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 2019

INTERIM RESULTS

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 2019. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**1,414,123**	2,018,620
Cost of sales		**(1,119,696)**	(1,650,738)
Gross profit		**294,427**	367,882
Other income and gains, net	*4*	**24,035**	40,753
Selling and distribution expenses		**(18,025)**	(15,806)
Administrative expenses		**(90,910)**	(121,778)
Impairment losses on financial assets, net		**125**	(1,846)
Research and development expenses		**(141,552)**	(211,821)
Other operating expenses, net		**(1,129)**	(2,321)
Finance costs	*6*	**(5,909)**	(7,156)

	Notes	Six months ended 30 June **2019** **(unaudited)** ***HK$'000***	2018 (unaudited) *HK$'000*
PROFIT BEFORE TAX	*5*	**61,062**	47,907
Income tax expense	*7*	**(37,501)**	(31,871)
PROFIT FOR THE PERIOD		**23,561**	16,036
Attributable to:			
Owners of the Company		**23,561**	32,647
Non-controlling interests		**–**	(16,611)
		23,561	16,036
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	*8*	**4.10**	5.68

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**23,561**	16,036
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,528)**	(5,461)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement loss on defined benefit plans	**(6,562)**	(4,317)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(9,090)**	(9,778)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**14,471**	6,258
Attributable to:		
Owners of the Company	**14,471**	23,459
Non-controlling interests	**–**	(17,201)
	14,471	6,258

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019 (unaudited)** ***HK$'000***	31 December 2018 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**458,863**	474,595
Right-of-use assets		**176,128**	–
Prepaid land lease payments		**–**	9,590
Goodwill		**4,431**	4,455
Deferred tax assets		**33,395**	32,105
Other non-current assets	*9*	**184,064**	146,411
Total non-current assets		**856,881**	667,156
CURRENT ASSETS			
Inventories		**172,274**	171,789
Trade receivables	*10*	**417,323**	387,696
Prepayments, other receivables and other assets		**172,150**	212,790
Cash and cash equivalents		**594,296**	727,912
Total current assets		**1,356,043**	1,500,187
CURRENT LIABILITIES			
Trade payables	*11*	**362,845**	383,379
Other payables and accruals		**161,291**	193,538
Income tax payables		**18,665**	42,669
Bank borrowings		**306,796**	349,366
Defined benefit obligations	*12*	**2,694**	2,888
Lease liabilities		**37,259**	–
Loan from a holding company		**444**	–
Provision		**18,046**	16,543
Total current liabilities		**908,040**	988,383
NET CURRENT ASSETS		**448,003**	511,804
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,304,884**	1,178,960

	Notes	30 June 2019 (unaudited) HK$'000	31 December 2018 (audited) HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		**35,107**	38,664
Defined benefit obligations	*12*	**95,351**	85,872
Deferred tax liabilities		**40,919**	34,617
Lease liabilities		**134,137**	–
Loan from a holding company		**–**	448
Total non-current liabilities		**305,514**	159,601
NET ASSETS		**999,370**	1,019,359
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*13*	**57,434**	57,434
Reserves		**941,936**	961,925
Total equity		**999,370**	1,019,359

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

1. CORPORATE AND GROUP INFORMATION

The interim condensed consolidated financial statements of BeijingWest Industries International Limited ("the Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2019 were authorised for issue by the board of directors of the Company (the "Directors") on 26 August 2019.

The Company was incorporated in the Cayman Islands on 21 September 2001 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 Group were principally involved in the manufacture, sale and trading of automotive parts and components, and provision of technical services.

As at 30 June 2019 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., 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 2019 has been prepared in accordance with HKAS 34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). 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 2018.

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

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Lease* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. There is no lease where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, buildings, motor vehicles, and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., duplicators); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease)
	HK$'000
	(Unaudited)
Assets	
Increase in right-of-use assets	196,750
Decrease in prepaid land lease payments	(9,590)
Decrease in prepayments, other receivables and other assets	(5,933)
Increase in total assets	181,227
Liabilities	
Increase in lease liabilities	191,574
Decrease in other payables and accruals	(10,347)
Increase in total liabilities	181,227

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
	(Unaudited)
Operating lease commitments as at 31 December 2018	214,727
Weighted average incremental borrowing rate as at 1 January 2019	2.62%
Discounted operating lease commitments as at 1 January 2019	191,646
Less: Commitments relating to short-term leases	(33)
Commitments relating to leases of low-value assets	(39)
Lease liabilities as at 1 January 2019	191,574

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right of Use Assets					
	Land	Buildings	Motor vehicles	Other equipment	Sub-total	Lease liabilities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2019	9,590	149,478	3,523	34,159	196,750	191,574
Additions	–	–	564	181	745	–
Depreciation charge (*note 5*)	(155)	(14,131)	(1,368)	(4,638)	(20,292)	–
Interest expense (*note 6*)	–	–	–	–	–	2,339
Payments	–	–	–	–	–	(21,749)
Exchange realignment	(105)	(824)	(12)	(134)	(1,075)	(768)
As at 30 June 2019	9,330	134,523	2,707	29,568	176,128	171,396

The Group recognised rental expenses from short-term leases of HK$33,000 and leases of low-value assets of HK$39,000 for the six months ended 30 June 2019.

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

2.3 Issued but not yet effective Hong Kong financial reporting standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

Set out below is the disaggregated revenue information for revenue from contracts with customers:

(a) Type of goods or services

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Product revenue	**1,331,640**	1,933,929
Technical service income	**82,483**	84,691
	1,414,123	2,018,620

(b) Geographical information

(i) Revenue from external customers

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
United Kingdom	**557,983**	686,614
Mainland China	**20,982**	432,736
Germany	**340,937**	342,349
United States	**109,238**	125,771
Other countries	**384,983**	431,150
Total	**1,414,123**	2,018,620

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

(ii) Non-current assets

	30 June 2019 *HK$'000* **(unaudited)**	31 December 2018 *HK$'000* (audited)
Poland	**424,465**	374,564
Czech	**258,420**	160,579
United Kingdom	**125,300**	87,419
Other countries	**15,301**	12,489
	823,486	635,051

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

(c) Timing of revenue recognition

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Goods and services transferred at a point in time	**1,369,041**	1,952,331
Services transferred over time	**45,082**	66,289
Total revenue from contracts with customers	**1,414,123**	2,018,620

(d) 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	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Customer A	**407,176**	512,263
Customer B	**203,947**	191,014
	611,123	703,277

4. OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Other income and gains, net		
Profit from sale of scrap materials, prototypes and samples	**11,111**	24,263
Bank interest income	**7,506**	3,229
Exchange realignment, net	**–**	5,926
Gain on disposals of items of property, plant and equipment	**4,216**	973
Government grants	**34**	5,314
Others	**1,168**	1,048
Other income and gains, net	**24,035**	40,753

5. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Cost of sales		**1,119,696**	1,650,738
Depreciation of property, plant and equipment		**33,242**	62,304
Amortisation of prepaid land lease payments		**–**	169
Depreciation of right-of-use assets	*2.2*	**20,292**	–
Minimum lease payments under operating leases:			
Buildings		**–**	1,643
Plant and equipment		**31**	25,033
Auditors' remuneration		**1,095**	1,971
Employee benefit expense (including directors' remuneration):			
Wages, salaries and benefits		**244,073**	355,906
Defined benefit obligation expenses	*12*	**2,493**	2,347
		246,566	358,253
Research and development expenses		**141,552**	211,821
Less: Staff costs included as research and development costs		**73,311**	85,812
Research and development costs, net of staff costs		**68,241**	126,009
Gain on disposals of items of property, plant and equipment, net		**4,216**	973
Impairment of trade receivables, net*	*10*	**(42)**	1,846
Impairment of prepayment, other receivables and other assets, net*		**(83)**	–
Impairment of inventories**		**94**	1,367
Product warranties, net		**5,905**	2,265
Foreign exchange differences, net***		**1,054**	(5,926)

* The net impairment amounts of trade receivables and prepayments, other receivables and other assets are included in "Impairment losses on financial assets, net" in the interim condensed consolidated statement of profit or loss.

** The impairment of inventories is included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.

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

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank loans wholly repayable within five years	**3,570**	7,156
Interest on lease liabilities *(note 2.2)*	**2,339**	–
	5,909	7,156

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2019 (six months ended 30 June 2018: nil). 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	
	2019	2018
	(unaudited)	(unaudited)
Luxembourg	**24.9%**	27.1%
Poland	**19.0%**	19.0%
United Kingdom	**19.0%**	19.0%
France	**31.0%**	33.3%
Germany	**29.8%**	29.8%
Italy	**27.5%**	27.9%
Mainland China *(note (i))*	**15.0%**	15.0%
Czech	**19.0%**	19.0%

(i) In accordance with the relevant tax laws in the PRC, the subsidiary BWI (Shanghai) Co., Ltd. ("BWI (Shanghai)") located in Mainland China was subject to a preferential corporate income tax rate of 15% on its taxable income for the period ended 30 June 2018. BWI (Shanghai) was disposed of in August 2018. No provision for Mainland China income tax was made for the period ended 30 June 2019.

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Group:		
Current	**31,577**	34,451
Deferred	**5,924**	(2,580)
Tax charge for the period	**37,501**	31,871

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before tax	**61,062**	47,907
Income tax charge at the Company's statutory tax rate of 16.5%	**10,075**	7,906
Effect of different income tax rates for foreign operations	**1,905**	11,264
Income not subject to tax	**(1,942)**	(1,594)
Tax losses not recognised as deferred tax assets	**6,261**	7,561
Expenses not deductible for tax purposes	**6,808**	6,734
Withholding tax	**14,394**	–
Tax charge at the effective rate	**37,501**	31,871

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 574,339,068 (six months ended 30 June 2018: 574,339,068) in issue during the period.

No diluted earnings per share amounts were presented for the six months ended 30 June 2019 and 2018 as the Company did not have any outstanding dilutive potential ordinary shares during the period and the prior period.

9. OTHER NON-CURRENT ASSETS

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contract performance deposits	**28,844**	26,457
Prepayment for property, plant and equipment	**17,733**	–
Pre-production cost	**152,744**	134,748
	199,321	161,205
Within one year	**(15,257)**	(14,794)
	184,064	146,411

10. TRADE RECEIVABLES

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**420,330**	390,739
Impairment	**(3,007)**	(3,043)
Total	**417,323**	387,696

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 receivable 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 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 3 months	**414,371**	386,619
3 months to 1 year	**2,071**	1,077
Over 1 year	**881**	–
	417,323	387,696

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At beginning of the period/year	**(3,043)**	(10,068)
Effect of adoption of HKFRS 9	**–**	(2,140)
Impairment losses reversed/(recognised), net *(note 5)*	**42**	(5,972)
Exchange realignment	**(6)**	1,212
Disposal of a subsidiary	**–**	13,925
At end of the period/year	**(3,007)**	(3,043)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

Impairment as at 30 June 2019

	In Due	**Over Due**	**Total**
Expected credit loss rate	**0.50%**	**24.81%**	**0.72%**
Carrying amount (HK$'000)	**416,606**	**3,724**	**420,330**
Expected credit losses (HK$'000)	**2,083**	**924**	**3,007**

Impairment as at 31 December 2018

	In Due	Over Due	Total
Expected credit loss rate	0.5%	74.15%	0.78%
Carrying amount (HK$'000)	389,260	1,479	390,739
Expected credit losses (HK$'000)	1,946	1,097	3,043

11. 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 2019 *HK$'000* **(unaudited)**	31 December 2018 *HK$'000* (audited)
Within 3 month	**360,265**	381,100
3 to 6 months	**1,926**	1,121
6 to 12 months	**10**	23
Over 12 months	**644**	1,135
	362,845	383,379

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

12. 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 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Present value of unfunded obligations	**98,045**	88,760
Portion classified as current liabilities	**(2,694)**	(2,888)
Non-current portion	**95,351**	85,872

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(Audited)
At beginning of the period/year	**88,760**	89,400
Current service costs	**1,567**	633
Interest cost on benefit obligations	**926**	1,569
Benefits paid during the period/year	**(966)**	(2,446)
Remeasurement loss recognised in other comprehensive income*	**7,566**	4,528
Exchange realignment	**192**	(4,924)
At end of the period/year	**98,045**	88,760

* Deferred tax assets of HK$1,004,000 (31 December 2018: HK$932,000) were recognised for the remeasurement losses. The remeasurement losses after deferred tax amounted to HK$6,562,000 (31 December 2018: HK$3,596,000), which were recognised in other comprehensive income.

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current service costs	**1,567**	1,232
Interest cost on benefit obligations	**926**	1,115
Net benefit expenses *(note 5)*	**2,493**	2,347

13. SHARE CAPITAL

	30 June	31 December
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(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 2019.

14. COMMITMENTS

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

	30 June	31 December
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contracted, but not provided for:		
Plant and machinery	**95,874**	52,566

15. 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.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

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 as well as provision of technical services. The core products of the Group are suspension products.

(1) Suspension Business

The Group's automotive suspension products are mainly utilized on premium passenger vehicles, which are 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 understands 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.

(2) Brake Business

The brake business of BWI (Shanghai) Co., Ltd. ("BWI Shanghai") recorded an operating loss in the first half of 2018 due to changes in the market conditions in China. In order to mitigate the adverse effect caused by BWI Shanghai on the Group's performance and better concentrate the Group's resources to develop our other businesses, the Group disposed of its 51% interests in BWI Shanghai (the "Disposal"), which was completed in August 2018.

FINANCIAL REVIEW

Revenue

For the period ended 30 June 2019, the Group recorded revenue of HK$1,331.64 million from manufacture and sales of suspension products. While for the period ended 30 June 2018, the Group recorded revenue of HK$1,933.93 million from manufacture and sales of suspension and brake products. The decrease in revenue for the period ended 30 June 2019 is mainly because (i) after the Disposal, the Group no longer recorded the revenue from the brake business; and (ii) the impact of Brexit on the automotive components business started emerging and at the same time the European economy was weak. These affected the sales of suspension products.

For the period ended 30 June 2019, the Group also recorded HK$82.48 million in provision of technical services (period ended 30 June 2018: HK$84.69 million).

Gross Profit and Gross Profit Margin

For the period ended 30 June 2019, the gross profit and gross profit margin for the suspension products were HK$294.43 million and 20.8% respectively. While for the period ended 30 June 2018, the gross profit and gross profit margin for the suspension and brake products were HK$367.88 million and 18.2% respectively. The gross profit decreased mainly because the Group no longer recorded the gross profit from the brake business and decrease in sales of suspension products. However, the gross profit margin increased because after the Disposal, the gross profit margin would not be dragged downwards by the lower profit margin of the brake products.

In addition, lower profit margin was observed from our new plant in the Czech Republic at its commencement stage, which also had a slight impact on the overall gross profit margin. The Group expects the plant in the Czech Republic will be able to achieve a higher gross profit margin in the coming future when the production volume ramps up and the utilization of raw materials and production efficiency improve due to economy of scale.

Other Income

Other income of the Group for the period ended 30 June 2019 decreased by 41.0% to HK$24.04 million (period ended 30 June 2018: HK$40.75 million), which was mainly contributed by the decrease in profit from sale of scrap materials.

Selling and Distribution Expenses

Selling and distribution expenses of the Group for the period ended 30 June 2019 increased by 14.0% to HK$18.02 million (period ended 30 June 2018: HK$15.81 million), mainly due to increase in warranty expenses. 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 2019 decreased by 25.3% to HK$90.91 million (period ended 30 June 2018: HK$121.78 million), mainly because the Group no longer recorded the administrative expenses from the brake business after the Disposal as well as tighten cost control was in place. 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 2019 decreased by 33.2% to HK$141.55 million (period ended 30 June 2018: HK$ 211.82 million), mainly because the Group no longer recorded the research and development expenses from the brake business after the Disposal as well as 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 2019 decreased by 17.4% to HK$5.91 million (period ended 30 June 2018: HK$7.16 million) because the Group no longer recorded the finance costs from the brake business and the amount of bank borrowings decreased as a result of the repayment of certain bank loans by the Group during the period ended 30 June 2019. Finance costs mainly represented interest on bank loans obtained by subsidiaries in Europe and Hong Kong.

Profit for the Period Attributable to Equity Owners of the Company

For the period ended 30 June 2019, profit for the period attributable to equity owners of the Company approximate to HK$23.56 million (period ended 30 June 2018: HK$32.65 million). The decrease in profit for the period attributable to equity owners is mainly due to the decrease in the net profits contributed by the subsidiaries in Europe.

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 operating 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 2019, in which net cash used in operating activities amounted to HK$22.48 million (period ended 30 June 2018: net cash generated from operating activities HK$155.56 million). As at 30 June 2019, the Group maintained cash and bank balances of HK$594.30 million (as at 31 December 2018: HK$727.91 million).

Indebtedness

As at 30 June 2019, the Group had bank borrowings of HK$306.80 million, in which HK$84.74 million obtained by subsidiaries in Europe were denominated in Euro ("EUR") with an interest of 1-month EURIBOR plus 2.50% per annum and Polish Zloty ("PLN") with an interest of 1-month WIBOR plus 2.00% per annum; and the remaining bank borrowings of HK$222.06 million obtained by a subsidiary in Hong Kong were denominated in EUR with an interest of 1-month EURIBOR plus 1.20% per annum.

As at 31 December 2018, the Group had bank borrowings of HK$349.37 million, in which HK$124.97 million obtained by subsidiaries in Europe were denominated in EUR with an interest of 1-month EURIBOR plus 2.20% per annum, United States Dollar (US$) with an interest of 1-month LIBOR plus 2.20% per annum and PLN with an interest of 1-month WIBOR plus 2.00% per annum; and the remaining bank borrowings of HK$224.40 million obtained by a subsidiary in Hong Kong were denominated in EUR with an interest of 1-month EURIBOR plus 1.20% per annum.

The Group's gearing ratio (measured as total bank borrowings over total assets) as at 30 June 2019 was 13.86% (as at 31 December 2018: 16.12%). 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 2019 and 31 December 2018, there were no assets of the Group being pledged.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in EUR and the local currencies of our operations, which include PLN, British Pound Sterling ("GBP") and Czech Koruna ("CZK"). Some transactions would also be denominated in US$. 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 14 in the notes to the interim condensed consolidated financial statements, the Group and the Company had no other commitments as at 30 June 2019 and 31 December 2018.

Contingent Liabilities

As at 30 June 2019, the Group and the Company did not have any significant contingent liabilities.

OTHER INFORMATION

Environmental, Health and Safety

The Group is dedicated to protecting the health of people, natural resources and the global environment, and has adopted the hazardous material control programs and chemical material assessment procedures. The Group has obtained all necessary permits under applicable environmental protection laws for its production facilities.

The Group strictly complies with the laws and regulations that exert great influence on the Group such as various environmental protection laws relating to emissions to land, air and water and waste production from its production facilities. Various hazardous material control programs and chemical material assessment procedures have also been adopted to meet the applicable legal requirements.

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

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

Prospects

During the 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.

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.

Employees and Remuneration Policy

As at 30 June 2019, the Group had approximately 910 full-time employees (as at 30 June 2018: 1,440). During the period ended 30 June 2019, the total employees' cost was HK$246.57 million (period ended 30 June 2018: HK$358.25 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 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2019.

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
Jiang Yunan
Chairman

Hong Kong, 26 August 2019

As at the date of this announcement, the Board comprises Mr. Jiang Yunan (Chairman), Mr. Chen Zhouping (Managing Director), Mr. Li Shaofeng (Executive Director), Mr. Thomas P Gold (Executive Director), Mr. Zhang Yaochun (Non-executive Director), Mr. Tam King Ching, Kenny (Independent Non-executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director) and Mr. Chan Pat Lam (Independent Non-executive Director).