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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 2018

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 2018 with comparative figures for the year ended 31 December 2017. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	6	**3,418,281**	3,903,650
Cost of sales		**(2,795,592)**	(3,156,431)
Gross profit		**622,689**	747,219
Other income and gains, net	6	**173,769**	75,726
Selling and distribution expenses		**(34,216)**	(49,201)
Administrative expenses		**(228,050)**	(236,289)
Research and development expenses		**(386,815)**	(490,587)
Other operating expenses, net		**(391)**	(27,366)
Finance costs	8	**(13,546)**	(13,719)
PROFIT BEFORE TAX	7	**133,440**	5,783
Income tax expense	9	**(39,908)**	(37,296)
PROFIT/(LOSS) FOR THE YEAR		**93,532**	(31,513)
Attributable to:			
Owners of the Company		**120,879**	(8,572)
Non-controlling interests		**(27,347)**	(22,941)
		93,532	(31,513)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	10	**21.05**	(1.49)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**93,532**	(31,513)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(43,733)**	131,440
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement loss on defined benefit plans	**(3,596)**	(72)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX	**(47,329)**	131,368
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**46,203**	99,855
Attributable to:		
Owners of the Company	**71,060**	114,562
Non-controlling interests	**(24,857)**	(14,707)
	46,203	99,855

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**474,595**	680,029
Prepaid land lease payments		**9,590**	10,590
Goodwill		**4,455**	4,681
Deferred tax assets		**32,105**	48,007
Other non-current assets	*12*	**146,411**	33,853
Total non-current assets		**667,156**	777,160
CURRENT ASSETS			
Inventories		**171,789**	284,978
Trade and bills receivables	*13*	**387,696**	951,779
Prepayments, other receivables and other assets	*14*	**212,790**	149,043
Cash and cash equivalents		**727,912**	652,768
Total current assets		**1,500,187**	2,038,568
CURRENT LIABILITIES			
Trade payables	*15*	**383,379**	725,060
Other payables and accruals	*16*	**193,538**	312,060
Income tax payables		**42,669**	40,407
Bank borrowings		**349,366**	566,664
Defined benefit obligations		**2,888**	2,894
Provision		**16,543**	44,411
Total current liabilities		**988,383**	1,691,496
NET CURRENT ASSETS		**511,804**	347,072
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,178,960**	1,124,232

	Notes	**2018**	2017
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Other payables and accruals	*16*	**38,664**	13,903
Defined benefit obligations		**85,872**	86,506
Deferred tax liabilities		**34,617**	10,039
Loan from a holding company		**448**	469
Total non-current liabilities		**159,601**	110,917
NET ASSETS		**1,019,359**	1,013,315
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*17*	**57,434**	57,434
Reserves		**961,925**	834,838
		1,019,359	892,272
Non-controlling interests		**–**	121,043
Total equity		**1,019,359**	1,013,315

NOTES

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 2018 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		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
BWI (Shanghai) Co., Ltd. ("BWI Shanghai")*	PRC/Mainland China 26 June 2009	RMB114,285,714	–	51	Manufacture and sale of automotive parts and components

* As at 28 August 2018, the Group disposed of BWI Shanghai to BWI (HK), the immediate holding company of the Company. Further details of this disposal are included in notes 18.

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.

Pursuant to the agreement for the sale and purchase of shares of BWI Shanghai dated 21 June 2018 entered into between BWI (HK) and Billion Million (HK) Limited ("Billion Million", a wholly-owned subsidiary of the Company), Billion Million had completed the disposal of a 51% equity interest in BWI Shanghai ("BWI Shanghai Disposal") on 28 August 2018 for a consideration of RMB132,300,000 (approximately HK$151,587,000), which was satisfied by cash payment.

In addition, the Group was entitled to the profit after taxes of BWI Shanghai for the period from 1 January 2018 to the last day of the calendar month immediately preceding the completion date of the BWI Shanghai Disposal.

The consolidated financial statements have been prepared to exclude the assets and liabilities of the subsidiaries disposed pursuant to the BWI Shanghai Disposal using the existing book values from the controlling shareholders' perspective.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. 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 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4 and Annual Improvements to HKFRSs 2014-2016 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) Amendments to HKFRS 2 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement					HKFRS 9 measurement	
	Category	Amount	Re-classification	ECL	Other	Amount	Category
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Trade and bills receivables	L&R[1]	951,779	–	(2,140)	–	949,639	AC[2]
Financial assets included in Prepayments, other receivables and other assets	L&R	22,178	–	–	–	22,178	AC
Due from a fellow subsidiary	L&R	23,312	–	(105)	–	23,207	AC
Due from holding companies	L&R	41,755	–	(209)	–	41,546	AC
Cash and cash equivalents	L&R	652,768	–	–	–	652,768	AC
Total		1,691,792	–	(2,454)	–	1,689,338	
Trade and bills payables	AC	725,060	–	–	–	725,060	AC
Financial liabilities included in other payables and accruals	AC	92,288	–	–	–	92,288	AC
Interest-bearing bank and other borrowings	AC	566,664	–	–	–	566,664	AC
Loan from a holding company	AC	469	–	–	–	469	AC
Due to a holding company	AC	33,875	–	–	–	33,875	AC
Due to fellow subsidiaries	AC	51,209	–	–	–	51,209	AC
Dividends payable to BWI	AC	43,000	–	–	–	43,000	AC
Total		1,512,565	–	–	–	1,512,565	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 31 December 2017	**Remeasurement**	**ECL allowances under HKFRS 9 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	10,068	2,140	12,208
Financial assets included in prepayments, other receivables and other assets	–	314	314
Total	10,068	2,454	12,522

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	Retained profits
	HK$'000
Balance as at 31 December 2017 under HKAS 39	630,001
Recognition of expected credit losses for trade receivables under HKFRS 9	(1,959)
Recognition of expected credit losses for Financial assets included in prepayments, other receivables and other assets under HKFRS 9	(314)
Balance as at 1 January 2018 under HKFRS 9	**627,728**

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective approach. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

		Increase/(decrease)
	Notes	*HK$'000*
Assets		
Other non-current assets (including current portion)	*(ii)*	88,983
Deferred tax assets	*(v)*	1,151
		90,134
Liabilities		
Other payables and accruals	*(i),(iii)*	(1,669)
Contract liabilities	*(iii)*	
(including current portion)		14,505
Deferred tax liabilities	*(v)*	16,755
		29,591
Equity		
Retained profits	*(i),(ii),(v)*	53,552
Exchange fluctuation reserve		4,748
Non-controlling interests		2,243
		60,543

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

		Amounts prepared under		
			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*(i)*	3,418,281	3,465,040	(46,759)
Research and development expenses	*(ii)*	386,815	455,250	(68,435)
Profit before tax		133,440	111,764	21,676
Income tax credit	*(v)*	39,908	34,581	5,327
Profit for the year		93,532	77,183	16,349
Attributable to:				
Owners of the Company		120,879	105,383	15,496
Non-controlling interests		(27,347)	(28,200)	853
Earnings per share attributable to ordinary equity holders of the parent		21.05	18.35	2.70
Basic and diluted				
– For profit for the year		21.05	18.35	2.70

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Other non-current assets				
(including current portion)	*(ii)*	161,205	26,457	134,748
Deferred tax assets	*(v)*	32,105	22,682	9,423
		193,310	49,139	144,171
Liabilities				
Contract liabilities				
(including current portion)	*(i),(iii)*	57,025	–	57,025
Deferred tax liabilities	*(v)*	34,617	9,015	25,602
		91,642	9,015	82,627
Equity				
Retained profits	*(i),(ii),(iv),(v)*	802,159	733,111	69,048
Exchange fluctuation reserve		(129,584)	(123,675)	(5,909)
		672,575	609,436	63,139

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

Notes:

(i) Sales of automotive parts and the provision of technical services

Currently, the Group entered into contracts with customers for the sale of automotive parts and the provision of technical services, such as engineering services, respectively. In prior years, revenue from sale of automotive parts was recognised when goods were delivered, title had passed and the significant risks and rewards of ownership had been transferred to the buyer, and revenue from technical services was recognised when services were completed, provided that the Group maintained neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Upon the adoption of HKFRS 15, the Group has assessed and concluded that technical services contracts and contracts for the sale of automotive parts shall be combined when 1) the contracts are negotiated with a single commercial objective; 2) the amount of consideration in one contract depends on the price or performance of the other contract; 3) the goods or services promised are a single performance obligation. Revenue from technical services are deferred and recognised as revenue over the period of related sales of automotive parts.

(ii) Contract fulfilment costs

The Group incurs pre-production costs for design, testing, tooling and improving processes systems before production. Those costs were expensed as incurred in prior years. Upon adoption of HKFRS 15, the Group has assessed those costs and considers that pre-production cost shall be considered as contract fulfilment costs when 1) they relate directly to a specifically identifiable sales contract which has been confirmed by customers; 2) they generate or enhance resources that will be used in satisfying the sales contract; and 3) they are expected to be covered by future sales contract. Capitalised pre-production cost is amortised over the sales period to which such capitalised costs relate. Upon application of HKFRS 15, the pre-production costs related to uncompleted contracts as of 1 January 2018 were credited to retained earnings.

(iii) Advances received from customers

The Group receives advanced payments from customers related to services and the sale of automotive parts. Prior to the adoption of HKFRS 15, the Group presented these advances in other payables and accruals in the statement of financial position. Upon adoption of HKFRS 15, the Group recognised contract liabilities for the advances from customers for services or sale of automotive parts yet to be rendered or sold.

(iv) Presentation and disclosure

As required for the consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

(v) Other adjustment

In addition to the adjustments described above, upon adoption of HKFRS 15, deferred taxes associated with the above adjustments were also adjusted accordingly.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[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 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

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

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

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 recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be 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 the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption.

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.

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 expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is 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.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial 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 (i.e., 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, respectively.

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

	2018	2017
	HK$'000	*HK$'000*
Sale of goods	**3,272,577**	3,727,058
Technical services income	**145,704**	176,592
	3,418,281	3,903,650

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
United Kingdom	**1,266,688**	1,212,016
Germany	**615,901**	623,217
United States	**264,742**	257,945
Mainland China	**536,468**	988,139
Other countries	**734,482**	822,333
	3,418,281	3,903,650

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

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Poland	**374,564**	283,967
Czech	**160,579**	143,870
United Kingdom	**87,419**	74,050
Mainland China	**–**	218,143
Other countries	**12,489**	9,123
	635,051	729,153

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 (2017: one) of the Group's customers and were individually accounted for more than 10% of the Group's total revenue are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**961,225**	870,838
Customer B	**350,310**	346,378
	1,311,535	1,217,216

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:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of goods	**3,272,577**	3,727,058
Technical service income	**145,704**	176,592
	3,418,281	3,903,650
Other income		
Bank interest income	**7,334**	2,934
Profit from sale of scrap materials	**50,416**	54,733
Foreign exchange differences, net	**9,387**	–
Others	**9,582**	5,998
	76,719	63,665
Gains		
Disposal of a subsidiary	**86,278**	–
Gain on disposal of items of property, plant and equipment	**1,429**	4,021
Government grants	**9,343**	8,040
	97,050	12,061
Other income and gains, net	**173,769**	75,726

7. PROFIT BEFORE TAX

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

	Notes	2018 HK$'000	2017 HK$'000
Cost of inventories sold and services provided		**2,795,592**	3,156,431
Depreciation		**103,643**	107,817
Amortisation of prepaid land lease payments		**327**	311
Minimum lease payments under operating leases		**48,242**	58,625
Auditors' remuneration		**4,500**	3,930
Employee benefit expense (including directors' remuneration):			
Wages, salaries and benefits		**554,973**	614,708
Defined benefit obligation expenses		**2,202**	1,753
		557,175	616,461
Research and development costs		**386,815**	490,587
Less: Staff costs included in research and development costs		**(145,523)**	(186,674)
Research and development costs, net of staff costs		**241,292**	303,913
Gain on disposal of items of property, plant and equipment	*6*	**(1,429)**	(4,021)
Accrual/(reversal) of impairment of trade and bills receivables, net*	*13*	**5,972**	(785)
Accrual of impairment of prepayment, other receivables and other assets, net*	*14*	**495**	–
Impairment of items of property, plant and equipment		**–**	1,779
Provision against obsolete inventories**		**943**	4,212
Provision for warranties, net		**42**	13,510
Foreign exchange differences, net***		**(9,387)**	24,119

* The impairment amount of trade and bills receivables and deposits, other receivables and other assets is included in "Administrative expenses" in the consolidated statement of profit or loss.

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

*** 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, and foreign exchange loss of approximately HK$24,119,000 was included in "other operating expense" in the consolidated statement of profit or loss for the year ended 31 December 2017.

8. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within one year derived from:		
– bank loans	**13,546**	13,719

9. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2018 as the Group did not generate any assessable profits arising in Hong Kong during the year (year ended 31 December 2017: 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:

	2018	2017
	(%)	*(%)*
Luxembourg	**26.01**	27.08
Poland	**19.00**	19.00
United Kingdom	**19.00**	19.25
France	**28.00**	33.33
Germany	**15.83**	15.00
Italy	**27.90**	27.90
Mainland China *(Note (i))*	**15.00**	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 years ended 31 December 2018 and 2017.

	2018	2017
	HK$'000	*HK$'000*
Current – elsewhere	**49,648**	45,421
Deferred tax	**(9,740)**	(8,125)
Total tax charge for the year	**39,908**	37,296

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:

	2018		2017	
	HK$'000	*%*	*HK$'000*	*%*
Profit before tax	**133,440**		5,783	
Income tax charge at the Company's statutory tax rate of 16.5%	**22,018**	**16.5**	954	16.5
Effect of different income tax rates for foreign operations	**11,016**	**8.3**	4,295	74.3
Income not subject to tax	**(17,489)**	**(13.1)**	–	–
Expenses not deductible for tax purposes	**9,116**	**6.8**	6,738	116.5
Tax losses not recognised as deferred tax assets	**15,761**	**11.8**	14,560	251.8
Adjustment for the current income tax of the previous period	**–**	**–**	11,584	200.3
Additional deduction of research and development expenses	**(3,145)**	**(2.4)**	(4,113)	(71.1)
Withholding tax	**1,078**	**0.8**	2,513	43.5
Others	**1,553**	**1.2**	765	13.2
Tax charge at the effective rate	**39,908**	**29.9**	37,296	644.9

10. PROFIT/LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic profit/loss 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 (2017: 574,339,068) in issue during the year.

No adjustment has been made to the profit/loss per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the Group did not have any potential ordinary shares in issue during the years ended 31 December 2018 and 2017.

11. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Proposed final dividend and special dividend	**34,460**	–

The board of directors of the Company proposed, on 29 March 2019, the payment of a final dividend of HK$0.02 per share and a special dividend of HK$0.04 per share in respect of the year ended 31 December 2018 (2017: final dividend and special dividend of nil) based on the issued share capital of the Company of 574,339,068 shares. The proposed final dividend and special dividend are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. OTHER NON-CURRENT ASSETS

	2018	2017
	HK$'000	*HK$'000*
Contract fulfilment cost	**26,457**	33,853
Pre-production cost	**134,748**	–
	161,205	33,853
Within one year	**(14,794)**	–
	146,411	33,853

13. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade and bills receivables	**390,739**	961,847
Impairment	**(3,043)**	(10,068)
Total	**387,696**	951,779

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for the customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has control to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by analysis by customer. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. They are stated net of provisions.

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

	2018 *HK$'000*	2017 *HK$'000*
Within 3 months	**386,619**	934,053
3 months to 1 year	**1,077**	17,726
	387,696	951,779

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

	2018 *HK$'000*	2017 *HK$'000*
At beginning of the year	**(10,068)**	(12,134)
Effect of adaption of HKFRS 9	**(2,140)**	–
Impairment losses (recognised)/reversed, net *(Note 7)*	**(5,972)**	785
Amount written off as uncollectable	**–**	2,428
Exchange realignment	**1,212**	(1,147)
Disposal of a subsidiary	**13,925**	–
At end of the year	**(3,043)**	(10,068)

Impairment under HKFRS 9 for the year ended 31 December 2018

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:

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

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the provision for impairment of trade and bills receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of HK$10,068,000 with an aggregate carrying amount before provision of HK$351,393,000. The individually impaired trade receivables relate to customers that were in unexpected financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2017
	HK$'000
Neither past due nor impaired	**539,810**
Past due but not impaired:	
Less than 6 months past due	**–**
Over 6 months past due	**70,644**
	610,454

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

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018	2017
	HK$'000	*HK$'000*
Prepayments	**24,102**	23,516
Deposits, other receivables and others	**73,346**	60,460
Preproduction cost – current *(Note 12)*	**14,794**	–
Due from fellow subsidiaries	**33,387**	23,312
Due from holding companies	**67,656**	41,755
	213,285	149,043
Impairment *(Note 7)*	**(495)**	–
	212,790	149,043

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

	In Due	**Over Due**	**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

Note:

* The adjusted carrying amount represents gross carrying amount excluding prepayments, deposits, other receivables and others, 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:

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**381,100**	686,184
3 to 6 months	**1,121**	15,217
6 to 12 months	**23**	5,498
Over 12 months	**1,135**	18,161
	383,379	725,060

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

16. OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK$'000	*HK$'000*
Contract liabilities *(Note (a))*	**57,025**	–
Other payables and accruals *(Note (b))*	**58,547**	105,555
Other tax payables	**39,946**	50,219
Accrued salaries, wages and benefits	**30,797**	42,105
Due to fellow subsidiaries	**34,100**	51,209
Due to a holding company	**11,787**	33,875
Dividends payable to BWI	**–**	43,000
	232,202	325,963
Portion classified as current liabilities	**(193,538)**	(312,060)
Non-current portion	**38,664**	13,903

Notes:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

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

17. ISSUED CAPITAL

	2018 *HK$'000*	2017 *HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each (2017: 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 (2017: 574,339,068 ordinary shares of HK$0.10 each)	**57,434**	57,434

A summary of the movements in the Company's issued share capital during the years ended 31 December 2018 and 2017 is as follows:

	Number of ordinary shares in issue	**Issued capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1 January 2017	574,339,068	57,434	1,037,745	1,095,179
At 31 December 2017 and 1 January 2018	574,339,068	57,434	1,037,745	1,095,179
At 31 December 2018	574,339,068	57,434	1,037,745	1,095,179

18. DISPOSAL OF A SUBSIDIARY

	2018
	HK$'000
Net assets disposed of:	
Property, plant and equipment	**207,048**
Cash and bank balances	**49,676**
Trade receivables	**262,596**
Inventories	**85,499**
Other current assets	**25,717**
Prepayments and other receivables	**9,621**
Deferred tax assets	**38,632**
Trade payables	**(234,435)**
Bank borrowings	**(120,645)**
Accruals and other payables	**(150,042)**
Deferred tax liabilities	**(3,089)**
Non-controlling interests	**(105,269)**
	65,309
Gain on disposal of a subsidiary	**86,278**
Satisfied by:	
Cash	**151,587**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2018
	HK$'000
Cash consideration	**151,587**
Cash and bank balances disposed of	**(49,676)**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**101,911**

19. COMMITMENTS

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

	2018	2017
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Plant and machinery	**52,566**	88,210

20. EVENTS AFTER THE REPORTING PERIOD

There is no material event after 31 December 2018.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends a final dividend of HK 2 cents per ordinary share and a special dividend of HK 4 cents per ordinary share for the year ended 31 December 2018 (2017 final dividend and special dividend: Nil) payable to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 31 May 2019.

Subject to shareholders' approval of the proposed final dividend and special dividend at the Company's annual general meeting to be held on Thursday, 23 May 2019 (the "AGM"), the final dividend and the special dividend are expected to be paid on or about Thursday, 20 June 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM

Latest time for lodging transfers of shares. . . . . 4:30 p.m. on 17 May 2019 (Friday)

Book close dates . . . . 20 May 2019 (Monday) to 23 May 2019 (Thursday) (both days inclusive)

AGM. . . . . 23 May 2019 (Thursday)

For determining the entitlement to the proposed final dividend and special dividend

Latest time for lodging transfers of shares. . . . . 4:30 p.m. on 29 May 2019 (Wednesday)

Book close dates . . . . .30 and 31 May 2019 (Thursday and Friday)

Record date . . . . 31 May 2019 (Friday)

Estimated payment date of the final dividend and special dividend . . . . 20 June 2019 (Thursday)

In order to qualify for the entitlement to attend and vote at the AGM and/or for the entitlement to the proposed final dividend and special dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before the respective latest time as set out above.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

During the year ended 31 December 2018, 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 and brake 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 products of the Group had broad applications in both sedans and full-size sport utility vehicles. The Group was one of the leading suppliers in the People's Republic of China ("PRC") of automobile brake components and systems. Our customers included some of the world's largest automobile manufacturers with operations in the PRC as well as domestic automobile manufacturers.

The Group acquired 51% equity interest in BWI (Shanghai) Co., Ltd. and took control of its brake business in December 2016. Since acquisition of the control of the brake business, owing to changes in market conditions and consumers' demand which were not anticipated at the time of the acquisition, the domestic automobile manufacturers in the PRC experienced severe competitions from import products from overseas manufacturers and joint venture automobile manufacturers, resulting in certain major customers of the brake business postponed or reduced their purchases due to unsatisfactory sales performance of certain automobile models. The downturn in the sales resulted in the brake business recording operation loss in 2017 as well as in 2018. The adverse market condition would continue with no sight of recovery in the near future.

As the brake business was loss-making, discussions were held with BeijingWest Industries Co., Ltd. ("BWI"), the controlling shareholder of the Company, on the proposal of disposing of the 51% interests in the brake business (the "Disposal") to BWI in May 2018. The Disposal would serve to streamline the Group's operation and enable the Group to focus on other sectors in the automobile parts and components market that offer a better return on investment. The Disposal constituted a major and connected transaction for the Company under the Listing Rules, and it was approved by the independent shareholders of the Company at the extraordinary general meeting held on 26 July 2018. The Disposal was completed on 28 August 2018. Details of the Disposal are disclosed in the Company's circular dated 10 July 2018 and announcements dated 26 July 2018 and 28 August 2018.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the Group recorded revenue of HK$3,418.28 million from manufacture and sales of suspension and brake products (year ended 31 December 2017: HK$3,903.65 million), which decreased when comparing to that for the year ended 31 December 2017 mainly due to decrease in the revenue contributed from the manufacturing and sales of brake products as a result of the Disposal. Upon completion of the Disposal, the Group no longer had any interest in BWI (Shanghai) Co., Ltd. and it ceased to be a subsidiary of the Company on 28 August 2018 (the "Completion"). The revenue of BWI (Shanghai) Co., Ltd. from the date of Completion onwards would not be consolidated and this mainly accounted for the decrease in the revenue contributed from the manufacturing and sales of brake products. However, the revenue from the manufacture and sales of suspension products only slightly increased and offset a portion of the decrease in revenue from the manufacture and sales of brake products.

For the year ended 31 December 2018, the Group also recorded HK$145.70 million in provision of technical services (year ended 31 December 2017: HK$176.59 million).

Gross profit and gross profit margin

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 (year ended 31 December 2017: HK$747.22 million and 19.14% respectively). The gross profit decreased mainly due to the Disposal. The gross profits of BWI (Shanghai) Co., Ltd. from the date of Completion onwards would not be consolidated and this mainly accounted for the decrease in the gross profit. Since the Group took greater effort to control its production cost and improve its production efficiency, the overall gross profit margin remained steady at 18.22%. A lower profit margin was observed from our new plant in the Czech Republic at its commencement stage; however, this only 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 2018 increased by 129.47% to HK$173.77 million (year ended 31 December 2017: HK$75.73 million), which was mainly due to a disposal gain of HK$86.28 million realized upon the Disposal.

Selling and distribution expenses

Selling and distribution expenses of the Group for the year ended 31 December 2018 decreased by 30.46% to HK$34.22 million (year ended 31 December 2017: HK$49.20 million) mainly due to tighten cost control, and the decline was also in line with the decrease in revenue as a result of the Disposal. 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 2018 slightly decreased by 3.49% to HK$228.05 million (year ended 31 December 2017: HK$236.29 million) mainly due to the Disposal. 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 2018 decreased by 21.15% to HK$386.82 million (year ended 31 December 2017: HK$490.59 million) mainly due to tighten cost control and the adoption of Hong Kong Financial Reporting Standard 15. During the year ended 31 December 2018, HK$68.44 million of pre-production cost previously included in the research and development expenses was capitalised as contract cost under other non-current assets as a result of the adoption of Hong Kong Financial Reporting Standard 15. These pre-production activities were mainly carried out for uncompleted sales orders received in previous years, and the respective products were expected to be launched in near future. Research and development expenses in the income statement 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 2018 decreased slightly by 1.26% to HK$13.55 million (year ended 31 December 2017: HK$13.72 million) attributed to repayment of short term bank borrowings during the year. Finance costs mainly represented interest on bank loans obtained by subsidiaries in Europe and in Hong Kong.

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

For the year ended 31 December 2018, profit for the year attributable to equity owners of the Company approximately to HK$120.88 million (year ended 31 December 2017: loss for year attributable to equity owners of the Company approximately to HK$8.57 million). The turnaround from profit to loss was mainly attributed to the decrease in the research and development expenses and the gain from the Disposal.

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 inflow position for the year ended 31 December 2018, with net cash flows from operating activities amounted to HK$222.86 million (year ended 31 December 2017: net cash flows used in operating activities of HK$63.43 million). As at 31 December 2018, the Group maintained cash and bank balances of HK$727.91 million (as at 31 December 2017: HK$652.77 million).

Indebtedness

As at 31 December 2018, the Group had bank borrowings of HK$349.37 million, in which HK$124.97 million obtained by subsidiaries in Europe were denominated in Euro ("EUR") with an interest of 1 Month EURIBOR plus 2.20% per annum, United States Dollar (US$) with an interest of 1 Month LIBOR plus 2.20% per annum and Polish Zloty ("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.

As at 31 December 2017, the Group had bank borrowings of HK$566.66 million, in which HK$114.99 million obtained by subsidiaries in Europe were denominated in EUR with an interest of 1 Month EURIBOR plus 2.20% per annum, US$ with an interest of 1 Month LIBOR plus 2.20% per annum and PLN with an interest of 1 Month WIBOR plus 2.20% per annum; and the remaining bank borrowings of HK$451.67 million were denominated in Renminbi ("RMB") with an interest of 3.92% to 4.35% per annum and 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 2018 was 16.12% (as at 31 December 2017: 20.12%). 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 2018 and 2017, 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, Czech Koruna and RMB. 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 2018 and 2017.

Contingent Liabilities

As at 31 December 2018, 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 and the PRC.

The Group relies on passenger vehicle manufacturers as customers or potential customers of its products. Its financial performance largely depends on the continuing growth of the automotive industry in Europe. 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. The Group is confident that with new business awarded from previous years, it will be able to maintain a steady growth, and with the commencement of production of these new sales orders, the situation will be improved in the near future.

The Group 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 2018, the Group had approximately 880 full-time employees (as at 31 December 2017: 1,500 full-time employees). During the year ended 31 December 2018, the total employees' cost was HK$557.18 million (year ended 31 December 2017: HK$616.46 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 2018.

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 2018 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, 29 March 2019

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