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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS

The board of directors (the “**Board**”) of BeijingWest Industries International Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022. These interim results have been reviewed by the Company’s Audit Committee and its Auditor.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
REVENUE	3	1,290,252	1,319,769
Cost of sales		<u>(1,070,341)</u>	<u>(1,099,931)</u>
Gross profit		219,911	219,838
Other income and gains, net	4	18,009	14,389
Selling and distribution expenses		(15,270)	(5,890)
Administrative expenses		(70,624)	(71,083)
Impairment losses on financial assets		(193)	(838)
Research and development expenses		(122,573)	(121,864)
Other operating expenses		(73)	(411)
Finance costs	6	<u>(7,974)</u>	<u>(8,101)</u>

		Six months ended 30 June	
		2022	2021
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
PROFIT BEFORE TAX	5	21,213	26,040
Income tax expense	7	<u>(9,580)</u>	<u>(13,382)</u>
PROFIT FOR THE PERIOD		<u>11,633</u>	<u>12,658</u>
Attributable to:			
Owners of the Company		<u>11,633</u>	<u>12,658</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	8	<u>2.03</u>	<u>2.20</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>11,633</u>	<u>12,658</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(59,567)	(5,964)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement income on defined benefit plans	<u>18,449</u>	<u>7,001</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX	<u>(41,118)</u>	<u>1,037</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(29,485)</u>	<u>13,695</u>
Attributable to:		
Owners of the Company	<u>(29,485)</u>	<u>13,695</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2022

		30 June	31 December
		2022	2021
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		408,719	452,885
Right-of-use assets		286,937	324,781
Goodwill		4,554	4,956
Deferred tax assets		66,836	74,517
Other non-current assets	<i>10</i>	194,058	217,924
Total non-current assets		961,104	1,075,063
CURRENT ASSETS			
Inventories		167,318	195,938
Trade receivables	<i>11</i>	343,646	328,218
Prepayments, other receivables and other assets		334,009	261,941
Cash and cash equivalents		150,502	184,565
Total current assets		995,475	970,662
CURRENT LIABILITIES			
Trade payables	<i>12</i>	331,712	335,970
Other payables and accruals		179,292	154,055
Income tax payables		12,804	1,812
Bank borrowings		60,149	65,215
Defined benefit obligations	<i>13</i>	3,133	3,267
Lease liabilities		36,866	36,365
Provision		21,182	28,885
Total current liabilities		645,138	625,569
NET CURRENT ASSETS		350,337	345,093
TOTAL ASSETS LESS CURRENT LIABILITIES		1,311,441	1,420,156

		30 June	31 December
		2022	2021
		(unaudited)	(audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Other payables and accruals		26,912	29,355
Defined benefit obligations	<i>13</i>	68,588	98,086
Lease liabilities		261,268	299,030
Deferred tax liabilities		86,810	96,305
Loan from a holding company		410	442
		<u>443,988</u>	<u>523,218</u>
Total non-current liabilities		443,988	523,218
NET ASSETS			
		<u>867,453</u>	<u>896,938</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>14</i>	57,434	57,434
Reserves		810,019	839,504
		<u>867,453</u>	<u>896,938</u>
TOTAL EQUITY		867,453	896,938

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. CORPORATE AND GROUP INFORMATION

BeijingWest Industries International Limited 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, KY1-1111, Cayman Islands and the shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

During the period, the Company and its subsidiaries were principally involved in the manufacture, sale and trading of automotive parts and components, and provision of technical services.

As at 30 June 2022 and the date of approval of these financial information, the immediate holding company of the Company is BWI Company Limited, which is incorporated in Hong Kong with limited liability. In the opinion of the Directors, the ultimate holding company is Shougang Group Co., Ltd. (formerly known as “Shougang Corporation”), which is a state-owned enterprise established in the People’s Republic of China and is supervised by the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) 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 Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. 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

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Sale of industrial products	1,187,013	1,246,534
Technical service income	103,239	73,235
	<u>1,290,252</u>	<u>1,319,769</u>

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
United Kingdom	372,368	547,913
Germany	317,573	266,543
United States	280,435	192,705
Mainland China	41,865	29,916
Other countries	278,011	282,692
	<u>1,290,252</u>	<u>1,319,769</u>

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

(b) Non-current assets

	30 June	31 December
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (audited)
Poland	634,718	690,110
Czech	163,946	189,055
United Kingdom	76,773	98,939
Other countries	18,831	22,442
	<u>894,268</u>	<u>1,000,546</u>

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 Group's customers whose revenue was individually accounted for more than 10% of the Group's total revenue were as follows:

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Customer A	275,983	393,954
Customer B	177,385	142,517
Customer C	148,982	N/A*
	<u>602,350</u>	<u>536,471</u>

* The proportion of the revenue to the Group's total revenue was not exceeded 10%.

4. OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Other income and gains, net		
Profit from sale of scrap materials, prototypes and samples	12,932	11,043
Bank interest income	49	98
Foreign exchange differences, net	3,843	604
Gain on disposals of items of property, plant and equipment	300	624
Government grants	172	547
Others	713	1,473
	<u>18,009</u>	<u>14,389</u>

5. PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Cost of inventories sold and services provided		1,070,341	1,099,931
Depreciation of property, plant and equipment		35,040	35,743
Depreciation of right-of-use assets		17,250	23,022
Auditors' remuneration		1,311	1,282
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and benefits		230,122	230,218
Defined benefit obligation expenses	13	1,864	2,958
		231,986	233,176
Research and development costs		122,573	121,864
Less: Staff costs included as research and development costs		(58,710)	(55,688)
Research and development costs, net of staff costs		63,863	66,176
Gain on disposals of items of property, plant and equipment, net	4	300	624
(Reversal of impairment)/impairment of financial assets:			
(Reversal of impairment)/impairment of trade receivables, net	11	(148)	661
Impairment of prepayment, other receivables and other assets, net		341	177
		193	838
Provision for obsolete inventories*		1,279	1,296
Provision/(reversal) for warranty, net		2,214	(2,600)
Foreign exchange differences, net		(3,843)	(604)

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

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on bank loans and other loans	2,893	1,653
Interest on lease liabilities	5,081	6,448
	7,974	8,101

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2022. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates. Rates of income tax prevailing in the countries in which the Group operates include:

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
Luxembourg	24.9%	24.9%
Poland	19.0%	19.0%
United Kingdom	19.0%	19.0%
France	25.0%	26.5%
Germany	29.8%	29.8%
Italy	27.9%	27.9%
Czech	19.0%	19.0%

	Six months ended 30 June	
	2022	2021
	HK\$'000	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current – Elsewhere	13,366	1,711
Deferred	(3,786)	11,671
Tax charge for the period	9,580	13,382

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

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit before tax	21,213	26,040
Income tax charge at the Hong Kong statutory tax rate of 16.5%	3,500	4,297
Effect of different income tax rates for foreign operations	1,912	1,726
Income not subject to tax	(1,005)	(711)
Expenses not deductible for tax purposes	10,423	8,037
Tax losses utilised from previous periods	–	(1,308)
Adjustments in respect of current tax of previous periods	(6,693)	(1,140)
Effect on deferred tax of increase in future tax rates	186	1,773
Withholding tax	1,257	708
	<u>9,580</u>	<u>13,382</u>
Tax charge at the effective rate	<u>9,580</u>	<u>13,382</u>

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 574,339,068 (six months ended 30 June 2021: 574,339,068) in issue during the period.

No diluted earnings per share amounts were presented for the six months ended 30 June 2022 and 2021 as the Company did not have any outstanding dilutive potential ordinary shares during the period and the prior period.

9. DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

10. OTHER NON-CURRENT ASSETS

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Contract performance deposits	50,192	57,358
Pre-production costs	175,667	191,602
	225,859	248,960
Within one year	(31,801)	(31,036)
	194,058	217,924

11. TRADE RECEIVABLES

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 receivables balances. They are stated net of provisions.

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Within 3 months	342,801	326,982
3 months to 1 year	845	1,236
	343,646	328,218

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
At beginning of the period/year	(3,789)	(3,062)
Impairment losses reversed/(recognised), net (<i>note 5</i>)	148	(1,001)
Amount written off as uncollectible	–	18
Exchange realignment	416	256
	<u>416</u>	<u>256</u>
At end of the period/year	<u>(3,225)</u>	<u>(3,789)</u>

12. TRADE PAYABLES

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Within 3 months	330,226	333,239
3 months to 1 year	1,403	2,662
Over 1 year	83	69
	<u>83</u>	<u>69</u>
	<u>331,712</u>	<u>335,970</u>

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

13. DEFINED BENEFIT OBLIGATIONS

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

The defined benefit obligations were determined based on actuarial valuations performed by Wills Towers Watson Consulting Company Limited, FACTUM S.C. and Sbp, independent actuaries located in Germany, Poland and France, respectively, using the projected unit credit method.

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Present value of unfunded obligations	71,721	101,353
Portion classified as current liabilities	<u>(3,133)</u>	<u>(3,267)</u>
Non-current portion	<u>68,588</u>	<u>98,086</u>

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
At beginning of the period/year	101,353	129,467
Current service costs	938	5,201
Interest cost on benefit obligations	926	1,090
Benefits paid during the period/year	(1,894)	(2,429)
Remeasurement income recognised in other comprehensive income*	(22,619)	(23,090)
Exchange realignment	<u>(6,983)</u>	<u>(8,886)</u>
At end of the period/year	<u>71,721</u>	<u>101,353</u>

- * Deferred tax assets of HK\$4,170,000 (31 December 2021: HK\$4,422,000) were reversed for the remeasurement income. The remeasurement income after deferred tax amounted to HK\$18,449,000 (31 December 2021: HK\$18,668,000), which was recognised in other comprehensive income.

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

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Current service costs	938	2,424
Interest cost on benefit obligations	<u>926</u>	<u>534</u>
Net benefit expenses	<u><u>1,864</u></u>	<u><u>2,958</u></u>

14. SHARE CAPITAL

	30 June 2022 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)
	Authorised: 2,000,000,000 ordinary shares of HK\$0.10 each	<u><u>200,000</u></u>
Issued and fully paid: 574,339,068 ordinary shares of HK\$0.10 each	<u><u>57,434</u></u>	<u><u>57,434</u></u>

The Company did not issue any new ordinary share during the six months ended 30 June 2022.

15. COMMITMENTS

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

	30 June 2022 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)
	Contracted, but not provided for: Plant and machinery	<u><u>80,094</u></u>

16. EVENT AFTER THE REPORTING PERIOD

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

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

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 three major plants in Poland, the United Kingdom ("UK") and the Czech Republic, which manufacture and assemble suspension products for their customers.

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 measures 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 UK, Poland and the Czech Republic. Starting in June 2020, the Group implemented new safety measures at the plants and took a phased approach to resume the manufacturing operations, and the manufacturing operations of all the plants were resumed in June 2020. Since our operations have resumed up to now, each of the Group’s plants has been under normal operation.

To date it has been more than two years’ time since the occurrence of COVID-19 pandemic. Although the existing quarantine measures around the globe are not as stringent as those existed at the beginning of the pandemic, different levels of epidemic measures are still present in various countries, posing a certain level of inconvenience to various aspects such as production and consumption and thus affecting the overall economic performance. Future developments of the pandemic, such as, among other conditions, whether re-emergence of a new variant might increase infection rate and death rate and further exacerbate the pandemic worldwide, would remain an obstacle to the progress of global economic recovery.

FINANCIAL REVIEW

Revenue

For the period ended 30 June 2022, the Group recorded revenue of HK\$1,187.0 million from manufacture and sales of suspension products (period ended 30 June 2021: HK\$1,246.5 million). The decrease in revenue for the period ended 30 June 2022 is mainly due to a change in economic environment and a slowdown in production of European automobiles, leading to a decrease in orders received by the Group.

For the period ended 30 June 2022, the Group also recorded revenue of HK\$103.2 million in provision of technical services (period ended 30 June 2021: HK\$73.2 million).

Gross Profit and Gross Profit Margin

For the period ended 30 June 2022, the gross profit and gross profit margin were HK\$219.9 million and 17.0% respectively. While for the period ended 30 June 2021, the gross profit and gross profit margin were HK\$219.8 million and 16.7% respectively. The gross profit was substantially the same as that of the corresponding period of last year, while the gross profit margin recorded a slightly increase.

The plant in the Czech Republic was still at its commencement stage in face of the COVID-19 pandemic, rendering it unable to reach its efficiency as scheduled and now being at a loss position. Its performance will be able to improve in the future when the production volume ramps up and the utilization of raw materials and production efficiency improve due to economy of scale.

Other Income and Gains

Other income and gains of the Group for the period ended 30 June 2022 increased by 25.2% to HK\$18.0 million (period ended 30 June 2021: HK\$14.4 million), which was mainly due to the increase in profit from sale of scrap materials, prototypes and samples as well as increase in exchange gain.

Selling and Distribution Expenses

Selling and distribution expenses of the Group for the period ended 30 June 2022 increased by 159.3% to HK\$15.3 million (period ended 30 June 2021: HK\$5.9 million), mainly due to a substantial reversal of warranty provision in the corresponding period of last year, which is absent in the current period. Moreover, delivery expenses also increased during the current period. Selling and distribution expenses mainly consisted of delivery expenses, salary and welfare for sales personnel and warranty expenses.

Administrative Expenses

Administrative expenses of the Group for the period ended 30 June 2022 slightly decreased by 0.6% to HK\$70.6 million (period ended 30 June 2021: HK\$71.1 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 period ended 30 June 2022 slightly increased by 0.6% to HK\$122.6 million (period ended 30 June 2021: HK\$121.9 million), remained at a similar level as that of the corresponding period of last year. Research and development expenses mainly consisted of salaries for technical staff and service fee charged by related companies.

Finance Costs

Finance costs of the Group for the period ended 30 June 2022 decreased by 1.6% to HK\$8.0 million (period ended 30 June 2021: HK\$8.1 million), remained at a similar level as that of the corresponding period of last year. Finance costs mainly represented interest on bank loans and interest on lease liabilities.

Profit for the Period Attributable to Owners of the Company

In summary of the above, for the period ended 30 June 2022, the profit attributable to owners of the Company is HK\$11.6 million (period ended 30 June 2021: HK\$12.7 million).

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 period ended 30 June 2022, in which net cash inflow from operating activities amounted to HK\$42.6 million (period ended 30 June 2021: net cash outflow HK\$30.4 million). As at 30 June 2022, the Group maintained cash and cash equivalents of HK\$150.5 million (as at 31 December 2021: HK\$184.6 million).

Indebtedness

As at 30 June 2022, the Group had bank borrowings of HK\$60.1 million, which were obtained by a subsidiary in Europe and were denominated in Euro (“**EUR**”) with an interest of 1-month EURIBOR plus 2.80% per annum and Polish Zloty (“**PLN**”) with an interest of 1-month WIBOR plus 2.60% per annum.

As at 31 December 2021, the Group had bank borrowings of HK\$65.2 million, which were obtained by a subsidiary in Europe and were denominated in EUR with an interest of 1-month EURIBOR plus 2.8% per annum and PLN with an interest of 1-month WIBOR plus 2.6% per annum.

The Group's gearing ratio (measured as total bank borrowings over total assets) as at 30 June 2022 was 3.1% (as at 31 December 2021: 3.2%). The Company would keep monitoring the financial and liquidity position of the Group closely, and carry out appropriate financing strategy for the Group in accordance with the change of the financial market from time to time.

Pledge of Assets

As at 30 June 2022 and 31 December 2021, 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 15 in the notes to the interim condensed consolidated financial information, the Group and the Company had no other commitments as at 30 June 2022 and 31 December 2021.

Contingent Liabilities

As at 30 June 2022, 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

The Group involved in the manufacture and sales of automotive parts and components and trading of automotive parts and components in Europe.

During the period under review, the outbreak of Russia-Ukraine war brought extreme tensions to the European geopolitics, hence we would operate under a challenging and volatile environment since the Group's plants in Poland, UK and the Czech Republic are located in Europe. In addition, consistently high level of inflation around the globe, sharp rise of commodity prices, energy shortage, surge of costs for industrial raw materials and labour added pressure to the room for increase in operational costs. To curb inflation, central banks in various countries also successively implemented tight fiscal policies such as rate hikes and reduction of balance sheets, bringing uncertainty to the future global economy.

The COVID-19 pandemic worldwide has lasted for more than two years. Although the highly stringent epidemic measures existed at the very beginning of the pandemic have rarely been implemented around the globe for the time being, the world remains vulnerable in face of the haze of the pandemic so far, where different levels of epidemic quarantine measures are still in place in various countries, hindering the economy to eventually recover to its pre-pandemic level.

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. Affected by the pandemic and due to the shortage of chips, passenger vehicle production in Europe in 2021 decreased by 5.7% to only around 13,320,000 compared to 2020. Compared to the pre-pandemic level of 2019, it further decreased substantially by 28.2%, posing enormous challenges to the Group's business. The Group's results of operation in the future may significantly vary, largely depending on the future developments of the pandemic, the inflation situation as well as the impact arising from the dynamics of the Russia-Ukraine war.

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.

The Group will 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 it will be able to maintain a sustainable business development in the long run. With a view to improve long-term profitability and shareholders' value, the Company will seriously evaluate and review the business of the Group, and optimize the business structure of the Group.

Employees and Remuneration Policy

As at 30 June 2022, the Group had approximately 2,110 employees. During the period ended 30 June 2022, the total employees' cost was HK\$232.0 million. Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by the management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group has defined benefit pension plans covering substantially all of its qualified employees in Poland, France and Germany. The Group has also adopted a mandatory provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for its employees in Hong Kong.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the six months ended 30 June 2022.

CHANGES OF DIRECTORS' INFORMATION

The following is the change in the information of Directors since the disclosure was made in the 2021 annual report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

On 8 June 2022, Mr. Tam King Ching, Kenny has resigned from his position of independent non-executive director of CCT Fortis Holdings Limited.

Except as set out in this announcement, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

APPRECIATION

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

By Order of the Board
BeijingWest Industries International Limited
Zhao Jiuliang
Chairman

Hong Kong, 30 August 2022

As at the date of this announcement, the Board comprises Mr. Zhao Jiuliang (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).