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京西重工國際有限公司

BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2339)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the "Board") of BeijingWest Industries International Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 with comparative figures for the year ended 31 December 2019. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	5	**2,311,984**	2,654,586
Cost of sales		**(1,929,133)**	(2,102,401)
Gross profit		**382,851**	552,185
Other income and gains	5	**59,334**	58,104
Selling and distribution expenses		**(49,696)**	(40,384)
Administrative expenses		**(159,453)**	(197,155)
Reversal/(provision) of impairment losses on financial assets	6	**757**	(629)
Research and development expenses		**(262,237)**	(294,827)
Other operating expenses		**(794)**	(14,025)
Finance costs	7	**(12,469)**	(11,641)
(LOSS)/PROFIT BEFORE TAX	6	**(41,707)**	51,628
Income tax expense	8	**(9,837)**	(46,739)
(LOSS)/PROFIT FOR THE YEAR		**(51,544)**	4,889
Attributable to:			
Owners of the Company		**(51,544)**	4,889
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	10	**(8.97)**	0.85

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE YEAR	**(51,544)**	4,889
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**24,636**	(4,827)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement loss on defined benefit plans	**(2,790)**	(21,562)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	**21,846**	(26,389)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(29,698)**	(21,500)
Attributable to:		
Owners of the Company	**(29,698)**	(21,500)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**497,642**	462,816
Right-of-use assets		**230,667**	161,258
Goodwill		**5,030**	4,544
Deferred tax assets		**87,015**	67,754
Other non-current assets	11	**223,587**	188,817
Total non-current assets		**1,043,941**	885,189
CURRENT ASSETS			
Inventories		**205,266**	187,092
Trade receivables	12	**379,156**	337,847
Prepayments, other receivables and other assets	13	**194,813**	166,968
Cash and cash equivalents		**424,111**	366,840
Total current assets		**1,203,346**	1,058,747
CURRENT LIABILITIES			
Trade payables	14	**399,495**	319,063
Other payables and accruals	15	**255,803**	150,380
Income tax payables		**11,655**	6,603
Bank borrowings		**103,726**	98,272
Defined benefit obligations	16	**2,504**	1,559
Lease liabilities		**42,140**	33,364
Provision		**46,326**	22,430
Total current liabilities		**861,649**	631,671
NET CURRENT ASSETS		**341,697**	427,076
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,385,638**	1,312,265

	Notes	**2020**	2019
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Other payables and accruals	15	**31,624**	36,780
Defined benefit obligations	16	**126,963**	113,576
Lease liabilities		**197,880**	126,344
Deferred tax liabilities		**94,993**	71,730
Loan from a holding company		**477**	436
Total non-current liabilities		**451,937**	348,866
NET ASSETS		**933,701**	963,399
EQUITY			
Equity attributable to owners of the Company			
Issued capital	17	**57,434**	57,434
Reserves		**876,267**	905,965
TOTAL EQUITY		**933,701**	963,399

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 the provision of technical services.

As at 31 December 2020 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 and place of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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.

2.1 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 2020. 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting* 2018 and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting* 2018 and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting* 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, no monthly lease payments for the leases of the Group's plant and machinery have been reduced or deferred by the lessors upon reducing the scale. The amendments did not have any significant impact on the financial position of the Group.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3,6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[2]

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after 1 January 2023

[4] No mandatory effective date yet determined but available for adoption

[5] As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

[6] As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is 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, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in Euro and Poland Zloty based on the European Interbank Offered Rate ("EURIBOR") and the Warsaw Interbank Offered Rate ("WIBOR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

3. 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 management needs to judge and estimate whether such capitalised costs 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 receivables

The Group uses a provision matrix to calculate ECLs for trade 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 steel 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 a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 12 to the financial statements.

Provision against inventories

Management reviews the condition of inventories of the Group at the end of the reporting period and makes provision against inventories. Management estimates the net realisable value based primarily on the latest sales invoice prices and current market conditions. Management reassesses the estimation at the end of the reporting period.

Net realisable value of inventories

Net realisable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

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.

4. **OPERATING SEGMENT INFORMATION**

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

Products and services

Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
Sale of industrial products	**2,122,232**	2,469,381
Technical service income	**189,752**	185,205
	2,311,984	2,654,586

Geographical information

(a) Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
United Kingdom	**916,479**	1,084,534
Germany	**538,277**	607,908
United States	**338,899**	198,161
Mainland China	**63,819**	75,131
Other countries	**454,510**	688,852
	2,311,984	2,654,586

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

(b) Non-current assets

	2020	2019
	HK$'000	*HK$'000*
Poland	**570,899**	443,472
Czech	**231,549**	243,898
United Kingdom	**115,248**	119,309
Other countries	**39,230**	10,756
	956,926	817,435

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 (2019: two) of the Group's customers and were individually accounted for more than 10% of the Group's total revenue are as follows:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**687,146**	805,034
Customer B	**273,290**	346,379
	960,436	1,151,413

5. 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 is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of industrial products	**2,122,232**	2,469,381
Technical service income	**189,752**	185,205
	2,311,984	2,654,586

	2020	2019
	HK$'000	*HK$'000*
Timing of revenue recognition		
Industrial products and services transferred at a point time	**2,305,107**	2,636,699
Services transferred over time	**6,877**	17,887
	2,311,984	2,654,586

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

	2020	2019
	HK$'000	*HK$'000*
Other income		
Bank interest income	**3,327**	12,405
Profit from sale of scrap materials	**17,503**	22,096
Foreign exchange differences, net	**3,854**	–
Gain on change in financial assets at fair value through profit and loss	**2,192**	–
Others	**4,419**	4,545
	31,295	39,046
Gains		
Gain on disposal of items of property, plant and equipment	**1,256**	18,053
Government grants	**26,783**	1,005
	28,039	19,058
Other income and gains, net	**59,334**	58,104

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Cost of inventories sold and services provided		**1,929,133**	2,102,401
Depreciation of property, plant and equipment		**70,039**	67,182
Depreciation of right-of-use assets		**35,885**	42,359
Lease payments not included in the measurement of lease liabilities		**2,162**	446
Auditors' remuneration		**3,952**	3,688
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and benefits		**435,207**	466,136
Defined benefit obligation expenses	16(c)	**7,463**	4,907
		442,670	471,043
Research and development costs		**262,237**	294,827
Less: Staff costs included in research and development costs		**(109,708)**	(116,918)
Research and development costs, net of staff costs		**152,529**	177,909
Gain on disposal of items of property, plant and equipment	5	**(1,256)**	(18,053)
Impairment losses on financial assets, net:			
(Reversal of impairment)/impairment of trade receivables, net	12	**(862)**	632
Impairment/(reversal of impairment) of prepayments, other receivables and other assets, net	13	**105**	(3)
		(757)	629
Provision for obsolete items of property, plant and equipment		**–**	1,211
Write-back of provision for obsolete inventories*		**(529)**	(79)
Provision for warranties, net		**32,804**	19,426
Fair value (gain)/loss, net**:			
Derivative instrument – transaction not qualifying as hedge		**(2,192)**	2,192
Foreign exchange differences, net***		**(3,854)**	11,538

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

** A fair value gain of HK$2,192,000 is included in "other income" in the consolidated statement of profit or loss for the year ended 31 December 2020, and a fair value loss of HK$2,192,000 is included in "other operating expenses" in the consolidated statement of profit or loss for the year ended 31 December 2019.

*** A foreign exchange gain of approximately HK$3,854,000 is included in "other income" in the consolidated statement of profit or loss for the year ended 31 December 2020, and a foreign exchange loss of approximately HK$11,538,000 is included in "other operating expenses" in the consolidated statement of profit or loss for the year ended 31 December 2019.

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank loans and other loans	**5,735**	7,540
Interest on lease liabilities	**6,734**	4,101
	12,469	11,641

8. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2020 as the Group did not generate any assessable profits arising in Hong Kong during the year (year ended 31 December 2019: 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:

	2020	2019
	(%)	*(%)*
Luxembourg	**24.94**	24.94
Poland	**19.00**	19.00
United Kingdom	**19.00**	19.00
France	**28.00**	31.00
Germany	**29.83**	29.83
Italy	**27.50**	27.50
Czech	**19.00**	19.00

	2020	2019
	HK$'000	*HK$'000*
Current - elsewhere	**5,975**	40,757
Deferred tax	**3,862**	5,982
Total tax charge for the year	**9,837**	46,739

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:

	2020		2019	
	HK$'000	***%***	*HK$'000*	*%*
(Loss)/Profit before tax	**(41,707)**		51,628	
Income tax charge at the Company's statutory tax rate of 16.5%	**(6,882)**	**16.5**	8,519	16.5
Effect of different income tax rates for foreign operations	**161**	**(0.4)**	5,050	9.8
Income not subject to tax	**(2,678)**	**6.4**	(3,094)	(6.0)
Expenses not deductible for tax purposes	**19,743**	**(47.3)**	17,625	34.1
Tax losses not recognised as deferred tax assets	**9,762**	**(23.4)**	7,087	13.7
Additional deduction of research and development expenses	**(4,281)**	**10.3**	–	–
Withholding tax (refund)/expense	**(5,920)**	**14.2**	11,142	21.6
Adjustment for current income tax of previous period	**(460)**	**1.1**	–	–
Others	**392**	**(1.0)**	410	0.8
Tax charge at the effective rate	**9,837**	**(23.6)**	46,739	90.5

9. DIVIDEND

The board of directors of the Company decided, on 30 March 2021, not to propose any final dividend in respect of the year ended 31 December 2020 (2019: nil).

10. (LOSS)/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/loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 574,339,068 (2019: 574,339,068) in issue during the year.

No adjustment has been made to the earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group did not have any potential ordinary shares in issue during the years ended 31 December 2020 and 2019.

11. OTHER NON-CURRENT ASSETS

	2020	2019
	HK$'000	*HK$'000*
Contract performance deposits	**62,499**	46,907
Pre-production costs	**188,486**	161,375
	250,985	208,282
Within one year (Note 13)	**(27,398)**	(19,465)
	223,587	188,817

12. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**382,218**	341,576
Impairment	**(3,062)**	(3,729)
Total	**379,156**	337,847

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

	2020	2019
	HK$'000	*HK$'000*
Within 3 months	**378,337**	336,998
3 months to 1 year	**819**	849
	379,156	337,847

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

	2020	2019
	HK$'000	*HK$'000*
At beginning of the year	**(3,729)**	(3,043)
Impairment losses reversed/(recognised) *(Note 6)*	**862**	(632)
Exchange realignment	**(195)**	(54)
At end of the year	**(3,062)**	(3,729)

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.

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 2020	**Not yet due**	**Overdue**	**Total**
Expected credit loss rate	**0.50%**	**73.39%**	**0.80%**
Carrying amount (HK$'000)	**380,639**	**1,579**	**382,218**
Expected credit losses (HK$'000)	**1,903**	**1,159**	**3,062**

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

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020	2019
	HK$'000	*HK$'000*
Prepayments	**4,500**	5,646
Deposits, other receivables and others	**42,058**	42,098
Pre-production costs – current *(Note 11)*	**27,398**	19,465
Due from fellow subsidiaries	**84,107**	36,306
Due from a holding company	**37,347**	63,945
	195,410	167,460
Impairment	**(597)**	(492)
	194,813	166,968

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

	2020	2019
	HK$'000	*HK$'000*
At beginning of the year	**(492)**	(495)
Impairment losses (recognised)/reversed, net *(Note 6)*	**(105)**	3
At end of the year	**(597)**	(492)

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 2020	**Not yet due**	**Overdue**	**Total**
Expected credit loss rate	**0.5%**	**–**	**0.5%**
Adjusted carrying amount* (HK$'000)	**121,454**	**–**	**121,454**
Expected credit losses (HK$'000)	**597**	**–**	**597**

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

* The adjusted carrying amount represents the gross carrying amount excluding prepayments, deposits, other receivables and others and the current portion of pre-production costs with no default risk.

14. TRADE PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
Within 3 months	**398,924**	318,529
3 to 6 months	**127**	37
6 to 12 months	**49**	24
Over 12 months	**395**	473
	399,495	319,063

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

15. OTHER PAYABLES AND ACCRUALS

	31 December 2020	31 December 2019
	HK$'000	*HK$'000*
Contract liabilities *(Note (a))*	**37,654**	43,685
Other creditors and accruals *(Note (b))*	**55,613**	36,721
Other tax payables	**57,947**	36,137
Accrued salaries, wages and benefits	**62,908**	44,143
Due to fellow subsidiaries	**48,507**	15,874
Due to a holding company	**24,798**	10,600
	287,427	187,160
Portion classified as current liabilities	**(255,803)**	(150,380)
Non-current portion	**31,624**	36,780

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2020	31 December 2019
	HK$'000	*HK$'000*
Engineering technical service fees	**37,654**	43,685
Total contract liabilities	**37,654**	43,685

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

(b) Other creditors are unsecured, non-interest-bearing and repayable on demand.

16. 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 as follows:

	2020	2019
	HK$'000	*HK$'000*
Present value of unfunded obligations	**129,467**	115,135
Portion classified as current liabilities	**(2,504)**	(1,559)
Non-current portion	**126,963**	113,576

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

	2020	2019
	HK$'000	*HK$'000*
At beginning of the year	**115,135**	88,760
Current service costs	**5,758**	2,843
Interest cost on benefit obligations	**1,705**	2,064
Benefits paid during the year	**(2,098)**	(3,009)
Remeasurement losses recognised in other comprehensive income*	**2,686**	26,583
Exchange realignment	**6,281**	(2,106)
At end of the year	**129,467**	115,135

* Deferred tax assets of HK$104,000 were reversed (31 December 2019: HK$5,021,000 were recognised) for the remeasurement losses. The remeasurement losses after deferred tax amounted to HK$2,790,000 (31 December 2019: HK$21,562,000), which were recognised in other comprehensive income.

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

	2020	2019
	HK$'000	*HK$'000*
Current service costs	**5,758**	2,843
Interest cost on benefit obligations	**1,705**	2,064
Net benefit expenses	**7,463**	4,907

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

		2020	
	Germany	**Poland**	**France**
	%	**%**	**%**
Discount rate	**0.70**	**1.20**	**0.47**
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**

		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

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

	2020		
	Germany	**Poland**	**France**
	Years	**Years**	**Years**
Average life expectancy			
Plan 1	**15.80**	**12.66**	**19.55**
Plan 2	**4.80**	**17.58**	**NA**

	2019		
	Germany	Poland	France
	Years	Years	Years
Average life expectancy			
Plan 1	16.00	12.65	20.00
Plan 2	4.00	17.66	N/A

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

2020

	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**	**(10,010)**	**1**	**12,255**

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

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.

17. ISSUED CAPITAL

	2020	2019
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each (2019: 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 (2019: 574,339,068 ordinary shares of HK$0.10 each)	**57,434**	57,434

18. COMMITMENTS

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

	2020	2019
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Plant and machinery	**80,539**	94,186

19. EVENTS AFTER THE REPORTING PERIOD

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

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year (2019: Nil).

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 24 May 2021 (Monday)

Book close dates . . . . .25 May 2021 (Tuesday) to 28 May 2021 (Friday) (both days inclusive)

Annual General Meeting (the "AGM") . . . . .28 May 2021 (Friday)

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

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

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

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

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

Global Pandemic

In March 2020, the World Health Organization made an assessment and characterized the worldwide outbreak of novel coronavirus (COVID-19) as a pandemic ("Pandemic") and reminded all countries to activate and scale up emergency response mechanisms. With the increasing number of confirmed cases of COVID-19 in the second quarter of 2020, various countries in Europe imposed containment and mitigation measures. The containment and mitigation measures included travel bans, quarantines, "stay-at-home" orders, and similar mandates for people to significantly restrict daily activities and for business to reduce or cease normal operations. The measures led to disruption and temporary suspension of the operations of the Group's plants in the UK, Poland and the Czech Republic. Starting in June 2020, the Group implemented new safety measures at the plants and took a phrased approach to resume the manufacturing operations, and the manufacturing operations of all the plants were resumed in June 2020.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group recorded revenue of HK$2,122.23 million from manufacture and sales of suspension products. While for the year ended 31 December 2019, the Group recorded revenue of HK$2,469.38 million from manufacture and sales of suspension products. The decrease in revenue for the year ended 31 December 2020 is mainly due to the disruption and temporary suspension of the operations of the Group's plants in the UK, Poland and the Czech Republic. In addition, the major customers of the Group are well-known European automobile manufacturers. They were also negatively affected by the Pandemic. These affected the sales of suspension products.

For the year ended 31 December 2020, the Group also recorded revenue of HK$189.75 million in provision of technical services (year ended 31 December 2019: HK$185.21 million).

Gross Profit and Gross Profit Margin

For the year ended 31 December 2020, the gross profit and gross profit margin of the Group were HK$382.85 million and 16.56% respectively. While for the year ended 31 December 2019, the gross profit and gross profit margin of the Group were HK$552.19 million and 20.80% respectively. The gross profit decrease was mainly due to the decrease in revenue as affected by the Pandemic. The gross profit margin also decreased because some fixed costs of the manufacturing plants were unavoidable even though the operations of the Group's plants were temporarily suspended as a result of the Pandemic. This dragged down the gross profit margin for the year ended 31 December 2020.

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 2020 increased by 2.12% to HK$59.33 million (year ended 31 December 2019: HK$58.10 million), which was mainly contributed by the government grants from various European governmental authorities to contain and combat the outbreak and spread of COVID-19.

Selling and Distribution Expenses

Selling and distribution expenses of the Group for the year ended 31 December 2020 increased by 23.06% to HK$49.70 million (year ended 31 December 2019: HK$40.38 million), mainly due to the 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 2020 decreased by 19.12% to HK$159.45 million (year ended 31 December 2019: HK$197.16 million). The decrease was mainly because tighten cost control was in place to mitigate the unfavorable effects brought by the Pandemic. Administrative expenses mainly consisted of salaries for administrative staff and management service fee charged by related companies.

Research and Development Expenses

Research and development expenses of the Group for the year ended 31 December 2020 decreased by 11.05% to HK$262.24 million (year ended 31 December 2019: HK$294.83 million). The decrease was mainly because tighten cost control was in place. Research and development expenses mainly consisted of salaries for technical staff and service fee charged by related companies.

Finance Costs

Finance costs of the Group for the year ended 31 December 2020 increased by 7.11% to HK$12.47 million (year ended 31 December 2019: HK$11.64 million) mainly because the interest on lease liabilities increased as a result of the additions of right-of-use assets under lease contracts during the year ended 31 December 2020. Finance costs mainly represented interest on bank loans obtained by subsidiaries in Europe and Hong Kong and interest on lease liabilities.

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

For the year ended 31 December 2020, loss for the period attributable to owners of the Company approximate to HK$51.54 million (year ended 31 December 2019: profit for the period attributable to owners of the Company of HK$4.89 million). The loss for the period attributable to owners is mainly due to the decrease in revenue and gross profit as affected by the Pandemic.

Liquidity and Financial Resources

Our business requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials, capital spending, research and development and other expenses. The working capital and other capital requirements were satisfied principally by cash generated from internal operations, and moderate level of bank loans as well.

The Group was operating in a net cash inflow position for the year ended 31 December 2020, in which net cash generate from operating activities amounted to HK$157.27 million (year ended 31 December 2019: HK$17.91 million). As at 31 December 2020, the Group maintained cash and cash equivalents of HK$424.11 million (as at 31 December 2019: HK$366.84 million).

Indebtedness

As at 31 December 2020, the Group had bank borrowings of HK$103.73 million, which were obtained by subsidiaries in Europe and were denominated in Euro ("EUR") with an interest of 1-month EURIBOR plus 2.00% to 2.20% per annum and Polish Zloty ("PLN") with an interest of 1-month WIBOR plus 2.00% per annum.

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 EUR with an interest of 1-month EURIBOR plus 2.00% per annum and PLN with an interest of 1-month WIBOR plus 2.00% per annum.

The Group's gearing ratio (measured as total bank borrowings over total assets) as at 31 December 2020 was 4.62% (as at 31 December 2019: 5.06%). The Company would keep monitoring the financial and liquidity position of the Group closely, and carry out appropriate financing strategy for the Group in accordance with the change of the financial market from time to time.

Pledge of Assets

As at 31 December 2020 and 31 December 2019, there were no assets of the Group being pledged.

Foreign Exchange Exposure

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

Capital and Other Commitments

Save as disclosed in note 18 in the notes to financial statements, the Group and the Company had no other commitments as at 31 December 2020 and 31 December 2019.

Contingent Liabilities

As at 31 December 2020, the Group and the Company did not have any significant contingent liabilities.

OTHER INFORMATION

Environmental, Health and Safety

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

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

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

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

Prospects

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

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

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

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

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

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

The impact of the Pandemic created significant volatility in the global economy in 2020. The future impact of the Pandemic will depend on future developments, such as the development of safe and effective vaccines against COVID-19 and the rate at which economic conditions return to pre-COVID-19 business activity level. Looking forward to 2021, the Group expects that the impact of the Pandemic on people's life and work will gradually be alleviated and the economy in Europe may set for a hard-earned rebound. The automotive production and sales of the major customers of the Group are likely to recover, which would be advantageous to the improvement of the financial performance of the Group.

Employees and Remuneration Policy

As at 31 December 2020, the Group had approximately 950 full-time employees (as at 31 December 2019: 930). During the year ended 31 December 2020, the total employees' cost was HK$442.67 million (year ended 31 December 2019: HK$471.04 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 2020.

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 2020 annual report.

SCOPE OF WORK

The financial figures in respect of the preliminary announcement of the Group's consolidated results for the year ended 31 December 2020 have been agreed with the Group's auditor, Ernst & Young, Certified Public Accountants. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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

30 March 2021

As at the date of this announcement, the Board comprises Mr. Jiang Yunan (Chairman), Mr. Chen Zhouping (Managing 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).