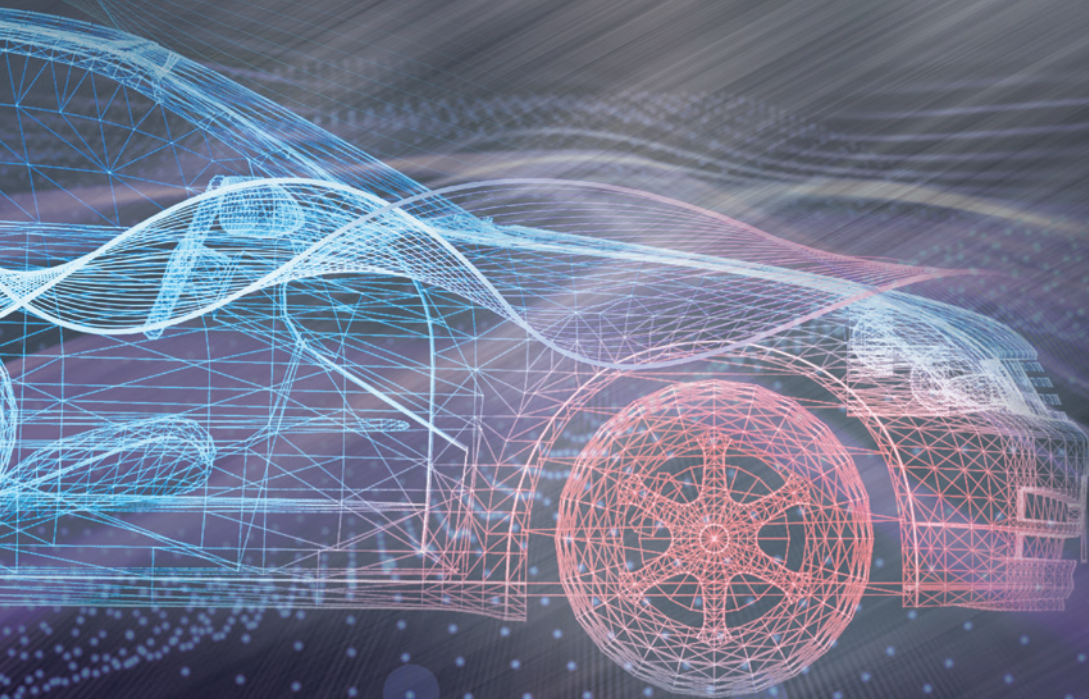




京西重工國際有限公司

BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

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



INTERIM 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

CORPORATE INFORMATION (continued)

SHARE REGISTRAR	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
REGISTERED OFFICE	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY 1-1111, Cayman Islands
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Rooms 1005-06, 10th Floor Harcourt House 39 Gloucester Road Wanchai, Hong Kong
STOCK CODE	2339
WEBSITE	www.bwi-intl.com.hk

INDEPENDENT REVIEW REPORT



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To the board of directors of BeijingWest Industries International Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 6 to 36, which comprise the condensed consolidated statement of financial position of BeijingWest Industries International Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

INDEPENDENT REVIEW REPORT (continued)

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

30 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
REVENUE	3	1,319,769	985,035
Cost of sales		(1,099,931)	(813,794)
Gross profit		219,838	171,241
Other income and gains, net	4	14,389	32,414
Selling and distribution expenses		(5,890)	(14,514)
Administrative expenses		(71,083)	(79,625)
(Impairment)/reversal of impairment losses on financial assets		(838)	1,244
Research and development expenses		(121,864)	(136,513)
Other operating expenses		(411)	(4,615)
Finance costs	6	(8,101)	(5,553)
PROFIT/(LOSS) BEFORE TAX	5	26,040	(35,921)
Income tax expense	7	(13,382)	(8,661)
PROFIT/(LOSS) FOR THE PERIOD		12,658	(44,582)
Attributable to:			
Owners of the Company		12,658	(44,582)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	8	2.20	(7.76)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	12,658	(44,582)
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(5,964)	(23,255)
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement income/(loss) on defined benefit plans	7,001	(3,700)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	1,037	(26,955)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	13,695	(71,537)
Attributable to:		
Owners of the Company	13,695	(71,537)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 (unaudited) HK\$'000	31 December 2020 (audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	490,732	497,642
Right-of-use assets		429,055	230,667
Goodwill		5,021	5,030
Deferred tax assets		121,891	87,015
Other non-current assets	10	230,615	223,587
Total non-current assets		1,277,314	1,043,941
CURRENT ASSETS			
Inventories	11	223,532	205,266
Trade receivables	12	339,248	379,156
Prepayments, other receivables and other assets	13	254,769	194,813
Cash and cash equivalents		295,948	424,111
Total current assets		1,113,497	1,203,346
CURRENT LIABILITIES			
Trade payables	14	371,203	399,495
Other payables and accruals	15	231,437	255,803
Income tax payables		2,532	11,655
Bank borrowings	16	70,161	103,726
Defined benefit obligations	17	3,705	2,504
Lease liabilities		28,171	42,140
Provision		32,679	46,326
Total current liabilities		739,888	861,649
NET CURRENT ASSETS		373,609	341,697
TOTAL ASSETS LESS CURRENT LIABILITIES		1,650,923	1,385,638

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2021

	<i>Notes</i>	30 June 2021 (unaudited) HK\$'000	31 December 2020 (audited) HK\$'000
NON-CURRENT LIABILITIES			
Other payables and accruals	15	29,707	31,624
Defined benefit obligations	17	115,496	126,963
Lease liabilities		413,905	197,880
Deferred tax liabilities		143,957	94,993
Loan from a holding company		462	477
Total non-current liabilities		703,527	451,937
NET ASSETS		947,396	933,701
EQUITY			
Equity attributable to owners of the Company			
Issued capital	18	57,434	57,434
Reserves		889,962	876,267
TOTAL EQUITY		947,396	933,701

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company							Total equity HK\$'000
	Issued capital HK\$'000 <i>(note 18)</i>	Share premium account HK\$'000	Merger reserve HK\$'000	Defined benefit plan reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2021 (audited)	57,434	1,037,745	(772,332)	(44,547)	(109,775)	44,132	721,044	933,701
Profit for the period	-	-	-	-	-	-	12,658	12,658
Other comprehensive income/(loss) for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	(5,964)	-	-	(5,964)
Remeasurement income on defined benefit plans	-	-	-	7,001	-	-	-	7,001
Total comprehensive income/(loss) for the period	-	-	-	7,001	(5,964)	-	12,658	13,695
At 30 June 2021 (unaudited)	57,434	1,037,745*	(772,332)*	(37,546)*	(115,739)*	44,132*	733,702*	947,396

* These reserve accounts comprise the consolidated reserves of HK\$889,962,000 in the interim condensed consolidated statement of financial position as at 30 June 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2021

	Attributable to owners of the Company							Total equity HK\$'000
	Issued capital HK\$'000 (note 18)	Share premium account HK\$'000	Merger reserve HK\$'000	Defined benefit plan reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2020 (audited)	57,434	1,037,745	(772,332)	(41,757)	(134,411)	44,132	772,588	963,399
Loss for the period	-	-	-	-	-	-	(44,582)	(44,582)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	-	-	-	-	(23,255)	-	-	(23,255)
Remeasurement loss on defined benefit plans	-	-	-	(3,700)	-	-	-	(3,700)
Total comprehensive loss for the period	-	-	-	(3,700)	(23,255)	-	(44,582)	(71,537)
At 30 June 2020 (unaudited)	57,434	1,037,745	(772,332)	(45,457)	(157,666)	44,132	728,006	891,862

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		26,040	(35,921)
Adjustments for:			
Finance costs		8,101	5,553
Interest income	4	(98)	(2,358)
Gain on disposal of items of property, plant and equipment	4	(624)	(1,050)
Defined benefit obligation expenses	5	2,958	3,626
Depreciation of property, plant and equipment	5	35,743	33,647
Depreciation of right-of-use-assets	5	23,022	18,252
Impairment/(reversal of impairment) of financial assets	5	838	(1,244)
Provision for obsolete inventories	5	1,296	1,497
		97,276	22,002
(Increase)/decrease in inventories		(19,613)	4,576
Decrease in trade receivables		39,221	53,833
Increase in prepayments, other receivables and other assets		(67,161)	(15,037)
Decrease in trade payables		(28,292)	(149,102)
(Decrease)/increase in other payables and accruals		(26,264)	80,059
Decrease in defined benefit obligations		(1,130)	(850)
Decrease in provision		(13,647)	(1,537)
Cash used in operations		(19,610)	(6,056)
Income tax paid		(10,834)	(5,939)
Net cash flows used in operating activities		(30,444)	(11,995)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	98	2,358
Purchases of items of property, plant and equipment	(34,961)	(38,579)
Proceeds from disposal of items of property, plant and equipment	5,024	1,468
Net cash flows used in investing activities	(29,839)	(34,753)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	6,483	228,444
Repayment of bank and other loans	(36,088)	(215,165)
Interest paid	(1,672)	(3,205)
Principal portion of lease payments	(20,365)	(19,188)
Net cash flows used in financing activities	(51,642)	(9,114)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(111,925)	(55,862)
Cash and cash equivalents at beginning of period	424,111	366,840
Effect of foreign exchange rate changes, net	(16,238)	(6,398)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	295,948	304,580

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

1. CORPORATE AND GROUP INFORMATION

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

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

As at 30 June 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, the ultimate holding company is Shougang Group Co., Ltd. (formerly known as “Shougang Corporation”), which is a state-owned enterprise established in the People’s Republic of China (the “PRC”) and is supervised by the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

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

30 June 2021

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform -Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>

The nature and 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 phase 2 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. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

30 June 2021

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (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.

During the period ended 30 June 2021, no monthly lease payments for the leases of the Group's plant and machinery have been reduced or deferred by the lessors. The amendments did not have any significant impact on the financial position and performance of the Group.

30 June 2021

3. 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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sale of industrial products	1,246,534	909,635
Technical service income	73,235	75,400
	1,319,769	985,035

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
United Kingdom	547,913	353,201
Mainland China	29,916	31,830
Germany	266,543	243,002
United States	192,705	150,184
Other countries	282,692	206,818
	1,319,769	985,035

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

(b) Non-current assets

	30 June	31 December
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
Poland	806,105	570,899
Czech	211,900	231,549
United Kingdom	111,388	115,248
Other countries	26,030	39,230
	1,155,423	956,926

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Customer A	393,954	267,524
Customer B	142,517	134,539
	536,471	402,063

4. OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Other income and gains, net		
Profit from sale of scrap materials, prototypes and samples	11,043	9,523
Bank interest income	98	2,358
Foreign exchange differences, net	604	–
Gain on disposals of items of property, plant and equipment	624	1,050
Government grants	547	16,881
Others	1,473	2,602
	14,389	32,414

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

5. PROFIT/(LOSS) BEFORE TAX

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

		Six months ended 30 June	
		2021	2020
<i>Notes</i>		HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Cost of inventories sold and services provided		1,099,931	813,794
Depreciation of property, plant and equipment	9	35,743	33,647
Depreciation of right-of-use assets		23,022	18,252
Auditors' remuneration		1,282	1,095
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and benefits		230,218	222,117
Defined benefit obligation expenses	17	2,958	3,626
		233,176	225,743
Research and development costs		121,864	136,513
Less: Staff costs included as research and development costs		(55,688)	(57,958)
Research and development costs, net of staff costs		66,176	78,555
Gain on disposals of items of property, plant and equipment, net	4	624	1,050
Impairment/(reversal of impairment) of financial assets:			
Impairment/(reversal of impairment) of trade receivables, net	12	661	(1,307)
Impairment of prepayment, other receivables and other assets, net	13	177	63
		838	(1,244)
Provision for obsolete inventories*	11	1,296	1,497
(Reversal)/provision for warranties, net		(2,600)	5,930
Fair value gain, net**:			
Derivative instrument – transaction not qualifying as hedge		-	(2,191)
Foreign exchange differences, net***		(604)	4,567

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

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

- * The provision for obsolete inventories was included in “Cost of sales” in the interim condensed consolidated statement of profit or loss.
- ** A fair value gain of HK\$2,191,000 is included in “Other income and gains, net” in the consolidated statement of profit or loss for the period ended 30 June 2020.
- *** Foreign exchange gain of approximately HK\$604,000 is included in “Other income and gains, net” in the interim condensed consolidated statement of profit or loss for the period ended 30 June 2021, and foreign exchange loss of approximately HK\$4,567,000 is included in “Other operating expenses” in the interim condensed consolidated statement of profit or loss for the period ended 30 June 2020.

6. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest on bank loans and other loans	1,653	3,205
Interest on lease liabilities	6,448	2,348
	8,101	5,553

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2021. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates. Rates of income tax prevailing in the countries in which the Group operates include:

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Luxembourg	24.9%	24.9%
Poland	19.0%	19.0%
United Kingdom	19.0%	19.0%
France	26.5%	28.0%
Germany	29.8%	29.8%
Italy	27.9%	27.9%
Czech	19.0%	19.0%

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current – Elsewhere	1,711	1,673
Deferred	11,671	6,988
Tax charge for the period	13,382	8,661

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

7. INCOME TAX (continued)

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Profit/(Loss) before tax	26,040	(35,921)
Income tax charge at the Hong Kong statutory tax rate of 16.5%	4,297	(5,927)
Effect of different income tax rates for foreign operations	1,726	(11)
Income not subject to tax	(711)	(3,975)
Tax losses not recognised as deferred tax assets	–	11,522
Expenses not deductible for tax purposes	8,037	6,894
Tax losses utilised from previous periods	(1,308)	–
Adjustments in respect of current tax of previous periods	(1,140)	–
Effect on deferred tax of increase in future tax rates	1,773	158
Withholding tax	708	–
Tax charge at the effective rate	13,382	8,661

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

The calculation of the basic earnings per share amounts is based on the profit for the period (2020: loss for the period) attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 574,339,068 (six months ended 30 June 2020: 574,339,068) in issue during the period.

No diluted earnings per share amounts were presented for the six months ended 30 June 2021 and 2020 as the Company did not have any outstanding dilutive potential ordinary shares during the period and the prior period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
At beginning of the period/year: Net carrying amount	497,642	462,816
Additions	34,961	104,637
Depreciation provided during the period/year (note 5)	(35,743)	(70,039)
Disposals	(4,400)	(14,879)
Exchange realignment	(1,728)	15,107
At end of the period/year: Net carrying amount	490,732	497,642

10. OTHER NON-CURRENT ASSETS

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Contract performance deposits	63,104	62,499
Pre-production costs	197,664	188,486
Within one year	260,768 (30,153)	250,985 (27,398)
	230,615	223,587

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

11. INVENTORIES

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Raw materials	163,962	149,563
Work in progress	28,194	27,218
Finished goods	37,537	33,299
	229,693	210,080
Provision for impairment	(6,161)	(4,814)
	223,532	205,266

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
At beginning of the period/year	(4,814)	(9,844)
Impairment losses (recognised)/reversed, net (note 5)	(1,296)	529
Write-off of inventories	-	5,329
Exchange realignment	(51)	(828)
At end of the period/year	(6,161)	(4,814)

30 June 2021

12. TRADE RECEIVABLES

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

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 3 months	337,171	378,337
3 months to 1 year	2,077	819
	339,248	379,156

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
At beginning of the period/year	(3,062)	(3,729)
Impairment losses (recognised)/reversed, net (note 5)	(661)	862
Exchange realignment	(26)	(195)
At end of the period/year	(3,749)	(3,062)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

13. PREPAYMENT, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Prepayments	29,282	4,500
Deposits, other receivables and others	43,601	42,058
Pre-production costs – current (<i>note 10</i>)	30,153	27,398
Due from fellow subsidiaries (<i>note 21 (b) (i)</i>)	127,450	84,107
Due from a holding company (<i>note 21 (b) (i)</i>)	25,057	37,347
	255,543	195,410
Impairment	(774)	(597)
	254,769	194,813

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
At beginning of the period/year	(597)	(492)
Impairment losses recognised, net (<i>note 5</i>)	(177)	(105)
At end of the period/year	(774)	(597)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

14. TRADE PAYABLES

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 3 months	366,880	398,924
3 to 6 months	3,735	127
Over 6 months	588	444
	371,203	399,495

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

15. OTHER PAYABLES AND ACCRUALS

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Contract liabilities (note (a))	35,292	37,654
Other creditors and accruals (note (b))	47,338	55,613
Other tax payables	28,623	57,947
Accrued salaries, wages and benefits	69,681	62,908
Due to fellow subsidiaries (note 21(b)(ii))	53,852	48,507
Due to a holding company (note 21(b)(ii))	26,358	24,798
	261,144	287,427
Portion classified as current liabilities	(231,437)	(255,803)
Non-current portion	29,707	31,624

Notes:

- (a) Contract liabilities represent deferred engineering technical service revenue which will be recognised as revenue during the volume production of the corresponding products.
- (b) Other creditors and accruals are unsecured, non-interest-bearing and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

16. BANK BORROWINGS

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Bank loans, unsecured	70,161	103,726
Analysed into, repayable:		
Within one year	70,161	103,726
Total bank borrowings	70,161	103,726
Portion classified as current liabilities	(70,161)	(103,726)
Non-current portion	–	–

Notes:

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Euro ("EUR")	65,264	44,041
Polish Zloty ("PLN")	4,897	59,685
	70,161	103,726

- (b) The bank loans denominated in EUR as at 30 June 2021 bore interest at rate of 1 month EURIBOR plus 2.80% per annum (31 December 2020: 1 month EURIBOR plus 2.00% to 2.20% per annum).

The bank loan denominated in PLN as at 30 June 2021 bore interest at rate of 1 month WIBOR plus 2.60% per annum (31 December 2020: 1 month WIBOR plus 2.00% per annum).

30 June 2021

17. DEFINED BENEFIT OBLIGATIONS

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

The defined benefit obligations were determined based on actuarial valuations performed by Wills Towers Watson Consulting Company Limited, FACTUM S.C. and Sbp, independent actuaries located in Germany, Poland and France, respectively, using the projected unit credit method.

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Present value of unfunded obligations	119,201	129,467
Portion classified as current liabilities	(3,705)	(2,504)
Non-current portion	115,496	126,963

30 June 2021

17. DEFINED BENEFIT OBLIGATIONS (continued)

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
At beginning of the period/year	129,467	115,135
Current service costs	2,424	5,758
Interest cost on benefit obligations	534	1,705
Benefits paid during the period/year	(1,130)	(2,098)
Remeasurement (income)/loss recognised in other comprehensive income*	(8,718)	2,686
Exchange realignment	(3,376)	6,281
At end of the period/year	119,201	129,467

* Deferred tax assets of HK\$1,717,000 (31 December 2020: HK\$104,000) were reversed for the remeasurement income. The remeasurement income after deferred tax amounted to HK\$7,001,000 (31 December 2020: the remeasurement loss after deferred tax amounted to HK\$2,790,000), which was recognised in other comprehensive income.

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Current service costs	2,424	2,801
Interest cost on benefit obligations	534	825
Net benefit expenses	2,958	3,626

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

18. SHARE CAPITAL

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
574,339,068 ordinary shares of HK\$0.10 each	57,434	57,434

The Company did not issue any new ordinary share during the six months ended 30 June 2021.

19. CONTINGENT LIABILITIES

At 30 June 2021, the Group did not have any significant contingent liabilities.

20. COMMITMENTS

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Contracted, but not provided for:		
Plant and machinery	67,073	80,539
	67,073	80,539

30 June 2021

21. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sale of goods to:		
Fellow subsidiaries	48,182	18,223
Holding companies	712	874
	48,894	19,097
Technical services provided to:		
Fellow subsidiaries	54,194	44,458
A holding company	13,260	10,741
	67,454	55,199
Purchases of goods from:		
A holding company	2,576	1,091
Fellow subsidiaries	154	18
	2,730	1,109
Management and technical services provided by:		
Fellow subsidiaries	49,117	69,387
A holding company	7,627	9,537
	56,744	78,924
Royalty provided by a holding company:	1,296	1,721
Administrative service fee paid to a holding subsidiary	600	600

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.

30 June 2021

21. RELATED PARTY DISCLOSURES (continued)

(b) Outstanding balances with related parties

		30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Amounts due from fellow subsidiaries	(i)	127,450	84,107
Amount due from a holding company	(i)	25,057	37,347
Amounts due to fellow subsidiaries	(ii)	53,852	48,507
Amount due to a holding company	(ii)	26,358	24,798
Long-term loan due to a holding company	(iii)	462	477

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 non-interest-bearing.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June 2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Short-term employee benefits	3,603	3,566
Pension scheme contributions	205	197
Total compensation paid to key management personnel	3,808	3,763

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2021

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Financial assets				
Trade receivables	339,248	379,156	339,248	379,156
Financial assets included in prepayments, other receivables and other assets	4,033	3,565	4,033	3,565
Due from fellow subsidiaries	127,450	84,107	127,450	84,107
Due from a holding company	25,057	37,347	25,057	37,347
Cash and cash equivalents	295,948	424,111	295,948	424,111
	791,736	928,286	791,736	928,286
Financial liabilities				
Trade payables	(371,203)	(399,495)	(371,203)	(399,495)
Financial liabilities included in other payables and accruals	(47,338)	(55,613)	(47,338)	(55,613)
Due to fellow subsidiaries	(53,852)	(48,507)	(53,852)	(48,507)
Due to a holding company	(26,358)	(24,798)	(26,358)	(24,798)
Bank borrowings	(70,161)	(103,726)	(70,161)	(103,726)
Long-term loan from a holding company	(462)	(477)	(462)	(477)
	(569,374)	(632,616)	(569,374)	(632,616)
	222,362	295,670	222,362	295,670

30 June 2021

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

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

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

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

The fair values of the long-term financial instruments have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, if the discounting effect is material. The Group's own non-performance risks as at 30 June 2021 and 31 December 2020 were assessed to be insignificant.

23. EVENT AFTER THE REPORTING PERIOD

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

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the directors on 30 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

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

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

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

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

Global Pandemic

In March 2020, the World Health Organization made an assessment and characterized the worldwide outbreak of novel coronavirus (COVID-19) as a pandemic (“Pandemic”) and reminded all countries to activate and scale up emergency response mechanisms. With the increasing number of confirmed cases of COVID-19 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 phased approach to resume the manufacturing operations, and the manufacturing operations of all the plants were resumed in June 2020. In the first half of 2021, the plants of the Group returned to normal operations. Meanwhile, production orders of the Group from the major customers have been recovering in early 2021.

Despite the production orders of the Group have been recovering in early 2021, the revenue of the Group for the first half of 2021 did not restore to pre-Pandemic level. Due to the Pandemic, the demand for semiconductors soared in 2020 as consumers rushed to purchase household appliance 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 period ended 30 June 2021, the Group recorded revenue of HK\$1,246.53 million from manufacture and sales of suspension products. While for the period ended 30 June 2020, the Group recorded revenue of HK\$909.64 million from manufacture and sales of suspension products. The increase in revenue for the period ended 30 June 2021 is mainly due to the non-recurrence of the COVID-19-related temporary suspension for the plants of the Group in the first half of 2021, partially offset by the shortage of semiconductors in the automotive industry.

For the period ended 30 June 2021, the Group also recorded revenue of HK\$73.24 million in provision of technical services (period ended 30 June 2020: HK\$75.40 million).

Gross Profit and Gross Profit Margin

For the period ended 30 June 2021, the gross profit and gross profit margin were HK\$219.84 million and 16.7% respectively. While for the period ended 30 June 2020, the gross profit and gross profit margin were HK\$171.24 million and 17.4% 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 the first half of 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 period ended 30 June 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 and Gains

Other income and gains of the Group for the period ended 30 June 2021 decreased by 55.6% to HK\$14.39 million (period ended 30 June 2020: HK\$32.41 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Selling and Distribution Expenses

Selling and distribution expenses of the Group for the period ended 30 June 2021 decreased by 59.4% to HK\$5.89 million (period ended 30 June 2020: HK\$14.51 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 period ended 30 June 2021 decreased by 10.7% to HK\$71.08 million (period ended 30 June 2020: HK\$79.63 million). The decrease was mainly because tighten cost control was in place to mitigate the unfavorable effects brought by the Pandemic. Administrative expenses mainly consisted of salaries for administrative staff and management service fee charged by related companies.

Research and Development Expenses

Research and development expenses of the Group for the period ended 30 June 2021 decreased by 10.7% to HK\$121.86 million (period ended 30 June 2020: HK\$136.51 million). The decrease was mainly because tighten cost control was in place. Research and development expenses mainly consisted of salaries for technical staff and service fee charged by related companies.

Finance Costs

Finance costs of the Group for the period ended 30 June 2021 increased by 45.9% to HK\$8.10 million (period ended 30 June 2020: HK\$5.55 million) because the level of lease liabilities during the period ended 30 June 2021 increased as compared to that for the period ended 30 June 2020. Finance costs mainly represented interest on bank loans and interest on lease liabilities.

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

For the period ended 30 June 2021, profit for the period attributable to owners of the Company approximate to HK\$12.66 million (period ended 30 June 2020: loss for the period attributable to owners of the Company of HK\$44.58 million). The profit for the period attributable to owners is mainly due to the non-recurrence of the COVID-19-related temporary suspension for the plants of the Group in the first half of 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 period ended 30 June 2021, in which net cash used in operating activities amounted to HK\$30.44 million (period ended 30 June 2020: HK\$12.00 million). As at 30 June 2021, the Group maintained cash and cash equivalents of HK\$295.95 million (as at 31 December 2020: HK\$424.11 million).

Indebtedness

As at 30 June 2021, the Group had bank borrowings of HK\$70.16 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 30 June 2021 was 2.93% (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 30 June 2021 and 31 December 2020, there were no assets of the Group being pledged.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Foreign Exchange Exposure

The Group's transactions are mainly denominated in EUR and the local currencies of our operations, which include PLN, Great British Pound Sterling and Czech Koruna. Some transactions would also be denominated in United States Dollar. The Group will closely monitor the foreign exchange market and take appropriate and effective measures from time to time to reduce any negative impact from exchange-rate risk to the furthest extent.

Capital and Other Commitments

Save as disclosed in note 20 in the notes to financial statements, the Group and the Company had no other commitments as at 30 June 2021 and 31 December 2020.

Contingent Liabilities

As at 30 June 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

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

Prospects

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

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

The Group will keep moving forward and aim to maintain a solid and healthy growth and development. Despite the continued pricing pressure from customers and the increase in commodity prices, the Group is capable of maintaining its gross profit margin at a reasonable level. Apart from the commencement of production of the new sales order awarded from previous years, the Group is confident that it will be able to maintain a sustainable business development in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

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

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

The impact of the Pandemic has caused significant volatility in the global economy and production disruptions for a wide range of industries worldwide. The shortage of semiconductors in automotive industry is expected to continue for the remaining 2021. For the Group's full year financial performance of 2021, the impact of the Pandemic will depend on the 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, as well as the increase in the production rate of semiconductors to address the shortage of semiconductors in automotive industry. Accordingly, the ultimate impact of the Pandemic on the Group cannot be determined at this moment.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Employees and Remuneration Policy

As at 30 June 2021, the Group had approximately 880 full-time employees (as at 30 June 2020: 930). During the period ended 30 June 2021, the total employees' cost was HK\$233.18 million (period ended 30 June 2020: HK\$225.74 million). Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by the management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group has defined benefit pension plans covering substantially all of its qualified employees in Poland, France and Germany. The Group has also adopted a mandatory provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for its employees in Hong Kong.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

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

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

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

As at 30 June 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

No right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2021.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 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 30.06.2021	Note
BWI Company Limited ("BWI HK")	Beneficial owner	301,842,572	52.55%	1
北京京西重工有限公司 (BeijingWest Industries Co., Ltd.)* ("BWI")	Interests of controlled corporation	301,842,572	52.55%	1
北京房山國有資產經營有限責任公司 (Beijing Fangshan State-owned Assets Management Co. Ltd.)* ("Beijing Fangshan")	Interests of controlled corporation	301,842,572	52.55%	1
首鋼集團有限公司 (Shougang Group Co., Ltd.)* ("Shougang Group")	Interests of controlled corporation	301,842,572	52.55%	1

* For identification purpose only

Note:

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

Save as disclosed above, as at 30 June 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.

SHARE OPTIONS

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

No share option has been granted under the Share Options Scheme since its adoption. Accordingly, as at 30 June 2021, there was no share option outstanding under the Share Options Scheme.

AUDIT COMMITTEE

The Company has engaged the Auditor to review the 2021 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 25 August 2021 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2021.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions throughout the six months ended 30 June 2021.

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

The following is the change in the information of Directors since the date of the 2020 Annual Report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Jiang Yunan resigned as Executive Director of the Company and the Chairman of the Board with effect from 20 April 2021, and ipso facto ceased to act as the chairman of the Executive Committee, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company from the same date.
2. Mr. Zhao Jiuliang appointed as Executive Director of the Company and the Chairman of the Board, as well as the chairman of the Executive Committee, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company with effect from 20 April 2021.

APPRECIATION

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

By Order of the Board
Zhao Jiuliang
Chairman

30 August 2021