempt from the circular and shareholders' approval requirements under the Listing Rules, the remaining transactions were continuing connected transactions which had been approved by the independent shareholders of the Company.

As regards the transactions took place during the year as set out in note 32(b) to the financial statements under the heading of "Related Party Disclosures", the provision of loan to the Group by a holding company was connected transaction which was exempt from any disclosure and shareholders' approval requirements under the Listing Rules. The remaining transactions were incidental to the continuing connected transactions which had been approved by the independent shareholders of the Company.

As far as the transactions took place during the year as set out in note 32(c) to the financial statements under the heading of "Related Party Disclosures" are concerned, the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Company was connected transaction which was exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

NON-COMPETITION UNDERTAKING WITH CONTROLLING SHAREHOLDERS

On 5 August 2014, Billion Million (HK) Limited ("Billion Million"), a wholly-owned subsidiary of the Company, the Company, BWI HK and BWI entered into an agreement (the "Agreement") pursuant to which BWI HK conditionally agreed to sell and Billion Million conditionally agreed to purchase the entire issued share capital of BWI Europe Company Limited S.A. ("BWI Europe") (the "Acquisition"). BWI Europe and its subsidiaries are principally engaged in the design, research and development and manufacturing of suspension products for premium passenger vehicle manufacturers and the provision of engineering services for suspension products. Details of the Acquisition were disclosed in the announcement of the Company dated 5 August 2014 and in the circular of the Company dated 27 November 2014. The Agreement was approved, confirmed and ratified by the independent shareholders of the Company on 19 December 2014. The Acquisition was completed on 23 December 2014.

As a condition precedent to the Acquisition, a deed of non-competition was entered into between the Company and Shougang Group (formerly known as Shougang Corporation), Beijing Fangshan, BWI, BWI HK and Success Arrive Limited (collectively, the "Controlling Shareholders"), on 11 December 2014 (the "Deed"), which became effective on the completion date of the Acquisition. Pursuant to the Deed, each of the Controlling Shareholders will not, and will procure any of their respective associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the businesses of the Group; and if any future business opportunities that may arise from their existing customers and insofar that they are unable to supply the necessary products to such customers, they will consent to the Group in supplying such products. Details of the Deed are set out in the circular of the Company dated 27 November 2014.

The Company has received annual written declaration from the Controlling Shareholders (except for Success Arrive Limited as it was dissolved in 2020 and thus was no longer a party to the Deed) on their compliance with the undertakings under the Deed. Based on the declaration, the Independent Non-executive Directors of the Company considered that the Controlling Shareholders had complied with the terms set out in the Deed during the year ended 31 December 2021.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 17 to 44 of this annual report.

ENVIRONMENTAL AND SOCIAL MATTERS

The Company's compliance with the relevant provisions set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules for the financial year ended 31 December 2021 are set out in the Environmental, Social and Governance Report on pages 45 to 72 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 31 December 2021 and up to the date of this annual report.

AUDITOR

The accompanying consolidated financial statements have been audited by Ernst & Young ("EY"), who will retire at the forthcoming annual general meeting. A resolution will be submitted to the forthcoming annual general meeting to re-appoint EY as auditor of the Company.

By Order of the Board
Chen Zhouping
Managing Director

30 March 2022

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TO THE SHAREHOLDERS OF BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of BeijingWest Industries International Limited (the "Company") and its subsidiaries (the "Group") set out on pages 97 to 191, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of *Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of inventories As of 31 December 2021, the Group's inventories were stated at HK$195,938,000, including raw materials, work in progress and finished goods, and were carried at the lower of cost and net realisable value. As disclosed in Note 6 and Note 17 to the consolidated financial statements, the impairment of inventories as at 31 December 2021 was HK$5,012,000. The determination of net realisable value is highly dependent on management's estimation, such as assumptions of the expected sales prices and costs to be incurred until completion and sale. The assumptions adopted in respect thereof are affected by expectations of future market or economic conditions. The Group's disclosures about the impairment of inventories are included in Note 17 to the consolidated financial statements.	Our audit procedures included obtaining an understanding of the accounting policy for impairment provision for inventories, assessing the methods and assumptions used to determine the provision, discussing with management about the slow-moving, excess or obsolete items, and evaluating the estimated sales prices and manufacturing costs to be incurred, as well as selling expenses on a sampling basis. We also assessed the adequacy of the disclosures.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for impairment of trade receivables As of 31 December 2021, the carrying amount of trade receivables was HK$328,218,000. Under HKFRS 9, the Group accounts for impairment losses for financial assets with a forward-looking expected credit loss (ECL) approach. The Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses for trade receivables. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Significant estimation is required in establishing the provision matrix, including assessing the current creditworthiness and the past collection history of the customers and the forward-looking factors specific to the debtors. The Group's disclosures about the impairment of trade receivables are included in Note 18 to the consolidated financial statements.	Our audit procedures included but not limited to obtaining an understanding of the Group's credit policy and accounting policy for impairment provision of trade receivables, assessing the recoverability of trade receivables by verifying the assumptions and the basis used to establish the provision matrix, checking the creditworthiness, past collection history and subsequent settlement of selected customers and the impairment calculation. We also assessed the adequacy of the disclosures.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Bennett S.H. Wai.

Ernst & Young
Certified Public Accountants
Hong Kong

30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	5	**2,601,955**	2,311,984
Cost of sales		**(2,190,162)**	(1,929,133)
Gross profit		**411,793**	382,851
Other income and gains	5	**40,948**	59,334
Selling and distribution expenses		**(16,927)**	(49,696)
Administrative expenses		**(156,204)**	(159,453)
(Provision for)/reversal of impairment losses on financial assets	6	**(1,323)**	757
Research and development expenses		**(246,139)**	(262,237)
Other operating expenses		**(727)**	(794)
Finance costs	7	**(18,364)**	(12,469)
PROFIT/(LOSS) BEFORE TAX	6	**13,057**	(41,707)
Income tax expense	10	**(22,362)**	(9,837)
LOSS FOR THE YEAR		**(9,305)**	(51,544)
Attributable to:			
Owners of the Company		**(9,305)**	(51,544)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	12	**(1.62)**	(8.97)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
LOSS FOR THE YEAR	**(9,305)**	(51,544)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(46,126)**	24,636
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gain/(loss) on defined benefit plans	**18,668**	(2,790)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	**(27,458)**	21,846
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(36,763)**	(29,698)
Attributable to:		
Owners of the Company	**(36,763)**	(29,698)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**452,885**	497,642
Right-of-use assets	14(a)	**324,781**	230,667
Goodwill	15	**4,956**	5,030
Deferred tax assets	26	**74,517**	87,015
Other non-current assets	16	**217,924**	223,587
Total non-current assets		**1,075,063**	1,043,941
CURRENT ASSETS			
Inventories	17	**195,938**	205,266
Trade receivables	18	**328,218**	379,156
Prepayments, other receivables and other assets	19	**261,941**	194,813
Cash and cash equivalents	20	**184,565**	424,111
Total current assets		**970,662**	1,203,346
CURRENT LIABILITIES			
Trade payables	21	**335,970**	399,495
Other payables and accruals	22	**154,055**	255,803
Income tax payables		**1,812**	11,655
Bank borrowings	23	**65,215**	103,726
Defined benefit obligations	24	**3,267**	2,504
Lease liabilities	14(b)	**36,365**	42,140
Provision	25	**28,885**	46,326
Total current liabilities		**625,569**	861,649
NET CURRENT ASSETS		**345,093**	341,697
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,420,156**	1,385,638

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals	22	**29,355**	31,624
Defined benefit obligations	24	**98,086**	126,963
Lease liabilities	14(b)	**299,030**	197,880
Deferred tax liabilities	26	**96,305**	94,993
Loan from a holding company	32(b)	**442**	477
Total non-current liabilities		**523,218**	451,937
NET ASSETS		**896,938**	933,701
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	**57,434**	57,434
Reserves	28	**839,504**	876,267
TOTAL EQUITY		**896,938**	933,701

Zhao Jiuliang
Director

Chen Zhouping
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the Company							
	Issued capital HK$'000 (note 27)	Share premium account HK$'000 (note 28(ii))	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 2021	57,434	1,037,745	(772,332)	(44,547)	(109,775)	44,132	721,044	933,701
Loss for the year	–	–	–	–	–	–	(9,305)	(9,305)
Other comprehensive income/(loss) for the year:								
Exchange differences related to foreign operations	–	–	–	–	(46,126)	–	–	(46,126)
Remeasurement gain on defined benefit plans	–	–	–	18,668	–	–	–	18,668
Total comprehensive income/(loss) for the year	–	–	–	18,668	(46,126)	–	(9,305)	(36,763)
At 31 December 2021	57,434	1,037,745*	(772,332)*	(25,879)*	(155,901)*	44,132*	711,739*	896,938

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the Company							
	Issued capital HK$'000 (note 27)	Share premium account HK$'000 (note 28(ii))	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	57,434	1,037,745	(772,332)	(41,757)	(134,411)	44,132	772,588	963,399
Loss for the year	–	–	–	–	–	–	(51,544)	(51,544)
Other comprehensive income/(loss) for the year:								
Exchange differences related to foreign operations	–	–	–	–	24,636	–	–	24,636
Remeasurement loss on defined benefit plans	–	–	–	(2,790)	–	–	–	(2,790)
Total comprehensive income/(loss) for the year	–	–	–	(2,790)	24,636	–	(51,544)	(29,698)
At 31 December 2020	57,434	1,037,745	(772,332)	(44,547)	(109,775)	44,132	721,044	933,701

* These reserve accounts comprise the consolidated reserves of HK$839,504,000 (31 December 2020: HK$876,267,000) in the consolidated statement of financial position as at 31 December 2021.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		**13,057**	(41,707)
Adjustments for:			
Finance costs		**18,364**	12,469
Interest income	5	**(147)**	(3,327)
Benefit expense	6	**6,291**	7,463
Gain on disposal of items of property, plant and equipment	5	**(6,112)**	(1,256)
Net gain on foreign currency forward exchange contracts		**–**	(2,192)
Depreciation of property, plant and equipment	6	**74,811**	70,039
Depreciation of right-of-use-assets	6	**36,911**	35,885
Recognised/(reversal) of impairment of financial assets	6	**1,323**	(757)
Recognised/(write-back of provision) for obsolete inventories	6	**458**	(529)
		144,956	76,088
Decrease/(increase) in inventories		**9,130**	(18,473)
Decrease/(increase) in trade receivables		**50,193**	(40,642)
Increase in prepayments, other receivables and other assets		**(2,197)**	(40,086)
Increase in amounts due from fellow subsidiaries		**(68,777)**	(47,801)
Decrease in amounts due from holding companies		**9,172**	26,598
(Decrease)/increase in trade payables		**(63,525)**	80,432
(Decrease)/increase in other payables and accruals		**(84,690)**	53,448
(Decrease)/increase in amounts due to fellow subsidiaries		**(26,467)**	32,633
Decrease in defined benefit obligations		**(2,429)**	(2,098)
Increase in an amount due to a holding company		**7,083**	14,198
(Decrease)/increase in a warranty provision		**(17,441)**	23,896
Cash generated from operations		**(44,992)**	158,193
Income tax paid		**(21,125)**	(923)
Net cash flows from operating activities		**(66,117)**	157,270

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**147**	3,327
Purchases of items of property, plant and equipment	**(54,459)**	(104,637)
Proceeds from disposal of items of property, plant and equipment	**10,598**	16,135
Net cash flows used in investing activities	**(43,714)**	(85,175)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**6,149**	220,660
Repayment of bank and other loans	**(39,108)**	(219,251)
Principal portion of lease payments	**(38,607)**	(32,041)
Interest paid	**(8,196)**	(5,747)
Net cash flows used in financing activities	**(79,762)**	(36,379)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(189,593)**	35,716
Cash and cash equivalents at beginning of year	**424,111**	366,840
Effect of foreign exchange rate changes, net	**(49,953)**	21,555
CASH AND CASH EQUIVALENTS AT END OF YEAR	**184,565**	424,111

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 year, the Company and its subsidiaries (collectively the "Group") were principally involved in the manufacture, sale and trading of automotive parts and components, and the provision of technical services.

As at 31 December 2021 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 of the Company (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 ("PRC") and is supervised by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries

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

Name	Date and place of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BWI France S.A.S.	France 13 August 2009	EUR2,002,500	–	100	Provision of research and technical services
BWI UK Limited	United Kingdom 16 June 2009	GBP5,938,975	–	100	Manufacture and sale of automotive parts and components
BWI Poland Technologies sp.z o.o.	Poland 12 March 2009	PLN55,538,150	–	100	Manufacture and sale of automotive parts and components
BWI Czech Republic s.r.o.	Czech 20 May 2015	CZK140,000,000	–	100	Manufacture and sale of automotive parts and components

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements are prepared under the historical cost convention and are presented in Hong Kong dollars. All values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (Continued)

The Group had certain interest-bearing bank borrowings denominated in Euro and Poland Zloty based on the European Interbank Offered Rate ("EURIBOR") and the Warsaw Interbank Offered Rate ("WIBOR") as at 31 December 2021, respectively. The Group expects that EURIBOR and WIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's EURIBOR-based and WIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this the above-mentioned practical expedient upon the modification of these borrowings when instruments provided that the "economically equivalent" criterion is met.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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	*Reference to the Conceptual Framework*[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 HKFRS 17	*Insurance Contracts*[2,5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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 resulting from a downstream transaction 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required other than inventories, deferred tax assets, financial assets, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuation is performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.33% – 5%
Machinery and equipment	9% – 20%
Computer equipment and others	18% – 33.33%
Motor vehicles	9% – 20%
Special tools	20%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land	99 years
Building	10 to 20 years
Machinery	3 to 5 years
Motor vehicles	2 to 5 years

(b) 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 lease. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of automotive parts and components

Revenue from the sale of automotive parts and components is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the automotive parts and components.

(b) Provision of technical services

The Group recognises technical services revenue when it transfers control of the services to the customers, which can occur over time or at a point in time. If the technical service is distinct, the Group accounts for the technical service separately from the production of automobile parts and recognises revenue when service is delivered to the customer. Revenue shall be recognised over the production period if the service is not distinct and considered to be combined with the production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Defined contribution plans

The employees of a previous subsidiary which operate in Mainland China are required to participate in central pension schemes operated by the local governments, the assets of which are held separately from those of the Group. This subsidiary (disposed of in 2018) is required to contribute 5% of its payroll costs to the central pension schemes. The employees of subsidiaries of the Group which operate in the United Kingdom and Czech are entitled to defined contribution pension benefits. Contributions are made by such subsidiaries based on certain percentages of the participating employees' salaries and are charged to profit or loss as they become payable in accordance with the rules of the relevant pension schemes. The employer contributions vest fully once made.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Defined benefit plans

The Group operates defined benefit pension plans which require contributions to be made to a separately administered fund for employees of the Group's certain subsidiaries which operate in Europe. The benefits are unfunded. The cost of providing benefits under the defined benefit plans are determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to the remeasurement gains and losses on defined benefit plans through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Defined benefit plans (continued)

The Group recognises the following changes in the net defined benefit obligation under "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Group's subsidiaries are mainly currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and statements of comprehensive income are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Transfer of construction in progress to property, plant and equipment

Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. Thereafter, depreciation is calculated on a straight-line basis to write off the cost of each item of such property, plant and equipment to its residual value over its estimated useful life. It requires management's judgement and estimation to determine when the project under construction is substantially ready for its intended use, i.e., when it is capable of commercial operation based on the overall assessment of trial operation results. Further details are set out in note 13 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Useful lives and residual values of items of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods. Further details are set out in note 13 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Management reassesses the estimation at the end of the reporting period. Further details are set out in note 13 to the financial statements.

Capitalisation of pre-production costs

The Group capitalises pre-production costs when those costs are related to the contracts with customers, generated or enhanced the resources used to satisfy performance obligation and are expected to be recovered.

The Group's management needs to judge and estimate whether such capitalised costs can be recovered, based on experience, historical data and estimation of the profitability of the contract.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are set out in note 26 to the financial statements.

Defined benefit plan

The Group has recognised the defined benefit pension plan as a liability. The Group's obligations are determined using actuarial valuations, which rely on various assumptions and conditions. The assumptions used in actuarial valuation reports include discount rates, the growth rates of the benefits and other factors. The deviation from the actual result and the actuarial result will affect the accuracy of related accounting estimates. Even though management is of the view that the above assumptions are reasonable, any changes in condition of assumptions will still affect the estimated liability amounts of employee pension benefit obligations. Further details are set out in note 24 to the financial statements.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the days past due for various customer segments with similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g. the fluctuation of the unit price of steel and restriction policy in motor industries) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision against inventories

Management reviews the condition of inventories of the Group at the end of the reporting period and makes provision against inventories. Management estimates the net realisable value based primarily on the latest sales invoice prices and current market conditions. Management reassesses the estimation at the end of the reporting period. Further details are set out in note 17 to the financial statements.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting period.

Provision for warranties

Provision for product warranties granted by the Group is recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. Further details are set out in note 25 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

Products and services

Revenue from external customers

	2021	2020
	HK$'000	HK$'000
Sale of industrial products	**2,444,180**	2,122,232
Technical service income	**157,775**	189,752
	2,601,955	2,311,984

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2021 HK$'000	2020 HK$'000
United Kingdom	**1,040,378**	916,479
Germany	**527,282**	538,277
United States	**468,497**	338,899
Mainland China	**67,313**	63,819
Other countries	**498,485**	454,510
	2,601,955	2,311,984

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

(b) Non-current assets

	2021 HK$'000	2020 HK$'000
Poland	**690,110**	570,899
Czech	**189,055**	231,549
United Kingdom	**98,939**	115,248
Other countries	**22,442**	39,230
	1,000,546	956,926

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

4. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

During the reporting period, the revenues which were generated from two (2020: two) of the Group's customers and were individually accounted for more than 10% of the Group's total revenue are as follows:

	2021	2020
	HK$'000	HK$'000
Customer A	**725,504**	687,146
Customer B	**290,854**	273,290
	1,016,358	960,436

5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of the Group's revenue is as follows:

	2021	2020
	HK$'000	HK$'000
Revenue from contracts with customers		
Sale of industrial products	**2,444,180**	2,122,232
Technical service income	**157,775**	189,752
	2,601,955	2,311,984

5. REVENUE, OTHER INCOME AND GAINS (continued)

	2021 HK$'000	2020 HK$'000
Timing of revenue recognition		
Industrial products and services transferred at a point time	**2,596,728**	2,305,107
Services transferred over time	**5,227**	6,877
	2,601,955	2,311,984

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

	2021 HK$'000	2020 HK$'000
Other income		
Bank interest income	**147**	3,327
Profit from sales of scrap materials	**21,672**	17,503
Foreign exchange differences, net	**7,578**	3,854
Gain on change in financial assets at fair value through profit or loss	**–**	2,192
Others	**4,772**	4,419
	34,169	31,295
Gains		
Gain on disposal of items of property, plant and equipment	**6,112**	1,256
Government grants	**667**	26,783
	6,779	28,039
	40,948	59,334

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	**2021 HK$'000**	2020 HK$'000
Cost of inventories sold and services provided		**2,192,457**	1,929,133
Depreciation of property, plant and equipment	13	**74,811**	70,039
Depreciation of right-of-use assets	14(a)	**36,911**	35,885
Lease payments not included in the measurement of lease liabilities	14(c)	**1,932**	2,162
Auditors' remuneration		**4,281**	3,952
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and benefits		**468,613**	435,207
Defined benefit obligation expenses	24(c)	**6,291**	7,463
		474,904	442,670
Research and development costs		**246,139**	262,237
Less: Staff costs included in research and development costs		**(115,609)**	(109,708)
Research and development costs, net of staff costs		**130,530**	152,529
Gain on disposal of items of property, plant and equipment	5	**(6,112)**	(1,256)
Impairment losses on financial assets, net:			
Recognised/(reversal) of impairment of trade receivables, net	18	**1,001**	(862)
Impairment of prepayments, other receivables and other assets, net	19	**322**	105
		1,323	(757)
Provision/(write-back of provision) for obsolete inventories*	17	**458**	(529)
(Write-back)/recognise provision for warranties, net	25	**(2,386)**	32,804
Fair value gain, net:			
Derivative instrument – transaction not qualifying as hedge		**–**	(2,192)
Foreign exchange differences, net		**(7,578)**	(3,854)

6. PROFIT/(LOSS) BEFORE TAX (continued)

* The provision for obsolete inventories is included in "Cost of sales" in the consolidated statement of profit or loss. The balance of provision for impairment of inventories as at 31 December 2021 was HK$5,012,000 (31 December 2020: HK$4,814,000). Further details are disclosed in note 17.

7. FINANCE COSTS

	2021	2020
	HK$'000	HK$'000
Interest on bank loans and other loans	**8,253**	5,735
Interest on lease liabilities	**10,111**	6,734
	18,364	12,469

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2021	2020
	HK$'000	HK$'000
Fees	**720**	720
Other emoluments:		
Salaries, allowances and benefits in kind	**2,136**	2,136
Pension scheme contributions	**107**	107
	2,243	2,243
	2,963	2,963

An analysis of the directors' remuneration, on a named basis, is as follows:

(a) Fees

The fees paid to independent non-executive directors during the year were as follows:

	2021	2020
	HK$'000	HK$'000
Mr. Tam King Ching, Kenny	**240**	240
Mr. Yip Kin Man, Raymond	**240**	240
Mr. Chan Pat Lam	**240**	240
	720	720

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

An analysis of the directors' remuneration, on a named basis, is as follows: (continued)

(b) Other emoluments

	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2021			
Executive directors:			
Mr. Jiang Yunan (resigned with effect from 20 April 2021)	**–**	**–**	**–**
Mr. Zhao Jiuliang (appointed with effect from 20 April 2021)	**–**	**–**	**–**
Mr. Chen Zhouping (chief executive)	**2,136**	**107**	**2,243**
	2,136	**107**	**2,243**
Non-executive director:			
Mr. Li Zhi	**–**	**–**	**–**
	2,136	**107**	**2,243**
2020			
Executive directors:			
Mr. Jiang Yunan	–	–	–
Mr. Chen Zhouping (chief executive)	2,136	107	2,243
Mr. Thomas P Gold (resigned with effect from 23 December 2020)	–	–	–
	2,136	107	2,243
Non-executive director:			
Mr. Li Zhi	–	–	–
	2,136	107	2,243

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2021 (year ended 31 December 2020: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2020: one), details of the remuneration for the year of the remaining four (2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	**6,752**	6,381
Performance related bonuses	**–**	17
	6,752	6,398

The remuneration of these non-director and non-chief executive highest paid employees fell within the following bands:

	Number of employees	
	2021	2020
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**4**	2
	4	4

10. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2021 as the Group did not generate any assessable profits arising in Hong Kong during the year (year ended 31 December 2020: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates. The rates of tax prevailing in the countries in which the Group operates include:

	2021	2020
	(%)	(%)
Luxembourg	**24.94**	24.94
Poland	**19.00**	19.00
United Kingdom	**19.00**	19.00
France	**26.50**	28.00
Germany	**29.83**	29.83
Italy	**27.90**	27.50
Czech	**19.00**	19.00

	2021	2020
	HK$'000	HK$'000
Current – elsewhere	**11,282**	5,975
Deferred tax (Note 26)	**11,080**	3,862
Total tax charge for the year	**22,362**	9,837

10. INCOME TAX (continued)

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, and a reconciliation of the Hong Kong statutory tax rate to the effective tax rate, are as follows:

	2021		2020	
	HK$'000	**%**	HK$'000	%
Profit/(loss) before tax	**13,057**		(41,707)	
Income tax charge at the Company's statutory tax rate of 16.5%	**2,154**	**16.5**	(6,882)	16.5
Effect of different income tax rates for foreign operations	**4,895**	**37.5**	161	(0.4)
Income not subject to tax	**(5,524)**	**(42.3)**	(2,678)	6.4
Expenses not deductible for tax purposes	**24,073**	**184.4**	19,743	(47.3)
Utilisation of prior year tax losses	**(1,476)**	**(11.3)**	–	–
Tax losses not recognised as deferred tax assets	**–**	**–**	9,762	(23.4)
Additional deduction of research and development expenses	**–**	**–**	(4,281)	10.3
Withholding tax expense/(refund)	**4,006**	**30.7**	(5,920)	14.2
Adjustment for current income tax of previous periods	**(7,103)**	**(54.4)**	(460)	1.1
Impact of change in the applicable income tax rate on deferred tax	**1,439**	**11.0**	392	(1.0)
Others	**(102)**	**(0.8)**	–	–
Tax charge at the effective rate	**22,362**	**171.3**	9,837	(23.6)

11. DIVIDEND

The board of directors of the Company decided, on 30 March 2022, not to propose any final dividend in respect of the year ended 31 December 2021 (2020: nil).

12. LOSS 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 year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 574,339,068 (2020: 574,339,068) in issue during the year.

No adjustment has been made to the earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group did not have any potential ordinary shares in issue during the years ended 31 December 2021 and 2020.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Special tools HK$'000	Computer equipment and others HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2021							
At 31 December 2020 and at 1 January 2021:							
Cost	62,408	651,146	7,514	37,839	99,508	70,143	928,558
Accumulated depreciation and impairment	(16,811)	(314,675)	(5,933)	(27,992)	(65,505)	-	(430,916)
Net carrying amount	45,597	336,471	1,581	9,847	34,003	70,143	497,642
At 1 January 2021, net of accumulated depreciation and impairment	45,597	336,471	1,581	9,847	34,003	70,143	497,642
Additions	–	–	557	745	465	52,692	54,459
Depreciation provided during the year (Note 6)	(2,872)	(54,911)	(567)	(8,580)	(7,881)	–	(74,811)
Disposals	–	(3,505)	–	–	(671)	(310)	(4,486)
Transfers	10,413	48,002	87	8,750	5,731	(72,983)	–
Exchange realignment	(3,838)	(14,078)	(120)	4,533	(2,460)	(3,956)	(19,919)
At 31 December 2021, net of accumulated depreciation and impairment	49,300	311,979	1,538	15,295	29,187	45,586	452,885
At 31 December 2021:							
Cost	67,580	659,108	7,197	46,054	99,512	45,586	925,037
Accumulated depreciation and impairment	(18,280)	(347,129)	(5,659)	(30,759)	(70,325)	–	(472,152)
Net carrying amount	49,300	311,979	1,538	15,295	29,187	45,586	452,885

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Special tools HK$'000	Computer equipment and others HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2020							
At 31 December 2019 and at 1 January 2020:							
Cost	35,470	601,789	7,207	33,402	86,726	53,768	818,362
Accumulated depreciation and impairment	(16,053)	(256,954)	(5,110)	(21,149)	(56,280)	–	(355,546)
Net carrying amount	19,417	344,835	2,097	12,253	30,446	53,768	462,816
At 1 January 2020, net of accumulated depreciation and impairment	19,417	344,835	2,097	12,253	30,446	53,768	462,816
Additions	–	69	–	1,158	5,486	97,924	104,637
Depreciation provided during the year (Note 6)	(2,319)	(50,642)	(663)	(8,324)	(8,091)	–	(70,039)
Disposals	–	(1,098)	–	(242)	(2)	(13,537)	(14,879)
Transfers	26,993	33,039	111	4,956	4,834	(69,933)	–
Exchange realignment	1,506	10,268	36	46	1,330	1,921	15,107
At 31 December 2020, net of accumulated depreciation and impairment	45,597	336,471	1,581	9,847	34,003	70,143	497,642
At 31 December 2020:							
Cost	62,408	651,146	7,514	37,839	99,508	70,143	928,558
Accumulated depreciation and impairment	(16,811)	(314,675)	(5,933)	(27,992)	(65,505)	-	(430,916)
Net carrying amount	45,597	336,471	1,581	9,847	34,003	70,143	497,642

No fixed assets of the Group were held under finance leases at 31 December 2021 (31 December 2020: Nil).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land, buildings, machinery and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 99 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and machinery generally have lease terms between 5 and 20 years, while motor vehicles generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There is one lease contract that includes extension option for which management assumes to extend to 5 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land HK$'000	Buildings HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2020	8,912	124,205	24,520	3,621	161,258
Additions	–	89,524	1,431	1,006	91,961
Depreciation charge (Note 6)	(297)	(25,038)	(8,401)	(2,149)	(35,885)
Exchange realignment	121	12,937	161	114	13,333
As at 31 December 2020	8,736	201,628	17,711	2,592	230,667
As at 1 January 2021	8,736	201,628	17,711	2,592	230,667
Additions	–	161,158	526	2,018	163,702
Depreciation charge (Note 6)	(297)	(33,013)	(1,480)	(2,121)	(36,911)
Disposals	–	–	(13,999)	–	(13,999)
Exchange realignment	(655)	(16,641)	(1,272)	(110)	(18,678)
As at 31 December 2021	7,784	313,132	1,486	2,379	324,781

14. LEASES (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 **HK$'000**	2020 HK$'000
Carrying amount at 1 January	**240,020**	159,708
New leases	**149,689**	91,961
Accretion of interest recognised during the year	**10,111**	6,734
Payments	**(38,607)**	(32,041)
Exchange realignment	**(25,818)**	13,658
Carrying amount at 31 December	**335,395**	240,020
Analysed into:		
Current portion	**36,365**	42,140
Non-current portion	**299,030**	197,880
Carrying amount at 31 December	**335,395**	240,020

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 **HK$'000**	2020 HK$'000
Interest on lease liabilities	**10,111**	6,734
Depreciation charge of right-of-use assets	**36,911**	35,885
Expense relating to short-term leases	**1,862**	1,910
Expense relating to leases of low-value assets	**70**	252
Total amount recognised in profit or loss	**48,954**	44,781

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements.

15. GOODWILL

	2021	2020
	HK$'000	HK$'000
Cost and net carrying amount at 1 January	**5,030**	4,544
Exchange realignment	**(74)**	486
Cost and net carrying amount at 31 December	**4,956**	5,030

Impairment testing of goodwill

Goodwill acquired through business combinations from the acquisition in 2009 has been allocated to the relevant cash-generating units ("CGUs"), mainly representing the product lines of automotive parts and components, and technical services for impairment testing. The recoverable amounts of the CGUs have been determined based on value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections as at 31 December 2021 was 9.5% which is based on the weighted average cost of capital, and cash flows beyond the five-year period was extrapolated using a growth rate of 2%.

Key assumptions were used in the value in use calculation of the CGU of product lines of automotive parts and components at 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake the impairment testing of goodwill.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

16. OTHER NON-CURRENT ASSETS

	2021 HK$'000	2020 HK$'000
Contract performance deposits	**57,358**	62,499
Pre-production costs	**191,602**	188,486
	248,960	250,985
Within one year (Note 19)	**(31,036)**	(27,398)
	217,924	223,587

17. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**146,099**	149,563
Work in progress	**21,813**	27,218
Finished goods	**33,038**	33,299
	200,950	210,080
Provision for impairment	**(5,012)**	(4,814)
	195,938	205,266

17. INVENTORIES (continued)

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

	2021	2020
	HK$'000	HK$'000
At beginning of the year	**(4,814)**	(9,844)
Impairment losses (recognised)/reversed, net (Note 6)	**(458)**	529
Write-down of inventories	**–**	5,329
Exchange realignment	**260**	(828)
At end of the year	**(5,012)**	(4,814)

18. TRADE RECEIVABLES

	2021	2020
	HK$'000	HK$'000
Trade receivables	**332,007**	382,218
Impairment	**(3,789)**	(3,062)
Total	**328,218**	379,156

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 third-party 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.

18. 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:

	2021 **HK$'000**	2020 HK$'000
Within 3 months	**326,982**	378,337
3 months to 1 year	**1,236**	819
	328,218	379,156

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

	2021 **HK$'000**	2020 HK$'000
At beginning of the year	**(3,062)**	(3,729)
Impairment losses (recognized)/reversed (Note 6)	**(1,001)**	862
Amount written off as uncollectible	**18**	–
Exchange realignment	**256**	(195)
At end of the year	**(3,789)**	(3,062)

18. 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.

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

As at 31 December 2021	**Not yet due**	**Overdue**	**Total**
Expected credit loss rate	**0.50%**	**78.34%**	**1.14%**
Carrying amount (HK$'000)	**329,272**	**2,735**	**332,007**
Expected credit losses (HK$'000)	**1,646**	**2,143**	**3,789**

As at 31 December 2020	Not yet due	Overdue	Total
Expected credit loss rate	0.50%	73.39%	0.80%
Carrying amount (HK$'000)	380,639	1,579	382,218
Expected credit losses (HK$'000)	1,903	1,159	3,062

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 HK$'000	2020 HK$'000
Prepayments	**9,358**	4,500
Deposits, other receivables and others	**41,407**	42,058
Pre-production costs – current (Note 16)	**31,036**	27,398
Due from fellow subsidiaries (Note 32 (b)(i))	**152,884**	84,107
Due from a holding company (Note 32 (b)(i))	**28,175**	37,347
	262,860	195,410
Impairment	**(919)**	(597)
	261,941	194,813

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

	2021 HK$'000	2020 HK$'000
At beginning of the year	**(597)**	(492)
Impairment losses recognised, net (Note 6)	**(322)**	(105)
At end of the year	**(919)**	(597)

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

Set out below is the information about the credit risk exposure on the Group's due from related parties using a provision matrix:

As at 31 December 2021	**Not yet due**	**Overdue**	**Total**
Expected credit loss rate	**0.5%**	**–**	**0.5%**
Adjusted carrying amount* (HK$'000)	**181,059**	**–**	**181,059**
Expected credit losses (HK$'000)	**919**	**–**	**919**

As at 31 December 2020	Not yet due	Overdue	Total
Expected credit loss rate	0.5%	–	0.5%
Adjusted carrying amount* (HK$'000)	121,454	–	121,454
Expected credit losses (HK$'000)	597	–	597

* The adjusted carrying amount represents the gross carrying amount excluding prepayments, deposits, other receivables and others, and the current portion of pre-production costs with no default risk.

20. CASH AND CASH EQUIVALENTS

	2021	2020
	HK$'000	HK$'000
Cash and bank balances	**184,565**	424,111
	184,565	424,111

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 31 December 2020 and 2021. The carrying amount of the cash and cash equivalents equal to their fair value.

21. TRADE PAYABLES

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

	2021	2020
	HK$'000	HK$'000
Within 3 months	**333,239**	398,924
3 months to 1 year	**2,662**	176
Over 1 year	**69**	395
	335,970	399,495

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

22. OTHER PAYABLES AND ACCRUALS

	31 December 2021	31 December 2020
	HK$'000	HK$'000
Contract liabilities (Note (a))	**32,511**	37,654
Other creditors and accruals (Note (b))	**31,827**	55,613
Other tax payables	**16,774**	57,947
Accrued salaries, wages and benefits	**48,377**	62,908
Due to fellow subsidiaries (Note 32 (b)(ii))	**22,040**	48,507
Due to a holding company (Note 32 (b)(ii))	**31,881**	24,798
	183,410	287,427
Portion classified as current liabilities	**(154,055)**	(255,803)
Non-current portion	**29,355**	31,624

22. OTHER PAYABLES AND ACCRUALS (continued)

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2021 HK$'000	31 December 2020 HK$'000
Engineering technical service fees	**32,511**	37,654
Total contract liabilities	**32,511**	37,654

Contract liabilities include short-term advances received to deliver manufactured automatic products and technical services.

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

23. BANK BORROWINGS

	Note	**2021 HK$'000**	2020 HK$'000
Bank loans, unsecured		**65,215**	103,726
Analysed into:			
Bank loans repayable:			
Within one year		**65,215**	103,726
Total bank borrowings	(a)	**65,215**	103,726
Portion classified as current liabilities		**(65,215)**	(103,726)
Non-current portion		**–**	–

23. BANK BORROWINGS (continued)

Notes:

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

	Notes	**2021** HK$'000	2020 HK$'000
EUR	(i)	**4,231**	44,041
PLN	(ii)	**60,984**	59,685
		65,215	103,726

(i) The bank loan denominated in EUR as at 31 December 2021 bore interest at a rate of 1 month EURIBOR plus 2.8% per annum (31 December 2020: 1 month EURIBOR plus 2.00% to 2.20% per annum).

(ii) The bank loan denominated in PLN as at 31 December 2021 bore interest at a rate of 1 month WIBOR plus 2.60% per annum (31 December 2020: 1 month WIBOR plus 2.00% per annum).

24. DEFINED BENEFIT OBLIGATIONS

The Group has defined benefit pension plans, covering substantially all of its qualified employees in Poland, France and Germany. The amounts of employee benefit obligations recognised in the statement of financial position represent the present values 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.

24. DEFINED BENEFIT OBLIGATIONS (continued)

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

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

	2021 **HK$'000**	2020 HK$'000
Present value of unfunded obligations	**101,353**	129,467
Portion classified as current liabilities	**(3,267)**	(2,504)
Non-current portion	**98,086**	126,963

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

	2021 **HK$'000**	2020 HK$'000
At beginning of the year	**129,467**	115,135
Current service costs	**5,201**	5,758
Interest cost on benefit obligations	**1,090**	1,705
Benefits paid during the year	**(2,429)**	(2,098)
Remeasurement losses recognised in other comprehensive income*	**(23,090)**	2,686
Exchange realignment	**(8,886)**	6,281
At end of the year	**101,353**	129,467

* Deferred tax assets of HK$4,422,000 were reversed (31 December 2020: HK$104,000 were reversed) for the remeasurement losses (Note 26). The remeasurement gains after deferred tax amounted to HK$18,668,000 (31 December 2020: remeasurement losses of HK$2,790,000), which were recognised in other comprehensive income.

24. DEFINED BENEFIT OBLIGATIONS (continued)

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

	2021	2020
	HK$'000	HK$'000
Current service costs	**5,201**	5,758
Interest cost on benefit obligations	**1,090**	1,705
Net benefit expenses	**6,291**	7,463

(d) The principal actuarial assumptions used in valuing the provisions for defined benefit obligations at the end of the reporting period are as follows:

		2021	
	Germany	**Poland**	**France**
	%	**%**	**%**
Discount rate	**1.10**	**3.20**	**0.80**
Rate of salary increases	**3.00**	**4.00**	**2.00**
Rate of price inflation	**2.00**	**2.50**	**N/A**
Pension increase rate	**2.00**	**N/A**	**N/A**

		2020	
	Germany	Poland	France
	%	%	%
Discount rate	0.70	1.20	0.47
Rate of salary increases	3.00	4.00	2.00
Rate of price inflation	2.00	2.50	N/A
Pension increase rate	2.00	N/A	N/A

24. DEFINED BENEFIT OBLIGATIONS (continued)

(d) (continued)

The average duration of the provision for defined benefits at the end of the reporting period is as follows:

	2021		
	Germany	**Poland**	**France**
	Years	**Years**	**Years**
Average life expectancy			
Plan 1	**14.90**	**10.66**	**19.86**
Plan 2	**4.20**	**14.61**	**NA**

	2020		
	Germany	Poland	France
	Years	Years	Years
Average life expectancy			
Plan 1	15.80	12.66	19.55
Plan 2	4.80	17.58	NA

(e) The quantitative sensitivity analysis of the provisions for defined benefits as at the end of the reporting period is as follows:

2021

	Increase in rate	**Decrease in provisions for defined benefits**	**Decrease in rate**	**Increase in provisions for defined benefits**
	%	**HK$'000**	**%**	**HK$'000**
Discount rate	**1**	**(8,240)**	**1**	**9,997**

24. DEFINED BENEFIT OBLIGATIONS (continued)

(e) (continued)

2020

	Increase in rate %	Decrease in provisions for defined benefits HK$'000	Decrease in rate %	Increase in provisions for defined benefits HK$'000
Discount rate	1	(10,010)	1	12,255

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the provisions for defined benefits as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

25. PROVISION

	2021 HK$'000	2020 HK$'000
Product warranties:		
At beginning of the year	**46,326**	22,430
Provision (Note 6)	**(2,386)**	32,804
Amounts utilised during the year	**(13,019)**	(10,878)
Exchange realignment	**(2,036)**	1,970
At end of the year	**28,885**	46,326

The Group provides warranties of certain periods to its customers on certain products, and warranties ranging from one to five years to its customers for general repairs of defects occurring during the warranty periods. The amount of the provision for warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

26. DEFERRED TAX

The components of deferred tax liabilities and assets and their movements during the year are as follows:

2021

Deferred tax liabilities

	Contract assets HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from business combination HK$'000	Right-of-use assets HK$'000	Total HK$'000
At 1 January 2021	(35,813)	(10,805)	(1,764)	(46,611)	(94,993)
Deferred tax credited/(charged) to profit or loss during the year	(246)	(1,260)	28	(5,984)	(7,462)
Exchange realignment	2,318	495	134	3,203	6,150
At 31 December 2021	(33,741)	(11,570)	(1,602)	(49,392)	(96,305)

Deferred tax assets

	Contract liabilities HK$'000	Lease liabilities HK$'000	Warranty provision HK$'000	Defined benefit pension plans HK$'000	Accruals HK$'000	Total HK$'000
At 1 January 2021	7,154	47,301	8,389	13,911	10,260	87,015
Deferred tax credited/(charged) to profit or loss during the year	(1,739)	5,827	(6,350)	–	(1,356)	(3,618)
Deferred tax charged to other comprehensive income during the year	–	–	–	(4,422)	–	(4,422)
Exchange realignment	(291)	(3,286)	(149)	(52)	(680)	(4,458)
At 31 December 2021	5,124	49,842	1,890	9,437	8,224	74,517

26. DEFERRED TAX (continued)

The components of deferred tax liabilities and assets and their movements during the year are as follows: (continued)

2020

Deferred tax liabilities

	Contract assets HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from business combination HK$'000	Right-of-use assets HK$'000	Total HK$'000
At 1 January 2020	(31,165)	(8,191)	(1,767)	(30,607)	(71,730)
Deferred tax credited/(charged) to profit or loss during the year	(4,267)	(2,298)	28	(13,844)	(20,381)
Exchange realignment	(381)	(316)	(25)	(2,160)	(2,882)
At 31 December 2020	(35,813)	(10,805)	(1,764)	(46,611)	(94,993)

Deferred tax assets

	Contract liabilities HK$'000	Lease liabilities HK$'000	Warranty provision HK$'000	Defined benefit pension plans HK$'000	Accruals HK$'000	Total HK$'000
At 1 January 2020	8,300	31,141	5,058	13,948	9,307	67,754
Deferred tax credited/(charged) to profit or loss during the year	(1,307)	13,985	3,073	–	768	16,519
Deferred tax charged to other comprehensive income during the year	–	–	–	(104)	–	(104)
Exchange realignment	161	2,175	258	67	185	2,846
At 31 December 2020	7,154	47,301	8,389	13,911	10,260	87,015

As at 31 December 2021, tax losses of the Group were HK$258,667,000 (31 December 2020: HK$309,125,000), which had not been recognised as deferred tax assets, as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

27. ISSUED CAPITAL

	2021 HK$'000	2020 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each (2020: 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 (2020: 574,339,068 ordinary shares of HK$0.10 each)	**57,434**	57,434

The amounts of the issued capital of the Company and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 101 to 102 of the financial statements.

28. RESERVES

(i) The amounts of the Group's reserves and the movements therein for the years ended 31 December 2021 and 2020 are presented in the consolidated statement of changes in equity.

(ii) Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account are distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$94,114,000 (2020: HK$69,409,000) and HK$95,375,000 (2020: HK$80,312,000), respectively, in respect of lease arrangements for buildings, machinery and motor vehicles.

(b) Changes in liabilities arising from financing activities

	Bank borrowings HK$'000	Lease liabilities HK$'000	Loan from a holding company HK$'000
At 1 January 2021	**103,726**	**240,020**	**477**
Changes from financing cash flows	**(32,959)**	**(38,607)**	**–**
New leases	**–**	**149,689**	**–**
Exchange realignment	**(5,552)**	**(25,818)**	**(35)**
Interest expense	**–**	**10,111**	**–**
At 31 December 2021	**65,215**	**335,395**	**442**

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) (continued)

	Bank borrowings HK$'000	Lease liabilities HK$'000	Loan from a holding company HK$'000
At 1 January 2020	98,272	159,708	436
Changes from financing cash flows	1,409	(32,041)	–
New leases	–	91,961	–
Exchange realignment	4,045	13,658	41
Interest expense	–	6,734	–
At 31 December 2020	103,726	240,020	477

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 HK$'000	2020 HK$'000
Within financing activities	**38,607**	32,041
	38,607	32,041

30. CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, the Group did not have any significant contingent liabilities.

31. COMMITMENTS

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

	2021	2020
	HK$'000	HK$'000
Contracted, but not provided for:		
Plant and machinery	**75,710**	80,539

32. 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**
BWI	the intermediate holding company
BWI (HK)	the immediate holding company
BWI North America Inc.	a fellow subsidiary
BWI Indiana Inc.	a fellow subsidiary
BWI Company Limited S.A.	a fellow subsidiary
BWI Vehicle Dynamics Sales and Service, S.DE R.L.DE C.V	a fellow subsidiary
BWI (Shanghai) Co., Ltd.	an associate of the ultimate holding company
Vehicle Stability Technology, S.A. de C.V.	a fellow subsidiary

32. RELATED PARTY DISCLOSURES (continued)

(a) Transactions with related parties

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

	2021 **HK$'000**	2020 HK$'000
Sales of goods to:		
BWI North America Inc.	**10,458**	2,619
BWI	**4,338**	1,261
BWI Indiana Inc.	**96,305**	9,520
BWI (HK)	**6**	130
BWI (Shanghai) Co., Ltd.	**119**	–
	111,226	13,530
Technical services provided to:		
BWI North America Inc.	**66,472**	59,660
BWI Indiana Inc	**28,053**	75,328
BWI	**30,360**	16,911
BWI Vehicle Dynamics Sales and Service, S.DE R.L.DE C.V	**942**	549
Vehicle Stability Technology, S.A. de C.V.	**168**	–
	125,995	152,448

32. RELATED PARTY DISCLOSURES (continued)

(a) Transactions with related parties (continued)

	2021 HK$'000	2020 HK$'000
Purchases of products from:		
BWI	**4,253**	–
BWI North America Inc.	**114**	–
BWI Indiana Inc	**150**	9,656
	4,517	9,656
Management and technical services provided by:		
BWI North America Inc.	**79,644**	113,590
BWI	**26,318**	19,926
BWI (HK)	**1,088**	–
	107,050	133,516
Sales of automotive tooling to:		
BWI Indiana Inc.	**2,235**	–
Royalty provided by:		
BWI	**1,594**	5,413
Administrative service fee paid to:		
BWI (HK)	**1,200**	1,200

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.

32. RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties

	Notes	2021 HK$'000	2020 HK$'000
Amounts due from fellow subsidiaries	(i)		
BWI Indiana Inc		**124,284**	59,104
BWI North America Inc.		**26,514**	22,551
BWI Company Limited S.A.		**1,955**	2,111
BWI (Shanghai) Co., Ltd.		**114**	–
BWI (HK)		**–**	4
BWI Vehicle Dynamics Sales and Service, S.DE R.L.DE C.V		**17**	257
Vehicle Stability Technology, S.A. de C.V.		**–**	80
		152,884	84,107
An amount due from a holding company	(i)		
BWI		**28,175**	37,347
Amounts due to fellow subsidiaries	(ii)		
BWI North America Inc.		**19,384**	44,869
BWI Indiana Inc		**16**	2,403
BWI (HK)		**2,518**	1,096
BWI Company Limited S.A.		**122**	139
		22,040	48,507
Amount due to a holding company	(ii)		
BWI		**31,881**	24,798
Long term loan due to a holding company	(iii)		
BWI (HK)		**442**	477

32. RELATED PARTY DISCLOSURES (continued)

(b) 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.

The related party transactions disclosed in note (a) above also constitute connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(c) Compensation of non-director and non-chief executive key management personnel of the Group

	2021	2020
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**6,752**	6,381
Performance related bonuses	**–**	17
	6,752	6,398

Further details of directors' emoluments are included in Note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

2021

All financial assets and liabilities of the Group as at 31 December 2021 were loans and receivables stated at amortised cost, and financial liabilities stated at amortised cost, respectively.

2020

All financial assets and liabilities of the Group as at 31 December 2020 were loans and receivables stated at amortised cost, and financial liabilities stated at amortised cost, respectively.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Trade receivables	**328,218**	379,156	**328,218**	379,156
Financial assets included in prepayments, other receivables and other assets	**1,440**	3,565	**1,440**	3,565
Due from fellow subsidiaries	**152,884**	84,107	**152,884**	84,107
Due from a holding company	**28,175**	37,347	**28,175**	37,347
Cash and cash equivalents	**184,565**	424,111	**184,565**	424,111
	695,282	928,286	**695,282**	928,286
Financial liabilities				
Lease liabilities	**(335,395)**	(240,020)	**(335,395)**	(240,020)
Trade payables	**(335,970)**	(399,495)	**(335,970)**	(399,495)
Financial liabilities included in other payables and accruals	**(31,827)**	(55,613)	**(31,827)**	(55,613)
Due to fellow subsidiaries	**(22,040)**	(48,507)	**(22,040)**	(48,507)
Due to a holding company	**(31,881)**	(24,798)	**(31,881)**	(24,798)
Bank borrowings	**(65,215)**	(103,726)	**(65,215)**	(103,726)
Long term loan from a holding company	**(442)**	(477)	**(442)**	(477)
	(822,770)	(872,636)	**(822,770)**	(872,636)
	(127,488)	55,650	**(127,488)**	55,650

34. 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 risk as at 31 December 2021 and 2020 was assessed to be insignificant.

35. 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. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of directors of the Company holds meetings regularly to analyse and approve the proposals made by the 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 material 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

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

	Increase/ (decrease) in foreign exchange rate	**Increase/(decrease) in profit/(loss) before tax**	
		2021	2020
		HK$'000	HK$'000
If HK$ strengthens against EUR	10%	**(22,424)**	(12,244)
If HK$ weakens against EUR	-10%	**22,424**	12,244
If HK$ strengthens against GBP	10%	**9,177**	5,549
If HK$ weakens against GBP	-10%	**(9,177)**	(5,549)

35. 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, other receivables, 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 18 to the 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, lease liabilities and bank and other borrowings.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's 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 rates current at the end of the reporting period.

	less than 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2021				
Lease liabilities	**38,934**	**115,084**	**244,584**	**398,602**
Trade payables	**335,970**	**–**	**–**	**335,970**
Financial liabilities included in other payables and accruals	**31,827**	**–**	**–**	**31,827**
Due to fellow subsidiaries	**22,040**	**–**	**–**	**22,040**
Due to a holding company	**31,881**	**–**	**–**	**31,881**
Bank borrowings	**65,215**	**–**	**–**	**65,215**
Long term loan from a holding company	**–**	**442**	**–**	**442**
	525,867	**115,526**	**244,584**	**885,977**
31 December 2020				
Lease liabilities	42,393	95,303	140,439	278,135
Trade payables	399,495	–	–	399,495
Financial liabilities included in other payables and accruals	55,613	–	–	55,613
Due to fellow subsidiaries	48,507	–	–	48,507
Due to a holding company	24,798	–	–	24,798
Bank borrowings	103,726	–	–	103,726
Long term loan from a holding company	–	477	–	477
	674,532	95,780	140,439	910,751

35. 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 year ended 31 December 2021.

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 lease liabilities, trade payables, other creditors and accruals, accrued salaries, wages and benefits, amounts due to fellow subsidiaries, an amount due to a holding company, a long term loan from a holding company and bank borrowings, less cash and cash equivalents. Capital includes equity attributable to owners of the Company.

	2021	2020
	HK$'000	HK$'000
Lease liabilities	**335,395**	240,020
Trade payables	**335,970**	399,495
Other creditors and accruals	**31,827**	55,613
Accrued salaries, wages and benefits	**48,377**	62,908
Due to fellow subsidiaries	**22,040**	48,507
Due to a holding company	**31,881**	24,798
Long term loan from a holding company	**442**	477
Bank borrowings	**65,215**	103,726
Less: Cash and cash equivalents	**(184,565)**	(424,111)
Net debt	**686,582**	511,433
Equity	**896,938**	933,701
Net debt and equity	**1,583,520**	1,445,134
Gearing ratio	**43.36%**	35.39%

36. EVENTS AFTER THE REPORTING PERIOD

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

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 **HK$'000**	2020 HK$'000
Non-current assets:		
Interests in subsidiaries	**586,154**	586,154
Total non-current assets	**586,154**	586,154
Current assets:		
Prepayments, other receivables and other assets	**151**	316
Due from subsidiaries	**498,250**	503,160
Cash and cash equivalents	**1,508**	354
Total current assets	**499,909**	503,830
TOTAL ASSETS	**1,086,063**	1,089,984
Current liabilities:		
Other payables and accruals	**1,247**	751
Total current liabilities	**1,247**	751
Net current assets	**498,662**	503,079
NET ASSETS	**1,084,816**	1,089,233
EQUITY		
Equity attributable to owners of the Company		
Share capital	**57,434**	57,434
Reserves (note)	**1,027,382**	1,031,799
Total equity	**1,084,816**	1,089,233

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: A summary of the Company's reserves is as follows:

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	**1,037,745**	**44,132**	**(50,078)**	**1,031,799**
Loss and total comprehensive loss for the year	**–**	**–**	**(4,417)**	**(4,417)**
At 31 December 2021	**1,037,745**	**44,132**	**(54,495)**	**1,027,382**

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	1,037,745	44,132	(46,336)	1,035,541
Loss and total comprehensive loss for the year	–	–	(3,742)	(3,742)
At 31 December 2020	1,037,745	44,132	(50,078)	1,031,799

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2022.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**2,601,955**	2,311,984	2,654,586	3,418,281	3,903,650
Profit/(Loss) before tax	**13,057**	(41,707)	51,628	133,440	5,783
Income tax expense	**(22,362)**	(9,837)	(46,739)	(39,908)	(37,296)
(Loss)/Profit for the year	**(9,305)**	(51,544)	4,889	93,532	(31,513)
(Loss)/Profit for the year attributable to:					
Owners of the Company	**(9,305)**	(51,544)	4,889	120,879	(8,572)
Non-controlling interests	**–**	–	–	(27,347)	(22,941)
	(9,305)	(51,544)	4,889	93,532	(31,513)

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**2,045,725**	2,247,287	1,943,936	2,167,343	2,815,728
Total liabilities	**(1,148,787)**	(1,313,586)	(980,537)	(1,147,984)	(1,802,413)
Net assets	**896,938**	933,701	963,399	1,019,359	1,013,315
Equity attributable to owners of the Company	**896,938**	933,701	963,399	1,019,359	892,272
Non-controlling interests	**–**	–	–	–	121,043
Total equity	**896,938**	933,701	963,399	1,019,359	1,013,315