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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 RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the “**Board**”) of BeijingWest Industries International Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024. These interim results have been reviewed by the Company’s Audit Committee and its Auditor.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
REVENUE	3	1,447,238	1,430,720
Cost of sales	4	<u>(1,225,498)</u>	<u>(1,238,218)</u>
Gross profit		221,740	192,502
Selling and distribution expenses	4	(11,517)	(11,643)
Administrative expenses	4	(83,647)	(66,656)
Research and development expenses	4	(177,369)	(141,671)
(Provision for)/reversal of impairment losses on financial assets		(1,212)	385
Other income	5	16,306	28,036
Other gains – net	6	3,495	677
Other expenses		<u>(3,733)</u>	<u>(1,332)</u>
OPERATING (LOSS)/PROFIT		(35,937)	298
Finance costs	7	<u>(6,494)</u>	<u>(6,378)</u>
LOSS BEFORE TAX		(42,431)	(6,080)
Income tax (expense)/benefit	8	<u>(9,163)</u>	<u>28,797</u>
(LOSS)/PROFIT FOR THE INTERIM PERIOD		<u>(51,594)</u>	<u>22,717</u>
Attributable to:			
Owners of the Company		<u>(51,594)</u>	<u>22,717</u>
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	9	<u>(8.98)</u>	<u>3.96</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(LOSS)/PROFIT FOR THE INTERIM PERIOD	<u>(51,594)</u>	<u>22,717</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(21,158)	51,816
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement loss on defined benefit plans – net of tax	<u>(1,408)</u>	<u>(4,169)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE INTERIM PERIOD, NET OF INCOME TAX	<u>(22,566)</u>	<u>47,647</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE INTERIM PERIOD	<u>(74,160)</u>	<u>70,364</u>
Attributable to:		
Owners of the Company	<u>(74,160)</u>	<u>70,364</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2024

		30 June	31 December
		2024	2023
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		418,615	430,865
Right-of-use assets		264,206	283,198
Goodwill		623	668
Deferred tax assets		23,620	2,616
Other non-current assets		239,190	187,619
		<u>946,254</u>	<u>904,966</u>
Total non-current assets			
Current assets			
Inventories		192,648	180,359
Trade receivables from third parties	<i>11</i>	401,516	344,038
Trade receivables from related parties	<i>12</i>	305,108	275,125
Income tax recoverable		2,940	17,041
Prepayments, other receivables and other assets	<i>13</i>	121,608	94,826
Cash and cash equivalents		109,478	135,964
		<u>1,133,298</u>	<u>1,047,353</u>
Total current assets			
Total assets		<u>2,079,552</u>	<u>1,952,319</u>
LIABILITIES			
Current liabilities			
Trade payables to third parties	<i>14</i>	391,901	362,667
Trade payables to related parties	<i>15</i>	166,168	133,833
Contract liabilities, other payables and accruals	<i>16</i>	238,313	93,096
Income tax payables		32,217	20,859
Defined benefit obligations		4,108	4,191
Lease liabilities		39,120	38,278
Provision		29,731	35,301
		<u>901,558</u>	<u>688,225</u>
Total current liabilities			

		30 June	31 December
		2024	2023
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current liabilities			
Contract liabilities		49,599	34,813
Defined benefit obligations		99,380	99,193
Lease liabilities		241,264	261,655
Deferred tax liabilities		7,977	14,068
Loan from a holding company		<u>–</u>	<u>431</u>
Total non-current liabilities		<u>398,220</u>	<u>410,160</u>
Total liabilities		<u>1,299,778</u>	<u>1,098,385</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>17</i>	57,434	57,434
Reserves		<u>722,340</u>	<u>796,500</u>
Total equity		<u>779,774</u>	<u>853,934</u>
Total equity and liabilities		<u><u>2,079,552</u></u>	<u><u>1,952,319</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. CORPORATE AND GROUP INFORMATION

BeijingWest Industries International Limited 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 period, the Company and its subsidiaries were principally involved in the manufacturing, sale and trading of automotive parts and components, and the provision of technical services.

BWI Company Limited (“**BWI HK**”) 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**”) entered into 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 hold 52.55% shareholding interest in the Company through BWI.

In the year of 2023, Zhangjiakou Industrial Investment Holding Group Co., Ltd. (“**張家口產業投資控股集團有限公司**”, the “**Zhangjiakou Industrial Investment**”, formerly known as “Zhangjiakou Financial Holding Group Co., Ltd”), 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 Industrial Investment 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 Industrial Investment, which is a state-owned enterprise established in the People’s Republic of China.

2. BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 (the “**interim financial information**”) has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting*.

The interim financial information does not include all of the notes normally included in annual consolidated financial statements. Accordingly, this interim financial information should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of the new and amended standards as set out below.

2.2 CHANGES IN ACCOUNTING POLICIES

(a) *New and amended standards adopted by the Group*

The Group has applied the following amendments for the first time from 1 January 2024:

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants</i>
Amendments to HK Int 5 (Revised)	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>

The amendments 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.

(b) *New and amended standards and interpretations not yet adopted*

Certain new and amended standards as below have been published that are not mandatory for 30 June 2024 reporting period and have not been early adopted by the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7 – Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 – Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined

These new and amended standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. REVENUE AND 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 periods 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 reportable segment is presented.

Products and services

Revenue from external customers

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK\$’000	HK\$’000
Sale of industrial products	1,336,116	1,331,512
Technical service income	111,122	99,208
	<u>1,447,238</u>	<u>1,430,720</u>

The revenue as presented above is net of any volume rebates or discounts offered to customers as estimated based on the terms as set out in the respective sales contracts.

Geographical information

(a) *Revenue from external customers*

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK\$’000	HK\$’000
Germany	472,751	379,618
United Kingdom	239,277	350,454
United States	338,790	295,283
Mainland China	77,813	62,886
Other countries	318,607	342,479
	<u>1,447,238</u>	<u>1,430,720</u>

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

(b) **Non-current assets**

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Poland	713,837	723,631
Czech	178,306	137,781
Other countries	<u>30,491</u>	<u>40,938</u>
	<u>922,634</u>	<u>902,350</u>

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 one (six months ended 30 June 2023: two) of the Group's external customers and were individually accounted for more than 10% of the Group's total revenue are as follows:

	Six months ended 30 June 2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Customer A	231,058	276,502
Customer B*	<u>142,814*</u>	<u>171,390</u>
	<u>373,872</u>	<u>447,892</u>

* The relevant revenue generated from that customer during the six months ended 30 June 2024 did not exceed 10% of the Group's revenue.

4. EXPENSES BY NATURE

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Material costs	893,963	914,348
Employee benefit expense	289,307	263,978
Utility fees	68,039	74,364
Service fee	49,972	20,622
Depreciation and amortization expense	46,089	49,712
Development and trial expense	41,214	47,804
Freight (including inbound, customs & duties, brokerage fee)	33,383	40,032
Travelling and entertainment expenses	7,015	7,728
Tax and surcharges	6,188	3,738
Royalty expense	4,557	3,313
Warranty expense	2,026	1,017
Auditor's remuneration	1,602	1,385
Others	54,676	30,147
	<u>1,498,031</u>	<u>1,458,188</u>

5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from sales of scrap materials, prototypes and samples	12,298	18,023
Bank interest income	283	96
Government grants	–	2,082
Others	3,725	7,835
	<u>16,306</u>	<u>28,036</u>

6. OTHER GAINS – NET

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Foreign exchange differences, net	2,409	–
Gain on disposal of property, plant and equipment	1,086	677
	<u>3,495</u>	<u>677</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on defined benefit plans	2,100	1,829
Interest on lease liabilities	4,098	4,105
Others	296	444
	<u>6,494</u>	<u>6,378</u>

8. INCOME TAX

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2024 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2023: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates. The rates of tax prevailing in the countries in which the Group operates include:

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
Luxembourg	24.94%	24.94%
Poland	19.00%	19.00%
United Kingdom	25.00%	23.40%
France	25.00%	25.00%
Germany	29.83%	29.83%
Italy	27.90%	27.90%
Czech	21.00%	19.00%

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current income tax expense/(credit)	36,681	(25,309)
Deferred tax	(27,518)	(3,488)
	<u> </u>	<u> </u>
Total tax charge/(benefit) for the period	<u>9,163</u>	<u>(28,797)</u>

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

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss before tax	<u>(42,431)</u>	<u>(6,080)</u>
Income tax benefit at the applicable tax rate of each Group entities	(7,146)	(929)
Income not subject to tax	(3,564)	(1,722)
Expenses not deductible for tax purposes	19,833	8,664
R&D tax relief	–	(14,305)
Withholding tax expense	–	121
Tax refund	–	(21,306)
Impact of change in the applicable income tax rate on deferred tax	–	(205)
Others	40	885
	<u> </u>	<u> </u>
Tax charge/(benefit) at the effective rate	<u>9,163</u>	<u>(28,797)</u>

9. (LOSSES)/EARNINGS PER SHARE

The calculation of the basic losses/earnings per share amounts is based on the loss/profit for the period attributable to ordinary shareholders of the Company, and the weighted average number of ordinary shares of 574,339,068 (six months ended 30 June 2023: 574,339,068) in issue during the period.

The diluted losses/earnings per share were the same as basic losses/earnings per share for the six months ended 30 June 2024 and 2023 as the Group did not have any potential ordinary shares in issue during the six months ended 30 June 2024 and 2023.

10. DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

11. TRADE RECEIVABLES FROM THIRD PARTIES

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Trade receivables	407,217	348,872
Impairment	<u>(5,701)</u>	<u>(4,834)</u>
	<u>401,516</u>	<u>344,038</u>

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 of 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:

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Within 3 months	397,537	342,214
3 months to 1 year	<u>3,979</u>	<u>1,824</u>
	<u>401,516</u>	<u>344,038</u>

12. 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:

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Within 3 months	220,471	153,014
3 months to 1 year	84,268	82,152
Over 1 year	<u>369</u>	<u>39,959</u>
	<u>305,108</u>	<u>275,125</u>

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 from related parties.

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Input value-added tax	55,986	41,833
Prepayments	22,291	11,529
Deposits, other receivables and others	5,782	3,804
Contract fulfillment costs – current	<u>37,549</u>	<u>37,660</u>
	<u>121,608</u>	<u>94,826</u>

14. 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:

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Within 3 months	391,309	362,222
3 months to 1 year	279	401
Over 1 year	<u>313</u>	<u>44</u>
	<u>391,901</u>	<u>362,667</u>

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

15. 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:

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Within 3 months	<u>166,168</u>	<u>133,833</u>

16. CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Contract liabilities (<i>Note (a)</i>)	54,680	40,187
Other creditors and accruals (<i>Note (c)</i>)	52,684	34,763
Other tax payables	9,749	10,034
Accrued salaries, wages, severances and benefits	74,595	42,925
Accrual of rebates (<i>Note (d)</i>)	96,204	–
	287,912	127,909
Non-current portion of contract liabilities	(49,599)	(34,813)
Current portion of contract liabilities, other payables and accruals	238,313	93,096

Note:

- (a) Liabilities related to contracts with customers:

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Contract liabilities in respect of engineering technical service to be delivered	54,680	40,187

- (b) Revenue recognised in relation to contract liabilities

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

Revenue recognised during the six months ended 30 June 2024 that was included in the contract liability balance at the beginning of the period amounted to HK\$2,830,000 (six months ended 30 June 2023: HK\$2,928,000).

- (c) Other creditors are unsecured, non interest-bearing and repayable on demand.
- (d) The balance represents the accrual of volume rebates payable to the customers which are estimated based on the terms as set out in the relevant sales contracts and the amount will be settled with the customers on a regular basis.

17. ISSUED CAPITAL

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
574,339,068 ordinary shares of HK\$0.10 each	<u>57,434</u>	<u>57,434</u>

There are no movement in the Company's issued share capital during the six months ended 30 June 2024 and 2023.

18. COMMITMENTS

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

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Contracted, but not provided for:		
Plant and machinery	<u>77,733</u>	<u>64,821</u>

19. EVENTS AFTER THE REPORTING PERIOD

The Company proposes to implement the rights issue on the basis of one (1) rights share for every two (2) shares held on the record date at the subscription price of HK\$0.168 per rights share to raise up to approximately HK\$48.2 million (before deducting professional fees and other related expenses) by issuing up to 287,169,534 rights shares (assuming no changes in the share capital of the Company on or before the record date) to the qualifying shareholders.

The Company has issued a public announcement for the proposed right issue on 22 August 2024.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

The Group involves in manufacturing, sale and trading of automotive parts and components and provision of technical services. The core products of the Group are suspension products.

The Group's automotive suspension products are mainly utilised on premium passenger vehicles, which are 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 period ended 30 June 2024, the Group recorded revenue of HK\$1,336.1 million from manufacture and sale of suspension products (period ended 30 June 2023: HK\$1,331.5 million). Following the closure of the plant in the UK in the middle of last year, the Group was still able to maintain revenue at a level similar to that of the same period last year.

For the period ended 30 June 2024, the Group also recorded revenue of HK\$111.1 million in provision of technical services (period ended 30 June 2023: HK\$99.2 million).

Gross Profit and Gross Profit Margin

For the period ended 30 June 2024, the gross profit and gross profit margin of the Group were HK\$221.7 million and 15.3% respectively. While for the period ended 30 June 2023, the gross profit and gross profit margin were HK\$192.5 million and 13.5% respectively. Gross profit and gross profit margin both increased as compared with the same period last year.

During the period, the gross profit margin of the Group improved from 13.5% for the same period last year to 15.3% for the current period. This was mainly due to the fact that more technical service revenue was recorded in the revenue mix with higher gross profit for the current period as compared with the same period last year, and also the fact that inflation in the regions in which the Group operates decreased during the current period, which enable relieving certain pressure on the cost of goods sold.

The Group's plant in the Czech Republic was unable to leverage its best efficiency as the utilization 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 period. It is expected that to be benefited from the improvement on production efficiency and economy of scale, the average cost will decrease in the future and its performance will be substantially improved.

Selling and Distribution Expenses

Selling and distribution expenses of the Group for the period ended 30 June 2024 decreased by 1.1% to HK\$11.5 million (period ended 30 June 2023: HK\$11.6 million). 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 2024 increased by 25.5% to HK\$83.6 million (period ended 30 June 2023: HK\$66.7 million). The increase was mainly due to the continued recruitment of additional manpower of the Group to cope with future business development, coupled with the annual salaries increment, which led to the increase in expenses. Administrative expenses mainly consisted of salaries for administrative staff and management services fees paid to related companies.

Research and Development Expenses

Research and development expenses of the Group for the period ended 30 June 2024 increased by 25.2% to HK\$177.4 million (period ended 30 June 2023: HK\$141.7 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 ratio. As the Group commenced its new business of manufacturing automobile braking products, it resulted in a greater increase in research and development expenses during the initial period of commencement, coupled with the annual salaries increment of the technical staff, leading to the increase in research and development expenses.

Other Income

Other income of the Group for the period ended 30 June 2024 decreased by 41.8% to HK\$16.3 million (period ended 30 June 2023: HK\$28.0 million). Other income decreased mainly due to decrease in profit from sale of scrap materials, prototypes and samples.

Other Gains – Net

The net other gains of the Group for the period ended 30 June 2024 was HK\$3.5 million, whereas, for the six months ended 30 June 2023, the net other gain was HK\$0.7 million. The changes between the two periods were mainly due to the exchange difference.

Finance Costs

Finance costs of the Group for the period ended 30 June 2024 slightly increased by 1.8% to HK\$6.5 million (period ended 30 June 2023: HK\$6.4 million). Finance costs mainly represented interest on lease liabilities and interest cost on defined benefit obligations.

Income Tax

For the period ended 30 June 2024, the net income tax expense of the Group was HK\$9.2 million, and there was net income tax benefit of HK\$28.8 million for the period ended 30 June 2023. The net income tax benefit for the last period was mainly due to BWI Poland Technologies sp.z.o.o. (“**BWI Poland**”) had income tax refunds during the last period and the effect brought by double tax deduction benefits for eligible research and development (“**R&D**”) expenses. From 2019 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 last period. With the “Advance Pricing Arrangement”, all of the above-mentioned expenses could be treated as tax deductible and BWI Poland got a refund of HK\$21.3 million, being refund of income tax paid in previous years. In addition, part of the eligible R&D expenses of BWI Poland could enjoy double tax deduction benefits. Since some 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 taxable income in previous years after deductions had decreased significantly, and the double tax deduction benefits obtained for the eligible R&D expenses incurred in those years had not been fully utilised. The double tax deduction benefits that had not been utilised in previous years could be rolled over and utilised in future years, thus generating a large part of tax credits in the last period.

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

In summary of the above, for the period ended 30 June 2024, the loss attributable to Shareholders of the Company is HK\$51.6 million (period ended 30 June 2023: profit of HK\$22.7 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, R&D 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 running in a net cash outflow position for the period ended 30 June 2024, but there was net cash inflow from operating activities amounted to HK\$77.1 million (period ended 30 June 2023: HK\$20.8 million). As at 30 June 2024, the Group maintained cash and cash equivalents of HK\$109.5 million (as at 31 December 2023: HK\$136.0 million).

Indebtedness

The Group did not have any balance of bank or other borrowings as at 30 June 2024 and 31 December 2023.

The Group's gearing ratio (measured as total bank or other borrowings over total assets) as at 30 June 2024 was 0% (as at 31 December 2023: 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 30 June 2024 and 31 December 2023, there were no assets of the Group being pledged.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in Euro, US Dollar and the local currencies of our operations located, which include Polish Zloty, Czech Koruna and Great British Pound Sterling. 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 18 in the notes to the interim condensed consolidated financial information, the Group and the Company had no other commitments as at 30 June 2024 and 31 December 2023.

Contingent Liabilities

As at 30 June 2024 and 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 manufacturing, sale and trading of automotive parts and components and provision of related technical services in Europe. The core products are suspension products.

During the period under review, the geopolitical situation remained tense, with the Russian-Ukrainian war that has been on-going for over two years and last year's Israeli-Palestinian conflict showing no signs of easing. In the super election year of 2024, several high-caliber European countries such as the UK, France, Germany and such experienced party changes following their parliamentary elections. Coupled with the uncertain outcome of the president election of the United States by the end of this year, considerable uncertainty is expected for the future global political and economic landscape. As for the US interest rates, it was widely expected that the United States would soon turn around and cut rates, but such has yet to be realised. Whether businesses can benefit from the start of a rate-cutting cycle remains to be determined.

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 1.5% in 2025, predicting a steady economic development in European regions, which also benefits the business stability of the Group.

The Group is actively reviewing its business operations for optimisation, such as completing the closure of the plant in Luton, UK last year to consolidate the Group's resources, increase capacity utilisation rate, and reduce major fixed expenses. After closing the plant in the UK, the Group currently relies heavily on the two plants in Poland and Czech Republic for production. During the period under review, the Group has established a research and development technical center for automotive braking products in Italy to support the Group's plan to start producing automotive braking products at the plant in Czech Republic. It is hoped that this will inject new momentum into the plant in Czech Republic and also add new points of growth to the Group's business.

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 30 June 2024, the Group had approximately 2,360 (30 June 2023: 2,140) employees. During the period ended 30 June 2024, the total employees' cost was HK\$289.3 million (period ended 30 June 2023: HK\$264.0 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 period under review.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2024.

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
BeijingWest Industries International Limited
Dong Xiaojie
Chairman

Hong Kong, 29 August 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. Wong Foreky (Independent Non-executive Director), Mr. Lo, Gordon (Independent Non-executive Director) and Ms. Peng Fan (Independent Non-executive Director).