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 2017

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 2017. 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 2017

		Six months ended 30 June	
	Notes	**2017** ***HK$'000*** **(unaudited)**	2016 *HK$'000* (unaudited) (restated)
REVENUE	*4*	**1,911,805**	2,314,921
Cost of sales		**(1,548,462)**	(1,811,078)
Gross profit		**363,343**	503,843
Other income and gains, net	*4*	**44,478**	49,825
Selling and distribution expenses		**(18,962)**	(24,359)
Administrative expenses		**(149,994)**	(151,145)
Research and development expenses		**(240,442)**	(211,786)
Other operating expenses, net		**(14,009)**	(1,685)
Finance costs	*6*	**(4,871)**	(6,908)
(LOSS)/PROFIT BEFORE TAX	*5*	**(20,457)**	157,785
Income tax expense	*7*	**(9,612)**	(35,098)
(LOSS)/PROFIT FOR THE PERIOD		**(30,069)**	122,687

	Notes	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited) (restated)
Attributable to:			
Owners of the Company		**(10,073)**	108,460
Non-controlling interests		**(19,996)**	14,227
		(30,069)	122,687
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	*8*	**(1.75)**	18.82

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
(LOSS)/PROFIT FOR THE PERIOD	**(30,069)**	122,687
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**83,899**	(23,659)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Re-measurement income on defined benefit plans	**5,034**	1,263
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	**88,933**	(22,396)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**58,864**	100,291
Attributable to:		
Owners of the Company	**75,431**	90,313
Non-controlling interests	**(16,567)**	9,978
	58,864	100,291

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	**30 June 2017 HK$'000 (unaudited)**	31 December 2016 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**593,111**	552,150
Prepaid land lease payments		**11,914**	9,556
Goodwill		**4,571**	4,437
Deferred tax assets		**47,812**	38,542
Contract performance deposits		**10,147**	8,971
Total non-current assets		**667,555**	613,656
CURRENT ASSETS			
Inventories		**271,219**	289,793
Trade and bills receivables	*9*	**883,210**	877,553
Prepayments, deposits and other receivables		**174,425**	155,582
Cash and cash equivalents		**511,258**	517,674
Total current assets		**1,840,112**	1,840,602
CURRENT LIABILITIES			
Trade payables	*10*	**587,672**	718,585
Other payables and accruals		**504,808**	442,948
Income tax payables		**10,790**	18,675
Bank borrowings		**286,925**	208,482
Defined benefit obligations	*11*	**3,638**	710
Provision		**51,085**	51,788
Total current liabilities		**1,444,918**	1,441,188
NET CURRENT ASSETS		**395,194**	399,414
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,062,749**	1,013,070
NON-CURRENT LIABILITIES			
Defined benefit obligations	*11*	**79,318**	78,034
Deferred tax liabilities		**10,664**	9,681
Loan from a holding company		**443**	408
Total non-current liabilities		**90,425**	88,123
NET ASSETS		**972,324**	924,947

	Notes	**30 June 2017** *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*12*	**57,434**	57,434
Reserves		**795,707**	731,763
		853,141	789,197
Non-controlling interests		**119,183**	135,750
Total equity		**972,324**	924,947

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 were authorised for issue by the board of directors of the Company (the "Directors") on 24 August 2017.

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 was principally involved in manufacture and sale of automotive parts and components, trading of automotive parts and components and provision of technical services.

As at 30 June 2017 and the date of approval of these financial statements, the immediate holding company of the Company is BWI Company Limited ("BWI (HK)"), which is incorporated in Hong Kong with limited liability. In the opinion of the Directors, the ultimate holding company is Shougang Group Co., Ltd. (formerly known as Shougang Corporation), which is a state-owned enterprise established in the People's Republic of China (the "PRC") and is supervised by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

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

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have 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 statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

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.

Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Group for the six months ended 30 June 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases, except for the results of the subsidiaries acquired pursuant to the acquisition of 51% equity interest in BWI (Shanghai) Co., Ltd., which have been consolidated since 23 January 2014.

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

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

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

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and amendments effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments are/were applied for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standards or amendments are described below:

Amendments to HKAS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to HKAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements 2014 – 2016 Cycle

Amendments to HKFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12*

The amendments clarify that the disclosure requirements in HKFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

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 the interim financial information.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[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 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 1 included in *Annual Improvements 2014 –2016 Cycle*	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
Amendments to HKAS 28 included in *Annual Improvements 2014 –2016 Cycle*	*Investments in Associates and Joint Ventures*[1]
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*[1]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[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 as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

3. OPERATING SEGMENT INFORMATION

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

Products and services

(a) Revenue from external customers

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Product revenue	**1,833,956**	2,249,547
Technical service income	**77,849**	65,374
	1,911,805	2,314,921

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
United Kingdom	**564,893**	642,661
Mainland China	**451,081**	808,444
Germany	**305,928**	336,914
United States	**139,604**	167,559
Other countries	**450,299**	359,343
Total	**1,911,805**	2,314,921

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

(b) Non-current assets

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Poland	**224,382**	180,330
Mainland China	**201,713**	217,620
United Kingdom	**65,643**	85,147
Other countries	**128,005**	92,017
	619,743	575,114

The non-current asset 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 two of the Group's customers and were individually accounted for more than 10% of the Group's total revenue are as follows:

	Six months ended 30 June	
	2017 *HK$'000* **(unaudited)**	2016 *HK$'000* (unaudited) (restated)
Customer A	**451,616**	590,382
Customer B	**136,614**	486,341
	588,230	1,076,723

4. REVENUE, OTHER INCOME AND GAINS, NET

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.

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Revenue		
Sale of goods	**1,833,956**	2,249,547
Technical service income	**77,849**	65,374
	1,911,805	2,314,921
Other income and gains, net		
Profit from sale of scrap materials	**13,579**	2,721
Bank interest income	**787**	2,424
Royalty income	**9,405**	7,176
Prototype income	**16,641**	18,155
Exchange realignment	**–**	16,435
Gain on disposals of items of property, plant and equipment	**21**	442
Others	**4,045**	2,472
Other income and gains, net	**44,478**	49,825

5. (LOSS)/PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June 2017 HK$'000 (unaudited)	Six months ended 30 June 2016 HK$'000 (unaudited) (restated)
Cost of inventories sold		**1,548,462**	1,811,078
Depreciation		**51,393**	42,154
Amortisation of prepaid land lease payments		**142**	71
Minimum lease payments under operating leases:			
Buildings		**1,557**	1,643
Plant and equipment		**24,904**	19,726
Auditors' remuneration		**1,474**	808
Employee benefit expense (including directors' remuneration):			
Wages, salaries and benefits		**305,024**	291,741
Defined benefit obligation expenses	*11*	**2,159**	2,120
		307,183	293,861
Research and development costs		**242,233**	201,728
Less: Staff costs included as research and development costs		**91,025**	84,304
Research and development costs, net of staff costs		**151,208**	117,424
Gain on disposals of items of property, plant and equipment, net		**21**	442
Impairment/(reversal of impairment) of trade and bills receivables, net*	*9*	**3,325**	(956)
Provision/(reversal of provision) against obsolete inventories**		**476**	(2,616)
Provision for warranties, net		**8,314**	10,516
Foreign exchange differences, net***		**12,782**	(16,435)

* The impairment amounts of trade and bills receivables are included in "Administrative expenses" in the interim condensed consolidated statement of profit or loss.

** The provision against obsolete 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 was included in "other income and gains" in the interim condensed consolidated statement of profit or loss.

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Interest on bank loans wholly repayable within five years	**4,871**	6,908

7. INCOME TAX

No provisions for Hong Kong profits tax have been made for the six months ended 30 June 2017 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2016 (restated): 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	
	2017	2016
	(unaudited)	(unaudited)
		(restated)
Luxembourg	**19%**	21%
Poland	**19%**	19%
United Kingdom	**20%**	20%
France	**33.33%**	33.33%
Germany	**26.6%**	31.9%
Italy	**27.9%**	31.4%
Mainland China *(note (i))*	**15%**	15%
Czech	**19%**	19%

(i) In accordance with the relevant tax laws in the PRC, the subsidiary located in Mainland China is subject to a preferential corporate income tax rate of 15% on its taxable income for the periods ended 30 June 2017 and 2016.

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Group:		
Current – Elsewhere	**17,721**	37,412
Deferred	**(8,109)**	(2,314)
Tax charge for the period	**9,612**	35,098

A reconciliation of the tax expense applicable to (loss)/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	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
(Loss)/Profit before tax	**(20,457)**	157,785
Income tax charge at the Company's statutory tax rate of 16.5%	**(3,376)**	26,035
Effect of different income tax rates for foreign operations	**2,913**	3,183
Tax losses not recognised as deferred tax assets	**9,106**	4,614
Expenses not deductible for tax purposes	**969**	1,266
Tax charge at the effective rate	**9,612**	35,098

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 2016 (adjusted): 576,361,294) in issue during the period.

The weighted average number of ordinary shares adopted in the calculation of the basic earnings per share amount for the six months ended 30 June 2016 has been adjusted retrospectively to reflect the impact of share consolidation completed on 16 November 2016. Further details of share consolidation were set out in the Group's 2016 annual report.

No diluted earnings per share is presented for the six months ended 30 June 2017 and 2016 as the Company did not have any outstanding dilutive potential ordinary shares during the period and the prior period.

9. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade and bills receivables	**899,447**	889,687
Impairment	**(16,237)**	(12,134)
Total	**883,210**	877,553

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 customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Within 3 months	**871,586**	875,456
3 months to 1 year	**11,370**	1,532
Over 1 year	**254**	565
	883,210	877,553

The movements in provision for impairment of trade and bills receivables are as follows:

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
At beginning of the period/year	**(12,134)**	(14,538)
Impairment losses (recognised)/reversed, net *(note 5)*	**(3,325)**	1,390
Exchange realignment	**(778)**	1,014
At end of the period/year	**(16,237)**	(12,134)

Included in the provision for impairment of trade and bills receivables are provision for individually impaired trade receivables of HK$16,237,000 (31 December 2016: HK$12,134,000) with an aggregate carrying amount before provision of HK$265,646,000 as at 30 June 2017 (31 December 2016: HK$26,333,000). The individually impaired trade receivables relate to customers that were in unexpected financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Neither past due nor impaired	**633,801**	863,354
Past due but not impaired	**–**	–
	633,801	863,354

Trade and bills receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

10. TRADE PAYABLES

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

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Within 3 month	**537,716**	670,018
3 to 6 months	**27,752**	23,701
6 to 12 months	**10,658**	17,325
Over 12 months	**11,546**	7,541
	587,672	718,585

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 120 days.

11. DEFINED BENEFIT OBLIGATIONS

The Group have 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 valuation performed by Towers Watson Consulting Company Limited, an independent actuary, whose registered office is located at 11th Floor, Kerry Center, 1515 West Nanjing Road, Shanghai, the PRC, using the projected unit credit method.

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

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

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Present value of unfunded obligations	**82,956**	78,744
Portion classified as current liabilities	**(3,638)**	(710)
Non-current portion	**79,318**	78,034

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

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
At beginning of the period/year	**78,744**	73,642
Current service costs	**1,245**	2,418
Interest cost on benefit obligations	**914**	1,771
Benefits paid during the period/year	**(339)**	(1,353)
Re-measurement (income)/loss recognised in other comprehensive income	**(6,388)**	6,500
Exchange realignment	**8,780**	(4,234)
At end of the period/year	**82,956**	78,744

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

	Six months ended 30 June	
	2017 *HK$'000* **(unaudited)**	2016 *HK$'000* (unaudited)
Current service costs	**1,245**	1,220
Interest cost on benefit obligations	**914**	900
Net benefit expenses	**2,159**	2,120

12. SHARE CAPITAL

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
574,339,068 ordinary shares of HK$0.10 each	**57,434**	57,434

The Company had not issued any new share during the six months ended 30 June 2017.

13. COMMITMENTS

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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contracted, but not provided for:		
Plant and machinery	**125,472**	81,753

14. EVENT AFTER THE REPORTING PERIOD

There is no material event after 30 June 2017.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2017 (2016: 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 and brake 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. The total capacity in terms of number of dampers produced approximate to 11.5 million units. A new plant in the Czech Republic has also commenced production in the second quarter of year 2017, in which the total designed capacity in terms of number of dampers produced approximate to 4 million units. However, the new plant wouldn't make contribution to the profit of the Group before the plant reaches the optimal production status. By all means, we will try to expedite the process of reaching the designed capacity of the new plant so as to generate profit as soon as possible.

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

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

The sales volume and revenue generated from the suspension business remains stable when compared to the period ended 30 June 2016, however, the overall performance for the period ended 30 June 2017 was adversely affected mainly due to (i) an foreign exchange loss of approximately HK$12.30 million was recorded for the period ended 30 June 2017, instead of a foreign exchange gain of approximately HK$17.30 million for the period ended 30 June 2016; (ii) decrease in gross profit margin due to change in product mix; (iii) the new plant of the Group in the Czech Republic commenced its production, which led to increases in fixed costs and operating expenses of the Group. The Group expects that the production quantity will ramp up in the near future and the new plant will be able to make profit when production can reach the designed capacity.

(2) Brake business

The brake products of the Group have broad applications in both sedans and full-size sport utility vehicles. The Group is one of the leading suppliers in the People's Republic of China ("PRC") of automobile brake components and systems. Our customers include many well-known domestic automobile manufacturers. The Group has established its leadership status through its long-term presence in the PRC.

Regarding the brake operations, the Group procures raw materials, various electronic and mechanical components from various suppliers who strictly deliver within agreed lead time after the orders have been placed. The raw materials and components procured would be carefully inspected before acceptance. Raw materials and key components would be processed by cutting, hardening, grinding, chroming, baking, refining and inspecting before being assembled into final products. To ensure the quality of the products, we have a professional quality control team to monitor the whole process.

Year 2017 would be a difficult year for the PRC brake business. Revenue and gross profit generated from the plant of the Group in Shanghai decreased, resulting from certain major customers of the Group, being vehicle manufacturers, having postponed or reduced their procurements of the products from our Shanghai plant due to unsatisfactory sales volume of certain automobile models. This in turns had an adverse impact on the overall performance for the brake business. The Group will endeavor to reduce the loss of Shanghai plant in the second half of year 2017 and will try our best to achieve positive growth again in the near future.

FINANCIAL REVIEW

Revenue

The revenue of the Group's core business sectors for the periods ended 30 June 2017 and 2016 are summarized as below:

	For the period ended 30 June 2017 ***(HK$ million)***	For the period ended 30 June 2016 *(HK$ million)* (restated)	Change *(%)*
Manufacture and sales of automotive controlled and passive suspension products	**1,395.89**	1,455.80	-4.1
Manufacture and sales of brake products in PRC	**438.07**	793.79	-44.8
Provision of technical services – suspension products	**66.21**	58.13	13.9
Provision of technical services – brake products	**11.64**	7.20	61.7
Total	**1,911.81**	2,314.92	-17.4

For the period ended 30 June 2017, the Group recorded revenue of HK$1,395.89 million in manufacture and sales of controlled and passive suspension products (period ended 30 June 2016 (restated): HK$1,455.80 million), which slightly decreased when comparing to the period ended 30 June 2016 mainly due to change in product mix. Following the commencement of production of the new plant in the Czech Republic since second quarter of year 2017, the Group expects revenue from this business sector will increase in a steady pace.

For the period ended 30 June 2017, the Group recorded revenue of HK$438.07 million in manufacture and sales of brake products in the PRC (period ended 30 June 2016 (restated): HK$793.79 million), the decrease in revenue was mainly due to certain major domestic vehicle manufacturers postponed or reduced their procurements of the products from our Shanghai plant due to unsatisfactory sales volume of certain of their automobile models.

For the period ended 30 June 2017, the Group also recorded HK$66.21 million in provision of technical services in suspension products (period ended 30 June 2016 (restated): HK$58.13 million) and HK$11.64 million in provision of technical services in brake products (period ended 30 June 2016 (restated): HK$7.20 million).

Gross profit and gross profit margin

	For the period ended 30 June 2017 ***(HK$ million)***		For the period ended 30 June 2016 *(HK$ million)* (restated)		Change	
	Gross profit ***(HK$ million)***	**Gross profit margin** ***(%)***	Gross profit *(HK$ million)*	Gross profit margin *(%)*	Gross profit *(HK$ million)*	Gross profit margin *(%)*
Manufacture and sales of automotive controlled and passive suspension products, and provision of technical services in related products	**319.81**	**21.9**	383.75	25.3	-63.94	-3.4
Manufacture and sales of brake products in PRC, and provision of technical services in related products	**43.53**	**9.7**	120.09	15.0	-76.56	-5.3
Total	**363.34**	**19.0**	503.84	21.8	-140.50	-2.8

For the period ended 30 June 2017, the gross profit and gross profit margin for the suspension products sector were HK$319.81 million and 21.9% respectively (period ended 30 June 2016 (restated): HK$383.75 million and 25.3% respectively). Both the gross profit and gross profit margin have been decreased, which were mainly attributed to the change in products mix and the slight increase in raw materials price such as steel. 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. However, 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.

For the period ended 30 June 2017, the gross profit and gross profit margin for the brake products sector were HK$43.53 million and 9.7% respectively (period ended 30 June 2016 (restated): HK$120.09 million and 15.0% respectively). Both the gross profit and gross profit margin decreased when comparing to the period ended 30 June 2016 mainly because certain major domestic vehicle manufacturers postponed or reduced their procurements of the products from our Shanghai plant, a negative impact was observed on the gross profit margin as transactions with these customers were of higher gross profit margin.

Other income

Other income of the Group for the period ended 30 June 2017 decreased by 10.7% to HK$44.48 million (period ended 30 June 2016 (restated): HK$49.83 million), which was mainly contributed by the decrease in exchange gain from operations.

Distribution and selling expenses

Distribution and selling expenses of the Group for the period ended 30 June 2017 decreased by 22.2 % to HK$18.96 million (period ended 30 June 2016 (restated): HK$24.36 million), mainly due to decrease in warranty provision. Distribution and selling 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 2017 decreased slightly by 0.8 % to HK$149.99 million (period ended 30 June 2016 (restated): HK$151.15 million), mainly due to decrease in management service fee. 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 2017 increased by 13.5 % to HK$240.44 million (period ended 30 June 2016 (restated): HK$211.79 million), mainly due to an increase in service fee charged as a result of increased projects performed during the period. These research and development projects were mainly carried out for new sales orders received in previous years, and the respective products were expected to be launched in near future. 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 2017 decreased by 29.5 % to HK$4.87 million (period ended 30 June 2016 (restated): HK$6.91 million), attributed to decrease in short term loans over the period. Finance costs mainly represented interest on bank loans obtained by subsidiaries in the PRC.

(Loss)/Profit for the year attributable to equity owners of the Company

For the period ended 30 June 2017, loss for the year attributable to equity owners of the Company approximate to HK$30.07 million (period ended 30 June 2016 (restated): profit for the period attributable to equity owners of the Company of HK$108.46 million). The turnaround from profit to loss was mainly attributed to the decrease in revenue and gross profit, and decrease in foreign exchange gain resulted from operations during the period.

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. For the period ended 30 June 2017, the Group invested HK$29.40 million in the new manufacturing plant in Cheb, the Czech Republic and such investment was mainly funded by cash generated from internal operations.

The Group was operating in a net cash outflow position for the period ended 30 June 2017, in which net cash used in operating activities amounted to HK$56.20 million (period ended 30 June 2016 (restated): net cash from operating activities HK$127.41 million). As at 30 June 2017, the Group maintained cash and bank balances of HK$511.26 million (as at 31 December 2016: HK$517.67 million).

Indebtedness

As at 30 June 2017, the Group had bank borrowings of HK$286.93 million (as at 31 December 2016: HK$208.48 million), in which HK$75.07 million (as at 31 December 2016: HK$18.64 million) was obtained by a subsidiary in Europe, and the amount was denominated in Euro ("EUR") and United States dollar ("US$") with an interest of 1 Month EURIBOR and LIBOR plus 2.20% per annum (as at 31 December 2016: 1 Month LIBOR plus 2.20% per annum). The remaining bank borrowings of HK$211.86 million (as at 31 December 2016: HK$189.84 million) were denominated in Renminbi ("RMB"), with an interest of 3.92% to 4.13% per annum (as at 31 December 2016: 4.13% to 4.35% per annum). The Group's gearing ratio (measured as total bank borrowings over total assets) as at 30 June 2017 was 11.49% (as at 31 December 2016: 8.49%).

The Company will keep monitoring the financial and liquidity position of the Group closely, and carry out appropriate financing strategies for the Group in accordance with the change of the financial market from time to time.

Pledge of Assets

As at 30 June 2017 and 31 December 2016, there were no assets being pledged.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in EUR and the local currencies of our operations, which include Polish Zloty ("PLN"), Great Britain Pound Sterling ("GBP"), Czech Koruna ("CZK") and RMB. Some transactions would also be denominated in US$. During the period ended 30 June 2017, the Group did not have any material foreign exchange exposure.

Capital and other commitments

Save as disclosed in note 13 in this announcement, the Group and the Company had no other commitments as at 30 June 2017 and 31 December 2016.

Contingent Liabilities

As at 30 June 2017, 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 program 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 law of the PRC 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 and the PRC.

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 and the PRC. 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. First of all, 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. Additionally, the global automotive industry is still expected to maintain stable growth, while the China's passenger vehicle industry is still expected to maintain a sound growth rate, the Group is confident that with new business awarded from previous years, it will be able to maintain a steady growth, and with the commencement of production of these new sales orders, the situation will be improved in the near future.

The Group will continue to invest in research and development as well as engineering activities in order to maintain and improve its leadership position in the industry, and to improve the Group's competitiveness over other competitors. Meanwhile, 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. Furthermore, the Group will continue to seek potential acquisition opportunities in both the PRC and abroad to strengthen its revenue base and improve its profitability.

Employees and Remuneration Policy

As at 30 June 2017, the Group had approximately 1,095 full-time employees, of which 291 were working in the Company's subsidiary in the PRC and 804 were working in the Company and Company's subsidiaries in Europe (as at 30 June 2016: 282 full-time employees working in the PRC, 776 full-time employees working in the Company and Company's subsidiaries in Europe). During the period ended 30 June 2017, the total employees' cost was HK$307.18 million (period ended 30 June 2016 (restated): HK$293.86 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, as well as retirement benefits plans under respective laws and regulations in the PRC.

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 2017.

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, 24 August 2017

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. Qi Jing (Executive Director), Mr. Thomas P Gold (Executive Director), Mr. Zhang Yaochun (Non-executive Director), Mr. Tam King Ching, Kenny (Independent Non-executive Director), Mr. Leung Kai Cheung (Independent Non-executive Director) and Mr. Yip Kin Man, Raymond (Independent Non-executive Director).