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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the "**Board**") of BeijingWest Industries International Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 with comparative figures for the year ended 31 December 2022. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2023

	Notes	**2023** **HK$'000**	2022 *HK$'000*
REVENUE	*4*	**2,708,861**	2,478,380
Cost of sales		**(2,310,143)**	(2,044,288)
Gross profit		**398,718**	434,092
Selling and distribution expenses		**(38,945)**	(50,376)
Administrative expenses		**(172,173)**	(154,510)
Research and development expenses		**(275,546)**	(237,437)
(Provision for)/reversal of impairment losses on financial assets	*7*	**(2,070)**	132
Other income	*5*	**30,627**	23,863
Other (losses)/gains - net	*6*	**(15,673)**	22,483
Other expenses		**(445)**	(13,022)
Operating (loss)/profit		**(75,507)**	25,225
Finance costs	*8*	**(12,032)**	(15,054)
(LOSS)/PROFIT BEFORE TAX	*7*	**(87,539)**	10,171
Income tax benefit/(expense)	*9*	**32,219**	(15,056)
LOSS FOR THE YEAR		**(55,320)**	(4,885)
Attributable to:			
Owners of the Company		**(55,320)**	(4,885)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY			
Basic and diluted *(HK cents per share)*	*11*	**(9.63)**	(0.85)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(55,320)**	(4,885)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**71,794**	(55,159)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement (loss)/gain on defined benefit plans – net of tax	**(10,488)**	11,054
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	**61,306**	(44,105)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**5,986**	(48,990)
Attributable to:		
Owners of the Company	**5,986**	(48,990)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**430,865**	403,853
Right-of-use assets		**283,198**	299,268
Goodwill		**668**	896
Deferred tax assets		**2,616**	66,833
Other non-current assets		**187,619**	193,746
Total non-current assets		**904,966**	964,596
CURRENT ASSETS			
Inventories		**180,359**	177,083
Trade receivables from third parties	*12*	**344,038**	339,823
Trade receivables from related parties	*13*	**275,125**	242,137
Income tax recoverable		**17,041**	10,167
Prepayments, other receivables and other assets	*14*	**94,826**	80,002
Cash and cash equivalents		**135,964**	122,780
Total current assets		**1,047,353**	971,992
CURRENT LIABILITIES			
Trade payables to third parties	*15*	**362,667**	322,777
Trade payables to related parties	*16*	**133,833**	97,549
Contract liabilities, other payables and accruals	*17*	**93,096**	117,848
Income tax payables		**20,859**	20,635
Defined benefit obligations		**4,191**	3,406
Lease liabilities		**38,278**	33,610
Provision		**35,301**	27,798
Total current liabilities		**688,225**	623,623
NET CURRENT ASSETS		**359,128**	348,369
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,264,094**	1,312,965

	Notes	**2023** HK$'000	2022 HK$'000
NON-CURRENT LIABILITIES			
Contract liabilities, other payables and accruals	*17*	**34,813**	24,971
Defined benefit obligations		**99,193**	77,829
Lease liabilities		**261,655**	272,589
Deferred tax liabilities		**14,068**	89,213
Loan from a holding company		**431**	415
Total non-current liabilities		**410,160**	465,017
NET ASSETS		**853,934**	847,948
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*18*	**57,434**	57,434
Reserves		**796,500**	790,514
TOTAL EQUITY		**853,934**	847,948

NOTES TO FINANCIAL STATEMENTS

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 Act of the Cayman Islands. Its registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

BWI Company Limited and BeijingWest Industries Co., Ltd. (北京京西重工有限公司) ("**BWI**") are immediate and intermediate holding companies of the Group, which are incorporated in Hong Kong and Mainland China with limited liability, respectively.

On 5 September 2022, Shougang Group Co., Ltd.（首鋼集團有限公司）and BeijingWest Smart Mobility Zhangjiakou Automotive Electronics Co., Ltd. (京西智行張家口汽車電子有限公司) ("**BWSM**") signed an equity transfer agreement for the transfer of 55.45% equity interest in BWI. Upon completion of this transaction on 19 September 2022, BWSM indirectly held 52.55% shareholding interest in the Company through BWI.

In the year of 2023, Zhangjiakou Financial Holding Group Co., Ltd. (張家口金融控股集團有限公司) ("**Zhangjiakou Holding**"), the controlling shareholder of BWSM, made a series of direct and indirect capital injection into BWSM, which then made capital injection into BWI. After these capital injections, Zhangjiakou Holding directly and indirectly held a total of approximately 62.89% shareholding interest in BWSM and BWSM directly held 84.34% shareholding interest in BWI.

In the opinion of the Directors of the Company, the ultimate holding company of the Company is Zhangjiakou Holding, which is a state-owned enterprise established in the People's Republic of China.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") as issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards ("**HKAS**")
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants ("**Interpretations**").

These consolidated 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.

2.2 CHANGES IN ACCOUNTING POLICIES

New and amended standards adopted by the Group

The Group has adopted the following new and amended standards for the first time for the current year's financial statements.

Amendments to HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practical Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The new and amended standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New and amended standards and interpretations not yet adopted

The Group has not applied the following new and revised standards, that have been issued but are not yet effective, in these consolidated financial statements. These amendments and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to HKAS 1 – *Non-current Liabilities with Covenants*	1 January 2024
Amendments to HKFRS 16 – *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – *Supplier Finance Arrangements*	1 January 2024
Hong Kong Interpretation 5 (Revised) – *Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

3. OPERATING SEGMENT INFORMATION

An operating segment is a component of an entity that engages in business activities from which revenues are earned and expenses are incurred, and is identified on the basis of the internal financial reports that are regularly reviewed by the chief operating decision maker (the "**CODM**") in order to allocate resources and assess performance of the segment. The CODM has been identified as the Executive Directors of the Company.

For the years presented, as the Group's business activities are mainly in the manufacturing, sale and trading of automotive parts and components, and the provision of technical services. The performance of the Group is reviewed by the CODM as a whole thus it is concluded that the Group has only one single reportable segment. Therefore, no analysis by operating segment is presented.

Products and services

Revenue from external customers

	2023	2022
	HK$'000	*HK$'000*
Sale of industrial products	**2,509,036**	2,283,267
Technical service income	**199,825**	195,113
	2,708,861	2,478,380

Geographical information

(a) Revenue from external customers

	2023	2022
	HK$'000	*HK$'000*
Germany	**723,242**	597,648
United Kingdom	**669,654**	685,727
United States	**591,966**	631,500
Mainland China	**29,673**	62,783
Other countries	**694,326**	500,722
	2,708,861	2,478,380

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

(b) ***Non-current assets***

	2023	2022
	HK$'000	*HK$'000*
Poland	**723,631**	664,664
Czech	**137,781**	155,383
United Kingdom	**–**	52,748
Other countries	**40,938**	24,968
	902,350	897,763

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

Information about major customers

During the reporting period, the revenues which were generated from three (2022: four) of the Group's customers and were individually accounted for more than 10% of the Group's total revenue are as follows:

	2023	2022
	HK$'000	*HK$'000*
Customer A	**480,532**	439,346
Customer B	**340,987**	327,655
Customer C	**298,601**	261,895
Customer D*	**255,840***	291,844
	1,375,960	1,320,740

* The relevant revenue generated from that customer during the year ended 31 December 2023 did not exceed 10% of the Group's revenue.

4. REVENUE

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:

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of industrial products	**2,509,036**	2,283,267
Technical service income	**199,825**	195,113
	2,708,861	2,478,380

	2023	2022
	HK$'000	*HK$'000*
Timing of revenue recognition		
Industrial products and services transferred at a point of time	**2,703,741**	2,473,435
Services transferred over time	**5,120**	4,945
	2,708,861	2,478,380

5. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Bank interest income	**140**	322
Profit from sales of scrap materials, prototypes and samples	**26,560**	19,735
Government grants	**1,140**	42
Others	**2,787**	3,764
	30,627	23,863

6. OTHER (LOSSES)/GAINS - NET

	2023	2022
	HK$'000	*HK$'000*
Foreign exchange differences, net	**(26,411)**	17,008
Gain on disposal of items of property, plant and equipment	**10,738**	5,475
	(15,673)	22,483

7. (LOSS)/PROFIT BEFORE TAX

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

		2023	2022
	Notes	***HK$'000***	*HK$'000*
Cost of inventories sold and services provided		**2,310,143**	2,044,288
Depreciation of property, plant and equipment		**68,235**	67,265
Impairment of property, plant and equipment		**–**	3,212
Depreciation of right-of-use assets		**37,359**	33,323
Impairment of goodwill		**–**	3,742
Lease payments not included in the measurement of lease liabilities		**193**	227
Auditors' remuneration		**2,170**	3,778
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries, severances and benefits		**518,741**	438,630
Defined benefit obligation expenses		**2,016**	3,915
		520,757	442,545
Research and development costs		**275,546**	237,437
Less: Staff costs included in research and development costs		**(136,713)**	(111,414)
Research and development costs, net of staff costs		**138,833**	126,023
Gain on disposal of items of property, plant and equipment	*6*	**(10,738)**	(5,475)
Written off contract fulfilment costs		**–**	5,051
Impairment losses on financial assets, net:			
Impairment loss/(reversal) on trade receivables from third parties, net		**1,525**	(421)
Impairment of trade receivables from related parties, net		**545**	289
		2,070	(132)
Provision for obsolete inventories*		**11,310**	2,738
Recognise provision for warranties, net		**14,039**	19,368
Foreign exchange differences, net		**26,411**	(17,008)

* The provision for obsolete inventories is included in "cost of sales" in the consolidated statement of profit or loss.

8. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on defined benefit plans	**3,771**	1,780
Interest on lease liabilities	**8,261**	9,372
Interest on bank loans	**–**	3,902
	12,032	15,054

9. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2023 as the Group did not generate any assessable profits arising in Hong Kong during the year. 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:

	2023	2022
	(%)	*(%)*
Luxembourg	**24.94**	24.94
Poland	**19.00**	19.00
United Kingdom	**23.52**	19.00
France	**25.00**	26.50
Germany	**29.83**	29.83
Italy	**27.90**	27.90
Czech	**19.00**	19.00

	2023	2022
	HK$'000	*HK$'000*
Current income tax (credit)/expense	**(24,552)**	14,712
Deferred tax	**(7,667)**	344
Total tax (benefit)/charge for the year	**(32,219)**	15,056

A reconciliation of (loss)/profit before tax at the applicable prevailing tax rate of each group entities to the tax (benefit)/expense at the effective tax rates as follows:

	2023	2022
	HK$'000	*HK$'000*
(Loss)/ Profit before tax	**(87,539)**	10,171
Income tax (benefit)/charge at the applicable tax rate of each group entities	**(13,415)**	4,158
Income not subject to tax	**(2,379)**	(1,427)
Expenses not deductible for tax purposes	**38,695**	20,369
R&D tax relief	**(21,636)**	(5,160)
Withholding tax refund	**–**	(3,274)
Unused tax losses for which no deferred tax asset has been recognised	**–**	1,479
Tax refund	**(32,722)**	–
Impact of change in the applicable income tax rate on deferred tax	**–**	(33)
Others	**(762)**	(1,056)
Tax (benefit)/charge at the effective rate	**(32,219)**	15,056

10. DIVIDEND

On 27 March 2024, the board of directors of the Company has resolved not to propose for any final dividend in respect of the year ended 31 December 2023 (2022: Nil).

11. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary shareholders of the Company, and the weighted average number of ordinary shares of 574,339,068 (2022: 574,339,068) in issue during the year.

The diluted loss per share were the same as basic loss per share for the years ended 31 December 2023 and 2022 as the Group did not have any potential ordinary shares in issue during the years ended 31 December 2023 and 2022.

12. TRADE RECEIVABLES FROM THIRD PARTIES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**348,872**	342,705
Impairment	**(4,834)**	(2,882)
Total	**344,038**	339,823

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.

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

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**342,214**	338,992
3 months to 1 year	**1,824**	831
	344,038	339,823

13. TRADE RECEIVABLES FROM RELATED PARTIES

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

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**153,014**	102,152
3 months to 1 year	**82,152**	90,233
Over 1 year	**39,959**	49,752
	275,125	242,137

The Group's trading terms with its related parties are mainly on credit. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023	2022
	HK$'000	*HK$'000*
Input value-added tax	**41,833**	33,063
Prepayments	**11,529**	10,002
Deposits, other receivables and others	**3,804**	3,399
Contract fulfilment costs – current	**37,660**	33,538
	94,826	80,002

15. TRADE PAYABLES TO THIRD PARTIES

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

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**362,222**	322,582
3 months to 1 year	**401**	68
Over 1 year	**44**	127
	362,667	322,777

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

16. TRADE PAYABLES TO RELATED PARTIES

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

	2023	2022
	HK$'000	*HK$'000*
Within 3 months	**133,833**	97,549
	133,833	97,549

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

17. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2023	2022
	HK$'000	*HK$'000*
Contract liabilities *(Note (a))*	**40,187**	29,868
Other creditors and accruals *(Note (b))*	**34,763**	39,588
Other tax payables	**10,034**	11,588
Accrued salaries, wages, severances and benefits	**42,925**	61,775
	127,909	142,819
Non-current portion of contract liabilities	**(34,813)**	(24,971)
Current portion of contract liabilities, other payables and accruals	**93,096**	117,848

Notes:

(a) Liabilities related to contracts with customers:

	2023	2022
	HK$'000	*HK$'000*
Contract liabilities in respect of engineering technical service to be delivered	**40,187**	29,868

Contract liabilities include short-term and long-term advances received before delivering of technical services.

Revenue recognised during the year ended 31 December 2023 that was included in the contract liability balance at the beginning of the period amounted to HK$5,120,000 (2022: HK$4,945,000).

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

18. ISSUED CAPITAL

	2023	2022
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each (2022: 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 (2022: 574,339,068 ordinary shares of HK$0.10 each)	**57,434**	57,434

19. COMMITMENTS

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

	2023	2022
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Plant and machinery	**64,821**	65,294

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR DETERMINING THE ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING

Latest time for lodging transfers of shares . . . . 4:30 p.m. on 22 May 2024 (Wednesday)

Book close dates . . . . 23 May 2024 (Thursday) to 28 May 2024 (Tuesday) (both days inclusive)

Annual General Meeting (the "**AGM**") . . . . 28 May 2024 (Tuesday)

In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration before the latest time as set out above.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

BeijingWest Industries International Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") involves in manufacture, sales and trading of automotive parts and components and provision of technical services. The core products of the Group were suspension products.

The Group's automotive suspension products were mainly utilised on premium passenger vehicles, which were manufactured by our plants in Europe. After the closure of the plant in the United Kingdom (the "**UK**"), there are still two major plants in Poland and the Czech Republic, which manufacture and assemble suspension products for their customers.

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.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the Group recorded revenue of HK$2,509.0 million from manufacture and sales of suspension products. While for the year ended 31 December 2022, the Group recorded revenue of HK$2,283.3 million from manufacture and sales of suspension products. The increase in revenue for the year ended 31 December 2023 is mainly due to increase in the number of orders in the plants in Poland and the Czech Republic. On the contrary, the plant in UK is affected by the closure, and has recorded a decrease in revenue.

For the year ended 31 December 2023, the Group also recorded revenue of HK$199.8 million in provision of technical services (2022: HK$195.1 million).

Gross Profit and Gross Profit Margin

For the year ended 31 December 2023, the gross profit and gross profit margin of the Group were HK$398.7 million and 14.7% respectively. While for the year ended 31 December 2022, the gross profit and gross profit margin of the Group were HK$434.1 million and 17.5% respectively. During the year, although the Group recorded an increase in revenue as compared with that of last year, the gross profit dropped. The increase in revenue of the Group during the year was mainly due to the two major plants in Poland and the Czech Republic, while the revenue from the plant in the UK decreased. Although there was an increase in revenue from the plant in Poland, its gross profit and gross profit margin decreased to a certain extent resulting from the high level of local inflation which led to a significant increase in the costs of raw materials, staff and energy price. The plant in the Czech Republic also recorded an increase in revenue, but its operation was still under the condition of gross loss. As a result, the increase in revenue from this plant failed to promote the growth of overall gross profit of the Group. In contrast, the decreased in revenue from the plant of the UK led to the decrease in the gross profit of the Group.

The Group's plant in the Czech Republic was unable to leverage its best efficiency as the utilisation rate fell short of expectation in addition to the over three-year COVID-19 pandemic. However, the condition of gross loss of its operation was improved during the year. It is believed that its performance will be significantly improved in the future with the benefits from the increase in orders transferred from the plant in the UK after its closure, average production cost decrease brought by economy of scale as well as increase in production efficiency.

Selling and Distribution Expenses

Selling and distribution expenses of the Group for the year ended 31 December 2023 decreased by 22.7% to HK$38.9 million (2022: HK$50.4 million). The decrease is mainly due to reduced special freight expenses in the current year. These charges are due to delays in the supply of certain components by the suppliers, resulting in the delay in the completion of the product. Special arrangements must be made to ship the product by express air transport instead of the normal sea freight to customers in the United States in order to meet the customer's time requirements. Such issue has been steadily resolved during the year, as such, freight expenses in the current year has decreased. 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 2023 increased by 11.4% to HK$172.2 million (2022: HK$154.5 million). The increase in administrative expenses was mainly due to the fact that the Group began to hire additional staff during the period in order to prepare for future development, together with the annual salary increase resulted in an increase in expenses. Administrative expenses mainly consisted of salaries for administrative staff and management services fee paid to related companies.

Research and Development Expenses

Research and development expenses of the Group for the year ended 31 December 2023 increased by 16.1% to HK$275.5 million (2022: HK$237.4 million). Research and development expenses mainly consisted of salaries for technical staff and technical services fees paid to related companies. Among that, the salary of technical staffs is of a significant portion. Due to high local inflation, the salary of technical staffs was also adjusted upwards, which caused an increase in the research and development expenses. In addition, in order to complement the future business development, the Group has also started to engage in the research and development of automotive braking products in the current year, which caused the research and development expenses to increase.

Other Income

Other income of the Group for the year ended 31 December 2023 increased by 28.3% to HK$30.6 million (2022: HK$23.9 million). The increase is mainly due to increase in profit from sales of scrap materials, prototypes and samples during the year.

Other (losses)/gains – net

The net other losses of the Group for the year ended 31 December 2023 was HK$15.7 million, whereas, for the year ended 31 December 2022, it was net other gain of HK$22.5 million. The difference between the two periods are mainly due to exchange loss for the current year whereas it was exchange gain for the last year.

The business dealings of the Group involves multiple currencies, including US dollar, Euro, Polish Zloty, Czech Koruna, Great British Pound Sterling and Hong Kong dollar, etc., and the sales of the Group are mainly transacted in US dollar and Euro. During the current year, the exchange rate of US dollar against Polish Zloty, Great British Pound Sterling and Czech Koruna have depreciated by approximately 10%, 5% and 1% respectively. And the exchange rate of Euro against Polish Zloty and Great British Pound Sterling have also depreciated by approximately 7% and 2% respectively. As the exchange rates of US dollar/Euro against the currencies in which the major plants of the Group are denominated have decreased, thus leading to an exchange loss for the current year.

Finance Costs

Finance costs of the Group for the year ended 31 December 2023 decreased by 20.1% to HK$12.0 million (2022: HK$15.1 million) mainly because all bank loans have been repaid during the second half of last year, and hence there is no interest expense on bank loans for the current year. Finance costs mainly represented interest on bank loans, lease liabilities and defined benefit obligations.

Income Tax

For the year ended 31 December 2023, the net income tax benefit of the Group is HK$32.2 million, and the net income tax expense for the year ended 31 December 2022 is HK$15.1 million. The net income tax benefit for the year is mainly due to BWI Poland Technologies sp.z.o.o. ("**BWI Poland**") has income tax refunds during the year and the effect brought by double tax deduction benefits for eligible research and development ("**R&D**") expenses.

From 2018 to 2021, due to the cap of the tax regulations imposed by the Polish tax authorities, the selling and general administrative expenses paid by BWI Poland to related companies and fellow subsidiaries could only be deducted to a part, failing to treat all these expenses as tax deductible. Afterwards, BWI Poland applied to the Polish tax authorities for an "Advance Pricing Arrangement" and was accepted by the Polish tax authorities during the current year. With the "Advance Pricing Arrangement", all of the above-mentioned expenses can be treated as tax deductible and BWI Poland got a refund of HK$31.2 million, being refund of income tax paid in previous years.

In addition, part of the eligible R&D expenses of BWI Poland can enjoy double tax deduction benefits. Since some aforesaid expenses paid to related companies and fellow subsidiaries were not recognised by the Polish tax authorities in the past years, after being recognised, the amount of recalculated taxable income in previous years has decreased significantly, and the double tax deduction benefits obtained in those years have not been fully utilised. The double tax deduction benefits that has not been utilised in previous years can be rolled over and utilised in future years, thus generating a large part of tax credits. During the year, income tax credits recognised as a result of the double tax deduction benefits for R&D expenses totalled HK$21.6 million.

Loss for the Year Attributable to Owners of the Company

In summary of the above, for the year ended 31 December 2023, the loss attributable to owners of the Company is approximate to HK$55.3 million (2022: HK$4.9 million).

Liquidity and Financial Resources

Our business requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials, remuneration of employees, 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 (if necessary) as well.

The Group was operating in a net cash inflow position for the year ended 31 December 2023 and there was net cash generated from operating activities amounted to HK$70.7 million (2022: HK$114.0 million). As at 31 December 2023, the Group maintained cash and cash equivalents of HK$136.0 million (2022: HK$122.8 million).

Indebtedness

The Group did not have any balance of bank borrowings as at 31 December 2023 and 2022.

The Group's gearing ratio (measured as total bank borrowings over total assets) as at 31 December 2023 was 0% (2022: 0%). 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 2023 and 2022, there were no assets of the Group being pledged.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in US Dollar, Euro and the local currencies of our operations, which include Polish Zloty, Great British Pound Sterling and Czech Koruna. The Group will closely monitor the foreign exchange market and take appropriate and effective measures from time to time to reduce any negative impact from exchange rate risk to the furthest extent.

Capital and Other Commitments

Save as disclosed in note 19 in the notes to financial information, the Group and the Company had no other commitments as at 31 December 2023 and 2022.

Contingent Liabilities

As at 31 December 2023, 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

The Group involved in the manufacture and sales of automotive parts and components and trading of automotive parts and components in Europe. The core products are suspension products.

During the year under review, geopolitical tension has become more severe. Besides the Russian-Ukrainian war which has been on-going for two years, the Middle East region also saw the outbreak of the Israeli–Palestinian conflict during the year, and such events have caused the global scene to become extremely unstable, reinforcing the complicated global confrontations, and introducing uncertainties to the future global economic environment. In terms of financial situation, the inflation situation in the United States seems to have improved, and it is the general expectation that the US interest rates have seen a temporary peak, and will turn around and start cutting the interest rate in the not too distant future, which is encouraging news for most industries.

The customers of the Group are mainly premium passenger vehicle manufacturers, as such, the business of the Group largely depends on the performance of the automotive industry, especially in Europe. Passenger vehicle production in Europe in 2023 was approximately 14,988,000, which is a 12.6% increase as compared to 2022, but still a 17.5% decrease as compared to the pre-pandemic level of 2019, indicating that there is still further room for improvement for the recovery of the automotive industry in Europe. Additionally, according to the latest forecast of the International Monetary Fund, the eurozone will see a GDP growth of 0.9% in 2024 and 1.7% in 2025, predicting a steady economic development in European regions, which also benefits the business stability of the Group for the coming year.

To consolidate resources more efficiently, the Group has closed the plant located in Luton in UK during the year under review, and most of the original orders and production lines of the plant has been transferred successfully to the plants located in Krosno in Poland and Cheb in the Czech Republic. After the closure of the UK Plant, BWI UK Limited, the principal wholly-owned subsidiary of the Group responsible for the operation of this plant, will also enter into voluntary liquidation process.

After the closure of the plant in UK, the Group will mainly rely on the two plants in Poland and the Czech Republic for production, and among them, the plant in the Czech Republic has not been able to reach its efficiency to its best and has been at a loss-making position due to the utilization rate below expectation and the pandemic which was over three years. However, during the year under review, its gross loss operation position has seen significant improvement, and it is believed that benefiting from the orders transferred from the UK plant, the decrease in average production cost and the increase in production efficiency due to economy of scale, its operation could make a turnaround from loss to profit. The management is also planning to engage in the production business of automotive braking products in the plant in the Czech Republic, with the wish to introduce new driving force to the plant in the future.

The Group has accumulated extensive technical knowledge and developed a high degree of technical expertise with a consistent focus on research and development for many years. 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, the automotive industry keeps evolving. 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.

The Group will aim to maintain a solid and healthy growth and development. Despite the continued pricing pressure from customers and the increase in commodity prices, the Group is capable of maintaining its gross profit margin at a reasonable level. While the future prospects remain challenging, the Group is confident that it will be able to maintain a sustainable business development in the long run. With a view to improve long-term profitability and shareholders' value, the Company will seriously evaluate and review the business of the Group, and optimize the business structure of the Group.

Employees and Remuneration Policy

As at 31 December 2023, the Group had approximately 2,200 (2022: 2,070) employees. During the year ended 31 December 2023, the total employees' cost was HK$520.8 million (2022: HK$442.5 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.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied throughout the year ended 31 December 2023 with all applicable code provisions of the Corporate Governance Code contained in Appendix C1 (formerly Appendix 14) of the Rules Governing the Listing of Securities on the Stock Exchange.

Details of the Company's compliance with the provisions of the Corporate Governance Code during the year will be set out in the Corporate Governance Report in the 2023 annual report of the Company.

SCOPE OF WORK

The financial figures in respect of the preliminary announcement of the Group's consolidated results for the year ended 31 December 2023 have been agreed with the Group's auditor, PricewaterhouseCoopers. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

APPRECIATION

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

By Order of the Board
BeijingWest Industries International Limited
Dong Xiaojie
Chairman

27 March 2024

As at the date of this announcement, the Board comprises Mr. Dong Xiaojie (Chairman), Mr. Chang Ket Leong (Executive Director), Mr. Zheng Jianwei (Executive Director), Mr. Tam King Ching, Kenny (Independent Non-executive Director), Mr. Chan Pat Lam (Independent Non-executive Director) and Mr. Wong Foreky (Independent Non-executive Director).