京西重工國際有限公司

BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2339)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board") of BeijingWest Industries International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 with comparative figures for the year ended 31 December 2018. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	6	**2,654,586**	3,418,281
Cost of sales		**(2,102,401)**	(2,795,592)
Gross profit		**552,185**	622,689
Other income and gains, net	6	**58,104**	173,769
Selling and distribution expenses		**(40,384)**	(34,216)
Administrative expenses		**(197,155)**	(221,583)
Impairment losses on financial assets		**(629)**	(6,467)
Research and development expenses		**(294,827)**	(386,815)
Other operating expenses, net		**(14,025)**	(391)
Finance costs	8	**(11,641)**	(13,546)
PROFIT BEFORE TAX	7	**51,628**	133,440
Income tax expense	9	**(46,739)**	(39,908)
PROFIT FOR THE YEAR		**4,889**	93,532
Attributable to:			
Owners of the Company		**4,889**	120,879
Non-controlling interests		**–**	(27,347)
		4,889	93,532
EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	10	**0.85**	21.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**4,889**	93,532
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,827)**	(43,733)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement loss on defined benefit plans	**(21,562)**	(3,596)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	**(26,389)**	(47,329)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(21,500)**	46,203
Attributable to:		
Owners of the Company	**(21,500)**	71,060
Non-controlling interests	**–**	(24,857)
	(21,500)	46,203

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**462,816**	474,595
Right-of-use assets		**161,258**	–
Prepaid land lease payments		**–**	9,590
Goodwill		**4,544**	4,455
Deferred tax assets		**67,754**	32,105
Other non-current assets	12	**188,817**	146,411
Total non-current assets		**885,189**	667,156
CURRENT ASSETS			
Inventories		**187,092**	171,789
Trade and bills receivables	13	**337,847**	387,696
Prepayments, other receivables and other assets	14	**166,968**	212,790
Cash and cash equivalents		**366,840**	727,912
Total current assets		**1,058,747**	1,500,187
CURRENT LIABILITIES			
Trade payables	15	**319,063**	383,379
Other payables and accruals	16	**150,380**	193,538
Income tax payables		**6,603**	42,669
Bank borrowings		**98,272**	349,366
Defined benefit obligations		**1,559**	2,888
Lease liabilities		**33,364**	–
Provision		**22,430**	16,543
Total current liabilities		**631,671**	988,383
NET CURRENT ASSETS		**427,076**	511,804
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,312,265**	1,178,960

	Notes	**2019** HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals	*16*	**36,780**	38,664
Defined benefit obligations	*17*	**113,576**	85,872
Lease liabilities		**126,344**	–
Deferred tax liabilities		**71,730**	34,617
Loan from a holding company		**436**	448
Total non-current liabilities		**348,866**	159,601
NET ASSETS		**963,399**	1,019,359
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*18*	**57,434**	57,434
Reserves		**905,965**	961,925
		963,399	1,019,359
Non-controlling interests		**–**	–
Total equity		**963,399**	1,019,359

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

BeijingWest Industries International Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies 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 year, the Company and its subsidiaries (collectively the "Group") were principally involved in the manufacture, sale and trading of automotive parts and components, and provision of technical services.

As at 31 December 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 of the Company (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 ("PRC") and is supervised by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Date, place of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
BWI France S.A.S.	France 13 August 2009	EUR2,002,500	–	100	Provision of research and technical services
BWI UK Limited	United Kingdom 16 June 2009	GBP5,938,975	–	100	Manufacture and sale of automotive parts and components
BWI Poland Technologies sp.z.o.o	Poland 12 March 2009	PLN55,538,150	–	100	Manufacture and sale of automotive parts and components
BWI Czech Republic s.r.o	Czech 20 May 2015	CZK140,000,000	–	100	Manufacture and sale of automotive parts and components

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements are prepared under the historical cost convention and are presented in Hong Kong dollars. All values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. 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.

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 a 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.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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 to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and Annual Improvements to HKFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

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.

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 property, machinery, 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 and leases with a lease term of 12 months or less. Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities.

Impact 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 included in interest-bearing bank and other borrowings. 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.

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities measured under HKAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000*
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
Operating lease commitments as at 31 December 2018	214,799
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(33)
Commitments relating to leases of low-value assets	(39)
	214,727
Weighted average incremental borrowing rate as at 1 January 2019	2.62%
Discounted operating lease commitments as at 1 January 2019	191,574
Lease liabilities as at 1 January 2019	191,574

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of HKAS 12. 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 impact on the financial position or performance of the Group.

3.2 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 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[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. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 material. 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Transfer of construction in progress to property, plant and equipment

Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. Thereafter, depreciation is calculated on a straight-line basis to write off the cost of each item of such property, plant and equipment to its residual value over its estimated useful life. It requires management's judgement and estimation to determine when the project under construction is substantially ready for its intended use, i.e., when it is capable of commercial operation based on the overall assessment of trial operation results.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Useful lives and residual values of items of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Management reassesses the estimation at the end of the reporting period.

Capitalisation of pre-production costs

The Group capitalises pre-production costs when those costs are related to the contract with customers, generated or enhanced the resources used to satisfy performance obligation and are expected to be recovered.

The Group's managements need to judge and estimate whether such capitalised cost can be recovered, based on experience, historical data and estimation of the profitability of the contract.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Defined benefit plan

The Group has recognised the defined benefit pension plan as a liability. The Group's obligations are determined using actuarial valuations, which rely on various assumptions and conditions. The assumptions used in actuarial valuation reports include discount rates, the growth rates of the benefits and other factors. The deviation from the actual result and the actuarial result will affect the accuracy of related accounting estimates. Even though management is of the view that the above assumptions are reasonable, any changes in condition of assumptions will still affect the estimated liability amounts of employee pension benefit obligations.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on the days past due for various customer segments with similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (eg., the fluctuation of the unit price of steels and restriction policy in motor industries) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 13 to the financial statements.

Provision against obsolete inventories

Management reviews the condition of inventories of the Group at the end of the reporting period and makes provision against obsolete and slow-moving inventory items identified that are no longer suitable for use or sale. Management estimates the net realisable value for such inventories based primarily on the latest sales invoice prices and current market conditions. Management reassesses the estimation at the end of the reporting period.

Provision for warranties

Provision for product warranties granted by the Group is recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

5. OPERATING SEGMENT INFORMATION

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

Products and services

Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Sale of industrial products	**2,469,381**	3,272,577
Technical service income	**185,205**	145,704
	2,654,586	3,418,281

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
United Kingdom	**1,084,534**	1,266,688
Germany	**607,908**	615,901
United States	**198,161**	264,742
Mainland China	**75,131**	536,468
Other countries	**688,852**	734,482
	2,654,586	3,418,281

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

(b) **Non-current assets**

	2019	2018
	HK$'000	*HK$'000*
Poland	**443,472**	374,564
Czech	**243,898**	160,579
United Kingdom	**119,309**	87,419
Other countries	**10,756**	12,489
	817,435	635,051

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 (2018: two) of the Group's customers and were individually accounted for more than 10% of the Group's total revenue are as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**805,034**	961,225
Customer B	**346,379**	350,310
	1,151,413	1,311,535

6. REVENUE, OTHER INCOME AND GAINS

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

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

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of industrial products	**2,469,381**	3,272,577
Technical service income	**185,205**	145,704
	2,654,586	3,418,281

	2019	2018
	HK$'000	*HK$'000*
Timing of revenue recognition		
Industrial products and services transferred at a point time	**2,636,699**	3,399,868
Services transferred over time	**17,887**	18,413
	2,654,586	3,418,281

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

	2019	2018
	HK$'000	*HK$'000*
Other income		
Bank interest income	**12,405**	7,334
Profit from sale of scrap materials	**22,096**	50,416
Foreign exchange differences, net	**–**	9,387
Others	**4,545**	9,582
	39,046	76,719
Gains		
Disposal of a subsidiary	**–**	86,278
Gain on disposal of items of property, plant and equipment	**18,053**	1,429
Government grants	**1,005**	9,343
	19,058	97,050
Other income and gains, net	**58,104**	173,769

7. PROFIT BEFORE TAX

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

	Notes	**2019** **HK$'000**	2018 HK$'000
Cost of inventories sold and services provided		**2,102,401**	2,795,592
Depreciation of property, plant and equipment		**67,182**	103,643
Depreciation of right-of-use assets (2018: Amortisation of land lease payments)		**42,359**	327
Minimum lease payments under operating leases		**–**	48,242
Lease payments not included in the measurement of lease liabilities		**446**	–
Auditors' remuneration		**3,688**	4,500
Employee benefit expense (including directors' and chief executives' remuneration):			
Wages, salaries and benefits		**466,136**	554,973
Defined benefit obligation expenses		**4,907**	2,202
		471,043	557,175
Research and development costs		**294,827**	386,815
Less: Staff costs included in research and development costs		**(116,918)**	(145,523)
Research and development costs, net of staff costs		**177,909**	241,292
Gain on disposal of items of property, plant and equipment	*6*	**(18,053)**	(1,429)
Gain on disposal of a subsidiary	*6*	**–**	(86,278)
Impairment of trade and bills receivables, net	*13*	**632**	5,972
(Reversal of impairment)/Impairment of prepayment, other receivables and other assets, net	*14*	**(3)**	495
Provision for obsolete items of property, plant and equipment		**1,211**	–
(Write back of provision)/provision for obsolete inventories*		**(79)**	943
Provision for warranties, net		**19,426**	42
Fair value loss, net:			
Derivative instrument – transaction not qualifying as hedge		**2,192**	–
Foreign exchange differences, net**		**11,538**	(9,387)

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

** Foreign exchange loss of approximately HK$11,538,000 is included in "other operating expense" in the consolidated statement of profit or loss for the year ended 31 December 2019, and foreign exchange gain of approximately HK$9,387,000 is included in "other income and gains" in the consolidated statement of profit or loss for the year ended 31 December 2018.

8. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans and other loans	**7,540**	13,546
Interest on lease liabilities	**4,101**	–
	11,641	13,546

9. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2019 as the Group did not generate any assessable profits arising in Hong Kong during the year (year ended 31 December 2018: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates. The rates of tax prevailing in the countries in which the Group operates include:

	2019	2018
	(%)	*(%)*
Luxembourg	**24.94**	26.01
Poland	**19.00**	19.00
United Kingdom	**19.00**	19.00
France	**31.00**	28.00
Germany	**29.83**	15.83
Italy	**27.50**	27.90
Mainland China *(Note (i))*	**–**	15.00
Czech	**19.00**	19.00

Note:

(i) In accordance with the relevant tax laws in the PRC, the subsidiary located in Mainland China is entitled to a preferential corporate income tax rate of 15% on its taxable income for the year ended 31 December 2018. In August 2018, the Group disposed of BWI (Shanghai) Co. Ltd to BWI (HK), the immediate holding company of the Company.

	2019	2018
	HK$'000	*HK$'000*
Current – elsewhere	**40,757**	49,648
Deferred tax	**5,982**	(9,740)
Total tax charge for the year	**46,739**	39,908

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, and a reconciliation of the Hong Kong statutory tax rate to the effective tax rate, are as follows:

	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
Profit before tax	**51,628**		133,440	
Income tax charge at the Company's statutory tax rate of 16.5%	**8,519**	**16.5**	22,018	16.5
Effect of different income tax rates for foreign operations	**5,050**	**9.8**	11,016	8.3
Income not subject to tax	**(3,094)**	**(6.0)**	(17,489)	(13.1)
Expenses not deductible for tax purposes	**17,625**	**34.1**	9,116	6.8
Tax losses not recognised as deferred tax assets	**7,087**	**13.7**	15,761	11.8
Additional deduction of research and development expenses	**–**	**–**	(3,145)	(2.4)
Withholding tax	**11,142**	**21.6**	1,078	0.8
Others	**410**	**0.8**	1,553	1.2
Tax charge at the effective rate	**46,739**	**90.5**	39,908	29.9

10. EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earning per share amount is based on the profit/loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 574,339,068 (2018: 574,339,068) in issue during the year.

No adjustment has been made to the earning per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group did not have any potential ordinary shares in issue during the years ended 31 December 2019 and 2018.

11. DIVIDEND

	2019	2018
	HK$'000	*HK$'000*
Proposed final dividend and special dividend	**–**	34,460

The board of directors of the Company decided, on 26 March 2020, not to propose any final dividend in respect of the year ended 31 December 2019 (2018: final dividend of HK$0.02 per share and special dividend of HK$0.04 per share).

12. OTHER NON-CURRENT ASSETS

	2019	2018
	HK$'000	*HK$'000*
Contract performance deposits	**46,907**	26,457
Pre-production cost	**161,375**	134,748
	208,282	161,205
Within one year *(Note 14)*	**(19,465)**	(14,794)
	188,817	146,411

13. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade and bills receivables	**341,576**	390,739
Impairment	**(3,729)**	(3,043)
Total	**337,847**	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 third-party customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has control to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by analysis by customer. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. They are stated net of provisions.

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

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**336,998**	386,619
3 months to 1 year	**849**	1,077
	337,847	387,696

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

	2019	2018
	HK$'000	*HK$'000*
At the beginning of year	**(3,043)**	(12,208)
Impairment losses recognised *(Note 7)*	**(632)**	(5,972)
Exchange realignment	**(54)**	1,212
Disposal of a subsidiary	**–**	13,925
At end of the year	**(3,729)**	(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:

As at 31 December 2019	**Not yet due**	**Overdue**	**Total**
Expected credit loss rate	**0.50%**	**85.24%**	**1.09%**
Carrying amount (HK$'000)	**339,191**	**2,385**	**341,576**
Expected credit losses (HK$'000)	**1,696**	**2,033**	**3,729**

As at 31 December 2018	Not yet due	Overdue	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

14. PREPAYMENT, OTHER RECEIVABLES AND OTHER ASSETS

	2019	2018
	HK$'000	*HK$'000*
Prepayments	**5,646**	24,102
Deposits, other receivables and others	**42,098**	73,346
Preproduction cost – current *(Note 12)*	**19,465**	14,794
Due from fellow subsidiaries	**36,306**	33,387
Due from holding companies	**63,945**	67,656
	167,460	213,285
Impairment	**(492)**	(495)
	166,968	212,790

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

	2019	2018
	HK$'000	*HK$'000*
At the beginning of year	**(495)**	–
Impairment losses reversed/(recognised), net *(Note 7)*	**3**	(495)
At end of the year	**(492)**	(495)

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

As at 31 December 2019	**Not yet due**	**Overdue**	**Total**
Expected credit loss rate	**0.5%**	**–**	**0.5%**
Adjusted carrying amount* (HK$'000)	**100,251**	**–**	**100,251**
Expected credit losses (HK$'000)	**492**	**–**	**492**

As at 31 December 2018	Not yet due	Overdue	Total
Expected credit loss rate	0.5%	–	0.5%
Adjusted carrying amount* (HK$'000)	101,043	–	101,043
Expected credit losses (HK$'000)	495	–	495

* The adjusted carrying amount represents the gross carrying amount excluding prepayments, deposits, other receivables and others and current preproduction cost with no default risk.

15. TRADE PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**318,529**	381,100
3 to 6 months	**37**	1,121
6 to 12 months	**24**	23
Over 12 months	**473**	1,135
	319,063	383,379

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

16. OTHER PAYABLES AND ACCRUALS

	31 December 2019 *HK$'000*	**1 January 2019** *HK$'000*	31 December 2018 *HK$'000*
Contract liabilities *(Note (a))*	**43,685**	**57,025**	57,025
Other payables and accruals *(Note (b))*	**36,721**	**48,200**	58,547
Other tax payables	**36,137**	**39,946**	39,946
Accrued salaries, wages and benefits	**44,143**	**30,797**	30,797
Due to fellow subsidiaries	**15,874**	**34,100**	34,100
Due to a holding company	**10,600**	**11,787**	11,787
	187,160	**221,855**	232,202
Portion classified as current liabilities	**(150,380)**	**(183,191)**	(193,538)
Non-current portion	**36,780**	**38,664**	38,664

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2019 *HK$'000*	31 December 2018 *HK$'000*	1 January 2018 *HK$'000*
Short-term advances received from customers	**–**	–	1,669
Engineering technical service fees	**43,685**	57,025	12,836
Total contract liabilities	**43,685**	57,025	14,505

Contract liabilities include short-term advances received to deliver manufactured automatic products and technical services.

(b) Other payables are unsecured, non-interest-bearing and repayable on demand. As a result of the initial application of HKFRS 16, accrued lease payments of HK$10,347,000 previously included in "Other payables and accruals" were adjusted to the "Lease liabilities" recognised at 1 January 2019.

17. DEFINED BENEFIT OBLIGATIONS

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

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

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

	2019	2018
	HK$'000	*HK$'000*
Present value of unfunded obligations	**115,135**	88,760
Portion classified as current liabilities	**(1,559)**	(2,888)
Non-current portion	**113,576**	85,872

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

	2019	2018
	HK$'000	*HK$'000*
At beginning of the year	**88,760**	89,400
Current service costs	**2,843**	633
Interest cost on benefit obligations	**2,064**	1,569
Benefits paid during the year	**(3,009)**	(2,446)
Remeasurement losses recognised in other comprehensive income*	**26,583**	4,528
Exchange realignment	**(2,106)**	(4,924)
At end of the year	**115,135**	88,760

* Deferred tax assets of HK$5,021,000 (31 December 2018: HK$932,000) were recognised for the remeasurement losses. The remeasurement loss after deferred tax amounted to HK$21,562,000 (31 December 2018: HK$3,596,000), which was recognised in other comprehensive income.

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

	2019	2018
	HK$'000	*HK$'000*
Current service costs	**2,843**	633
Interest cost on benefit obligations	**2,064**	1,569
Net benefit expenses	**4,907**	2,202

(d) The principal actuarial assumptions used in valuing the provisions for defined benefit obligations at the end of the reporting period are as follows:

		2019	
	Germany	**Poland**	**France**
	%	*%*	*%*
Discount rate	**0.88**	**2.10**	**0.62**
Rate of salary increases	**3.00**	**4.00**	**2.00**
Rate of price inflation	**2.00**	**2.50**	**N/A**
Pension increase rate	**2.00**	**N/A**	**N/A**

		2018	
	Germany	Poland	France
	%	*%*	*%*
Discount rate	1.80	3.40	1.50
Rate of salary increases	3.00	3.50/4.00	2.30/2.50
Rate of price inflation	2.00	2.50	N/A
Pension increase rate	2.00	N/A	N/A

The average duration of the provision for defined benefits at the end of the reporting period is as follows:

	2019		
	Germany	**Poland**	**France**
	Years	**Years**	**Years**
Average life expectancy			
Plan 1	**16**	**12.65**	**20**
Plan 2	**4**	**17.66**	**N/A**

	2018		
	Germany	Poland	France
	Years	Years	Years
Average life expectancy			
Plan 1	16	11.79	10
Plan 2	6	16.58	N/A

(e) The quantitative sensitivity analysis of the provisions for defined benefits as at the end of the reporting period is as follows:

2019

	Increase in rate	**Decrease in provisions for defined benefits**	**Decrease in rate**	**Increase in provisions for defined benefits**
	%	***HK$'000***	**%**	***HK$'000***
Discount rate	**1**	**(10,650)**	**1**	**12,778**

2018

	Increase in rate	Decrease in provisions for defined benefits	Decrease in rate	Increase in provisions for defined benefits
	%	*HK$'000*	%	*HK$'000*
Discount rate	1	(7,118)	1	10,279

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the provisions for defined benefits as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

18. ISSUED CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each (2018: 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 (2018: 574,339,068 ordinary shares of HK$0.10 each)	**57,434**	57,434

19. COMMITMENTS

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

	2019	2018
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Plant and machinery	**94,186**	52,566

(b) Operating lease commitments as at 31 December 2018:

The Group leased certain of its plant, motor vehicles and equipment under operating lease arrangements, with leases negotiated for terms ranging from within one to fourteen years. Leases for other equipment were with terms of 12 months or less.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018
	HK$'000
Within one year	33,467
In the second to fifth years, inclusive	63,074
After five years	81,225
	177,766

20. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2019, a number of countries in Europe have reported confirmed cases of novel coronavirus. The outbreak of the novel coronavirus may negatively affect economic conditions regionally as well as globally and may disrupt supply chains and otherwise impact the operations of the Group. The ultimate severity of the novel coronavirus outbreak is uncertain and could have a material adverse effect on the business, financial condition and results of operations of the Group. These are non-adjusting subsequent events and as at the date of approval of these financial statements the extent of the adverse effect could not be estimated pending for further developments in respect thereof.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year (2018: a final dividend of HK 2 cents per ordinary share and a special dividend of HK 4 cents per ordinary share).

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

Latest time for lodging transfers of shares . . . . 4:30 p.m. on 20 May 2020 (Wednesday)

Book close dates . . . . 21 May 2020 (Thursday) to 26 May 2020 (Tuesday) (both days inclusive)

Annual General Meeting (the "AGM") . . . . 26 May 2020 (Tuesday)

In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before the latest time as set out above.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

During the year ended 31 December 2019, the Group involved in the manufacture and sale of automotive parts and components and the trading of automotive parts and components. The core products of the Group were suspension products.

Suspension products

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

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

The Group purchases 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.

Brake products

The brake business of BWI (Shanghai) Co., Ltd. ("BWI Shanghai") recorded an operating loss in 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 year ended 31 December 2019, the Group recorded revenue of HK$2,469.38 million from manufacture and sales of suspension products. While for the year ended 31 December 2018, the Group recorded revenue of HK$3,272.58 million from manufacture and sales of suspension and brake products. The decrease in revenue for the year ended 31 December 2019 is mainly because (i) after the completion of 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 year ended 31 December 2019, the Group also recorded HK$185.21 million in provision of technical services (year ended 31 December 2018: HK$145.70 million).

Gross profit and gross profit margin

For the year ended 31 December 2019, the gross profit and gross profit margin for the suspension products were HK$552.19 million and 20.80% respectively. While for the year ended 31 December 2018, the gross profit and gross profit margin for the suspension and brake products were HK$622.69 million and 18.22% 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 year ended 31 December 2019 decreased by 66.56% to HK$58.10 million (year ended 31 December 2018: HK$173.77 million), which was mainly contributed by the decrease in profit from sale of scrap materials and a one-off disposal gain of HK$86.28 million realized upon the Disposal in 2018; while no such one-off disposal gain was recorded in 2019.

Selling and distribution expenses

Selling and distribution expenses of the Group for the year ended 31 December 2019 increased by 18.03% to HK$40.38 million (year ended 31 December 2018: HK$34.22 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 year ended 31 December 2019 decreased by 11.02% to HK$197.16 million (year ended 31 December 2018: HK$221.58 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 year ended 31 December 2019 decreased by 23.78% to HK$294.83 million (year ended 31 December 2018: HK$386.82 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 year ended 31 December 2019 decreased by 14.06% to HK$11.64 million (year ended 31 December 2018: HK$13.55 million) because the Group no longer recorded the finance costs from the brake business. Finance costs mainly represented interest on bank loans obtained by subsidiaries in Europe and Hong Kong.

Profit for the year attributable to equity owners of the Company

For the year ended 31 December 2019, profit for the year attributable to equity owners of the Company approximate to HK$4.89 million (year ended 31 December 2018: HK$120.88 million). The decrease in profit for the year attributable to equity owners is mainly due to a one-off disposal gain of HK$86.28 million realized upon the Disposal in 2018 and no such one-off disposal gain was recorded in 2019. Moreover, the impact of Brexit on the automotive components business started emerging and at the same time the European economy was weak which led to a decline 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 year ended 31 December 2019, with net cash flows from operating activities amounted to HK$17.91 million (year ended 31 December 2018: net cash flows from operating activities of HK$222.86 million). As at 31 December 2019, the Group maintained cash and bank balances of HK$366.84 million (as at 31 December 2018: HK$727.91 million).

Indebtedness

As at 31 December 2019, the Group had bank borrowings of HK$98.27 million, which were obtained by subsidiaries in Europe and were denominated in Euro ("EUR") with an interest of 1-month EURIBOR plus 2.00% per annum and Polish Zloty ("PLN") with an interest of 1-month WIBOR plus 2.00% 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 31 December 2019 was 5.06% (as at 31 December 2018: 16.12%). The Company would keep monitoring the financial and liquidity position of the Group closely, and make appropriate financing strategy for the Group in accordance with the change of the financial market from time to time.

Pledge of Assets

As at 31 December 2019 and 2018, 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 PLN, Great Britain Pound Sterling and Czech Koruna. 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 19 in the notes to financial statements, the Group and the Company had no other commitments as at 31 December 2019 and 2018.

Contingent Liabilities

As at 31 December 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.

Review and Prospects

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

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

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

Employees and Remuneration Policy

As at 31 December 2019, the Group had approximately 930 full-time employees (as at 31 December 2018: 880 full-time employees). During the year ended 31 December 2019, the total employees' cost was HK$471.04 million (year ended 31 December 2018: HK$557.18 million). Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by the management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group has defined benefit pension plans covering substantially all of its qualified employees in Poland, France and Germany. The Group has also adopted a mandatory provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for its employees in Hong Kong.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the financial year ended 31 December 2019.

Details of the Company's compliance with the provisions of the CG Code during the year will be set out in the Corporate Governance Report in the Company's 2019 annual report.

APPRECIATION

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

By Order of the Board
BeijingWest Industries International Limited
Jiang Yunan
Chairman

Hong Kong, 26 March 2020

As at the date of this announcement, the Board comprises Mr. Jiang Yunan (Chairman), Mr. Chen Zhouping (Managing Director), Mr. Thomas P Gold (Executive Director), Mr. Li Zhi (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).