

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2017

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 2017 with comparative figures for the financial year ended 31 December 2016. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2017

		2017	2016
	Notes	HK\$'000	HK\$'000
REVENUE	6	3,903,650	4,354,676
Cost of sales		<u>(3,156,431)</u>	<u>(3,428,071)</u>
Gross profit		747,219	926,605
Other income and gains, net	6	75,726	98,707
Selling and distribution expenses		(49,201)	(60,278)
Administrative expenses		(236,289)	(266,381)
Research and development expenses		(490,587)	(494,203)
Other operating expenses, net		(27,366)	(536)
Finance costs	8	<u>(13,719)</u>	<u>(13,623)</u>
PROFIT BEFORE TAX	7	5,783	190,291
Income tax expense	9	<u>(37,296)</u>	<u>(44,895)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(31,513)</u>	<u>145,396</u>
Attributable to:			
Owners of the Company		(8,572)	107,910
Non-controlling interests		<u>(22,941)</u>	<u>37,486</u>
		<u>(31,513)</u>	<u>145,396</u>
(LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	10	<u>(1.49)</u>	<u>18.73</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2017

		2017	2016
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		680,029	552,150
Prepaid land lease payments		10,590	9,556
Goodwill		4,681	4,437
Deferred tax assets		48,007	38,542
Contract performance deposits		33,853	8,971
		<u>777,160</u>	<u>613,656</u>
Total non-current assets			
CURRENT ASSETS			
Inventories		284,978	289,793
Trade and bills receivables	12	951,779	877,553
Prepayments, deposits and other receivables	13	149,043	155,582
Cash and cash equivalents		652,768	517,674
		<u>2,038,568</u>	<u>1,840,602</u>
Total current assets			
CURRENT LIABILITIES			
Trade payables	14	725,060	718,585
Other payables and accruals	15	312,060	442,948
Income tax payables		40,407	18,675
Bank borrowings		566,664	208,482
Defined benefit obligations		2,894	710
Provision		44,411	51,788
		<u>1,691,496</u>	<u>1,441,188</u>
Total current liabilities			
NET CURRENT ASSETS		<u>347,072</u>	<u>399,414</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,124,232</u>	<u>1,013,070</u>

		2017	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Other payables and accruals	<i>15</i>	13,903	–
Defined benefit obligations		86,506	78,034
Deferred tax liabilities		10,039	9,681
Loan from a holding company		469	408
Total non-current liabilities		110,917	88,123
NET ASSETS		1,013,315	924,947
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>16</i>	57,434	57,434
Reserves		834,838	731,763
		892,272	789,197
Non-controlling interests		121,043	135,750
Total equity		1,013,315	924,947

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 2017 and the date of approval of these financial statements, the immediate holding company of the Company is BWI Company Limited (“BWI (HK)”), which is incorporated in Hong Kong with limited liability. In the opinion of the directors 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 26 June 2009	RMB114,285,714	–	51	Manufacture and sale of automotive parts and components

During the year ended 31 December 2016, the Group acquired BWI Shanghai from BeijingWest Industries Co., Ltd. (“BWI”), the intermediate holding company of the Company. Further details of this acquisition are included in note 17 to this announcement.

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 15 April 2016 entered into between BWI and Billion Million (HK) Limited (“Billion Million”, a wholly-owned subsidiary of the Company), Billion Million had completed the acquisition of 51% equity interest in BWI Shanghai (the “BWI Shanghai Acquisition”) on 29 December 2016 at a consideration of HK\$140,828,000, which was satisfied by cash payment.

In addition, BWI was entitled to the profit after taxes of BWI Shanghai for the period from 1 January 2016 to the last day of the calendar month immediately preceding the completion date of the BWI Shanghai Acquisition.

As Billion Million and BWI Shanghai were under common control of BWI since 23 January 2014, and BWI Shanghai was controlled by BWI both before and after the BWI Shanghai Acquisition, the BWI Shanghai Acquisition was regarded as a business combination under common control and accounted for using the merger accounting basis as if the BWI Shanghai Acquisition had been completed at the beginning of accounting periods as presented in these financial statements, or at the date when Billion Million and BWI Shanghai were under common control, whichever the later. As Billion Million is a wholly-owned subsidiary of the Company, accordingly, the consolidated financial statements of the Company are prepared as if the BWI Shanghai Acquisition had been completed on 23 January 2014, being the date which Billion Million and BWI Shanghai were under common control of BWI.

The consolidated financial statements have been prepared to present the assets and liabilities of the subsidiaries acquired pursuant to the BWI Shanghai Acquisition using the existing book values from the controlling shareholders’ perspective.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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 HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12	<i>Disclosure of Interests in Other Entities:</i>
included in <i>Annual</i>	<i>Clarification of the Scope of HKFRS 12</i>
<i>Improvements to HKFRSs</i>	
<i>2014-2016 Cycle</i>	

The nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- (b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.
- (c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements.

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 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts¹</i>
HKFRS 9	<i>Financial Instruments¹</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>
HKFRS 17	<i>Insurance Contracts³</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures²</i>
Amendments to HKAS 40	<i>Transfers of Investment Property¹</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments²</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28¹</i>
<i>Annual Improvements 2015-2017 Cycle</i>	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23²</i>

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date yet determined but available for adoption

Except for those 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:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group has determined that, due to the unsecured nature of its trade and other receivables, the provision for impairment will increase with a corresponding related decrease in net deferred tax liabilities upon the initial adoption of HKFRS 9.

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 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. As further explained below, the Group expects the adoption of HKFRS 15 will have material impact on the financial statements from 2018 onwards.

The Group's principal activities consist of the manufacture and sale of automotive parts and components, and provision of technical services. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarized as follows:

(a) Contract fulfilment costs

The Group incurs pre-production development costs for tooling, engineering and prototyping before volume production. Currently, those costs are expensed as incurred. The Group has assessed those costs and considers that pre-production development shall be capitalized since such costs are related to a specifically identifiable contract and they enhance or generate resources that will be used in satisfying the sale contract with expense expected to be recovered. Upon application of HKFRS 15, contract assets for those contract fulfillment costs will be recognized for uncompleted contracts and retained earnings will be increased accordingly.

(b) Sale of automotive parts and components with other service, such as tooling, engineering or prototyping

Currently, the Group entered into tooling, engineering or prototyping service contracts and sale of automotive parts and components contracts with customers, respectively. Revenue from tooling, engineering or prototyping services is recognised when services are completed. And revenue from sale of automotive parts and components is recognised when goods are delivered, title has passed and the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. The Group has assessed that the tooling, engineering or prototyping service contracts shall be combined with the sale of automotive parts and components contracts. Upon the adoption of HKFRS 15, revenue from tooling, engineering or prototyping services, together with revenue from sale of automotive parts and components will be recognised at a point in time when control of the relevant asset is transferred to the customer, generally on delivery of the goods.

(c) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the cost to fulfill a contract, and whether contracts are combined or not. In addition, as required by HKFRS 15, the Group will disaggregate 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. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

HKFRS 16, issued in May 2016, 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 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 expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK\$203,737,000. Upon adoption of HKAS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

HK(IFRIC)-Int 22, issued in June 2017, 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. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, 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.

Amendments under Annual Improvements to HKFRSs 2015-2017 Cycle

Annual Improvements to HKFRSs 2015-2017 Cycle, issued in February 2018, sets out amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23. The Group expects to adopt the amendments from 1 January 2019. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

- **HKFRS 3 *Business Combinations*:** Clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value.
- **HKFRS 11 *Joint Arrangements*:** Clarifies that when an entity that participates in, but does not have joint control of a joint operation, obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation.
- **HKAS 12 *Income Taxes*:** Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.
- **HKAS 23 *Borrowing Costs*:** Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sales are complete.

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.

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.

Impairment of trade and bills receivables

The policy for impairment of trade and bills receivables of the Group is based on the evaluation of collectability and the aging analysis of trade and bills receivables and on the judgement of the management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the customers. Management reassesses the estimation at the end of the reporting period.

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 and sale of automotive parts and components. Therefore, no analysis by operating segment is presented.

Products and services

Revenue from external customers

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of goods	3,727,058	4,214,159
Technical services income	176,592	140,517
	<u>3,903,650</u>	<u>4,354,676</u>

Geographical information

(a) Revenue from external customers

	2017 HK\$'000	2016 HK\$'000
United Kingdom	1,212,016	1,158,808
Germany	623,217	631,768
United States	257,945	335,891
Mainland China	988,139	1,589,921
Other countries	822,333	638,288
	<u>3,903,650</u>	<u>4,354,676</u>

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

(b) Non-current assets

	2017 HK\$'000	2016 HK\$'000
Poland	283,967	180,330
United Kingdom	74,050	85,147
Mainland China	218,143	217,620
Other countries	152,993	92,017
	<u>729,153</u>	<u>575,114</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 revenues which were generated from one (2016: two) of the Group's customers and were individually accounted for more than 10% of the Group's total revenue are as follows:

	2017 HK\$'000	2016 HK\$'000
Customer A	870,838	1,035,119
Customer B	346,378	873,408
	<u>1,217,216</u>	<u>1,908,527</u>

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Sale of goods	3,727,058	4,214,159
Technical service income	<u>176,592</u>	<u>140,517</u>
	<u>3,903,650</u>	<u>4,354,676</u>
Other income		
Bank interest income	2,934	2,919
Profit from sale of scrap materials	54,733	50,371
Royalty income	–	15,168
Foreign exchange differences, net	–	16,442
Others	<u>5,998</u>	<u>3,362</u>
	<u>63,665</u>	<u>88,262</u>
Gains		
Gain on disposal of items of property, plant and equipment	4,021	3,524
Government grants	<u>8,040</u>	<u>6,921</u>
	<u>12,061</u>	<u>10,445</u>
Other income and gains, net	<u>75,726</u>	<u>98,707</u>

7. PROFIT BEFORE TAX

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

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Cost of inventories sold and services provided		3,156,431	3,428,071
Depreciation		107,817	94,139
Amortisation of prepaid land lease payments		311	296
Minimum lease payments under operating leases		58,625	36,300
Auditors' remuneration		3,930	2,752
Employee benefit expense (including directors' remuneration):			
Wages, salaries and benefits		614,708	584,505
Defined benefit obligation expenses		1,753	4,189
		616,461	588,694
Research and development costs		490,587	494,203
Less: Staff costs included as research and development cost		(186,674)	(165,535)
Research and development costs, net of staff costs		303,913	328,668
Gain on disposal of items of property, plant and equipment	6	(4,021)	(3,524)
Reversal of impairment of trade and bills receivables, net*	12	(785)	(1,390)
Impairment of items of property, plant and equipment		1,779	–
Provision against obsolete inventories**		4,212	3,525
Provision for warranties, net		13,510	31,506
Foreign exchange differences, net***		24,119	(16,442)

* The impairment amount of trade and bills receivables 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 loss of approximately HK\$24,119,000 is included in "other operating expenses" in the consolidated statement of profit or loss for the year ended 31 December 2017, and foreign exchange gain of approximately HK\$16,442,000 was included in "other income and gains" in the consolidated statement of profit or loss for the year ended 31 December 2016.

8. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank loans and other loans wholly repayable within one years derived from:		
– bank loans	<u>13,719</u>	<u>13,623</u>
	<u>13,719</u>	<u>13,623</u>

9. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2017 as the Group did not generate any assessable profits arising in Hong Kong during the year (year ended 31 December 2016: 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:

	2017 (%)	2016 (%)
Luxembourg	27.08	21.00
Poland	19.00	19.00
United Kingdom	19.25	20.00
France	33.33	33.33
Germany	15.00	31.90
Italy	27.90	31.40
Mainland China (<i>note (i)</i>)	15.00	15.00
Czech	19.00	19.00

- (i) In accordance with the relevant tax laws in the PRC, the subsidiary located in Mainland China is subject to a preferential corporate income tax rate of 15% on its taxable income for the year ended 31 December 2017 and 2016.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current – elsewhere	45,421	48,188
Deferred tax	<u>(8,125)</u>	<u>(3,293)</u>
Total tax charge for the year	<u>37,296</u>	<u>44,895</u>

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:

	2017		2016	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Profit before tax	<u>5,783</u>		<u>190,291</u>	
Income tax charge at the Company's statutory tax rate of 16.5%	954	16.5	31,398	16.5
Effect of different income tax rates for foreign operations	4,295	74.3	4,309	2.3
Expenses not deductible for tax purposes	9,251	160.0	3,478	1.8
Tax losses not recognised as deferred tax assets	14,560	251.8	9,092	4.8
Adjustment for the current income tax of the previous period	11,584	200.3	—	—
Additional deduction of research and development expenses	(4,113)	(71.1)	(4,197)	(2.2)
Others	<u>765</u>	13.2	<u>815</u>	0.4
Tax charge at the effective rate	<u>37,296</u>	644.9	<u>44,895</u>	23.6

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

The calculation of the basic loss/profit per share amount is based on the loss/profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 574,339,068 (2016: 576,084,169) in issue during the year.

The weighted average number of ordinary shares adopted in the calculation of the basic loss/profit per share amounts for the year has been adjusted retrospectively to reflect the impact of share consolidation completed on 16 November 2016. Further details of the share consolidation were set out in note 16(b) to this announcement.

No adjustment has been made to the basic loss/profit per share amounts presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group did not have any potential ordinary shares in issue during the years ended 31 December 2017 and 2016.

11. DIVIDENDS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Proposed final dividend of nil (2016: HK\$0.02 per share)	<u>–</u>	<u>11,487</u>

The board of directors of the Company decided, on 20 March 2018, not to propose any final dividend in respect of the year ended 31 December 2017 (2016: HK\$0.02).

12. TRADE AND BILLS RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade and bills receivables	961,847	889,687
Impairment	<u>(10,068)</u>	<u>(12,134)</u>
Total	<u>951,779</u>	<u>877,553</u>

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 provisions, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 3 months	934,053	875,456
3 months to 1 year	17,726	1,532
Over 1 year	<u>–</u>	<u>565</u>
	<u>951,779</u>	<u>877,553</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At beginning of the year	(12,134)	(14,538)
Impairment losses reversed (<i>note 7</i>)	785	1,390
Amount written-off as uncollectible	2,428	–
Exchange realignment	(1,147)	1,014
	<u> </u>	<u> </u>
At end of the year	<u><u>(10,068)</u></u>	<u><u>(12,134)</u></u>

Included in the provision for impairment of trade and bills receivables are provision for individually impaired trade receivables of HK\$10,068,000(2016: HK\$12,134,000) with an aggregate carrying amount before provision of HK\$351,393,000 (2016: HK\$294,828,000). 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 ageing analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Neither past due nor impaired	539,810	594,859
Past due but not impaired:		
Less than 6 months past due	–	–
Over 6 months past due	70,644	–
	<u> </u>	<u> </u>
	<u><u>610,454</u></u>	<u><u>594,859</u></u>

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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Prepayments	23,516	22,815
Deposits, other receivables and others	60,460	42,348
Due from a fellow subsidiary	23,312	21,088
Due from holding companies	41,755	69,331
	<u>149,043</u>	<u>155,582</u>
Impairment	<u>—</u>	<u>—</u>
	<u>149,043</u>	<u>155,582</u>

None of the above assets was either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

14. TRADE PAYABLES

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 3 month	686,184	670,018
3 to 6 months	15,217	23,701
6 to 12 months	5,498	17,325
Over 12 months	18,161	7,541
	<u>725,060</u>	<u>718,585</u>

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

15. OTHER PAYABLES AND ACCRUALS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Other payables and accruals	105,555	77,398
Other tax payables	50,219	42,552
Accrued salaries, wages and benefits	42,105	34,365
Due to fellow subsidiaries	51,209	85,307
Due to holding companies	33,875	117,553
Dividends payable to BWI	43,000	85,773
	<u>325,963</u>	<u>442,948</u>
Portion classified as current liabilities	<u>(312,060)</u>	<u>(442,948)</u>
Non-current portion	<u>13,903</u>	<u>—</u>

Other payables are unsecured, non-interest-bearing and repayable on demand.

16. SHARE CAPITAL

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each		
(2016: 2,000,000,000 ordinary shares of HK\$0.10 each)	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
574,339,068 ordinary shares of HK\$0.10 each		
(2016: 574,339,068 ordinary shares of HK\$0.10 each)	<u>57,434</u>	<u>57,434</u>

A summary of the movements in the Company's issued share capital during the year ended 31 December 2017 and 2016 is as follows:

		Number of ordinary shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
	Notes				
At 1 January 2016		5,765,510,688	57,655	1,042,025	1,099,680
Repurchase of shares	(a)	(22,120,000)	(221)	(4,280)	(4,501)
Consolidation of shares	(b)	(5,169,051,620)	—	—	—
At 31 December 2016 and 1 January 2017		574,339,068	57,434	1,037,745	1,095,179
At 31 December 2017		574,339,068	57,434	1,037,745	1,095,179

Notes:

- (a) The Company repurchased a total of 22,120,000 ordinary shares during the year ended 31 December 2016. The total payment for the repurchase of the shares was approximately HK\$4,501,000 (including the transaction costs approximately HK\$34,000). Further details of the repurchase of the shares were set out in the Company's next day disclosure return dated 18 April 2016, 19 April 2016, 20 April 2016, 21 April 2016, 22 April 2016, and 11 November 2016.
- (b) The Company consolidated every 10 issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company into 1 ordinary share of HK\$0.10 each (the "Share Consolidation") during the year ended 31 December 2016. Further details of the Share Consolidation were set out in the Company's circular dated 28 October 2016.

17. BUSINESS COMBINATION UNDER COMMON CONTROL

On 29 December 2016, the Group completed the acquisition of a 51% interest in BWI Shanghai from BWI, the intermediate holding company of the Company. BWI Shanghai was principally engaged in the manufacture and sale of automotive parts and components, and the provision of technical services in the PRC. The acquisition was made as part of the Group's strategy to expand its market share of industrial products in the PRC. The purchase consideration for the acquisition amounted HK\$140,828,000 in the form of cash, with HK\$58,119,000 paid to BWI and HK\$82,709,000 paid to BWI Shanghai as additional capital injection.

The Group has elected to measure the non-controlling interest in BWI Shanghai at the non-controlling shareholder's proportionate share of BWI Shanghai's identifiable net assets.

As detailed in note 2 to this announcement, the BWI Shanghai Acquisition was regarded as a business combination under common control and accounted for using the merger basis. The consolidated financial statements are prepared as if the BWI Shanghai Acquisition had completed on 23 January 2014, being the date BWI obtained control over the Company.

The carrying amounts of the assets and liabilities of BWI Shanghai as at the date of acquisition were as follows:

	Carrying amounts recognised HK\$'000
Property, plant and equipment	214,786
Other intangible assets	12,834
Deferred tax assets	12,547
Inventories	124,843
Trade and bills receivables	524,656
Prepayments, deposits and other receivables	16,851
Cash and cash equivalents	154,938
Trade payables	(369,022)
Other payables and accruals	(126,915)
Income tax payables	(3,468)
Bank borrowings	(189,838)
Dividend payable	(92,708)
Provision	(19,747)
Deferred tax liabilities	(1,003)
Net carrying amounts recognised at acquisition	248,754
Non-controlling interests	(135,750)
Satisfied by:	
Cash	140,828
Merger reserve attributable to the acquisition of BWI Shanghai	(27,824)

The Group incurred transaction costs of HK\$1,631,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of this subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration	140,828
Eliminated capital injection	<u>(82,709)</u>
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<u><u>58,119</u></u>

The consolidated financial statements were prepared as if the above business combinations had taken place on 23 January 2014. Since the BWI Shanghai Acquisition, BWI Shanghai contributed HK\$1,600,613,000 to the Group's turnover and HK\$37,584,000 to the consolidated profit for the year ended 31 December 2016.

18. COMMITMENTS

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted, but not provided for:		
Plant and machinery	<u><u>88,210</u></u>	<u><u>81,753</u></u>

19. EVENTS AFTER THE REPORTING PERIOD

There is no material event after the reporting period.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year (2016: HK2 cents).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14 May 2018 to Friday, 18 May 2018 (both days inclusive) to determine the entitlement to attend and vote at the Company's annual general meeting to be held on Friday, 18 May 2018 (the "AGM"). During such period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 11 May 2018 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

The Group involves in the manufacture and sale of automotive parts and components and the trading of automotive parts and components. The core products of the Group are suspension products and brake products.

Suspension products

The Group's automotive suspension products are mainly utilized on premium passenger vehicles, which are manufactured by our plants in Europe. There are two major plants in Poland and the United Kingdom ("UK"), which manufacture and assemble suspension products for their customers. The total capacity in terms of number of dampers produced approximate to 11.5 million units. A new plant in the Czech Republic has also commenced production in the second quarter of year 2017, in which the total designed capacity in terms of number of dampers produced approximate to 4 million units. However, the new plant 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 developed and maintained 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 had 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 have broad applications in both sedans and full-size sport utility vehicles. The Group is one of the leading suppliers in the People's Republic of China ("PRC") of automobile brake components and systems. Our customers include some of the world's largest automobile manufacturers with operations in the PRC as well as domestic automobile manufacturers. The Group has established its leadership status through its long-term presence in the PRC.

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

FINANCIAL REVIEW

Revenue

The revenue of the Group's core business sectors for the years ended 31 December 2017 and 2016 are summarized as below:

	For the year ended 31 December 2017 (HK\$ million)	For the year ended 31 December 2016 (HK\$ million)	Change (%)
Manufacture and sales of automotive controlled and passive suspension products	2,778.20	2,638.96	5.28%
Manufacture and sales of brake products in PRC	948.86	1,575.20	(39.76%)
Provision of technical services – suspension products	148.71	119.17	24.79%
Provision of technical services – brake products	27.88	21.35	30.59%
Total	<u>3,903.65</u>	<u>4,354.68</u>	<u>(10.36%)</u>

For the year ended 31 December 2017, the Group recorded revenue of HK\$2,778.20 million in manufacture and sales of automotive controlled and passive suspension products (year ended 31 December 2016: HK\$2,638.96 million), which increased when comparing to the year ended 31 December 2016 mainly because some models of suspension products at Luton plant boosted up the revenue and the new plant in the Czech Republic commenced its production and recorded revenue in the second quarter of year 2017.

For the year ended 31 December 2017, the Group recorded revenue of HK\$948.86 million in manufacture and sales of brake products in the PRC (year ended 31 December 2016: HK\$1,575.20 million), down by HK\$626.34 million or 39.76% as a result of keen competition in the PRC market. The decrease in revenue was mainly due to certain major domestic vehicle manufacturers postponed or reduced their procurements of the products from our Shanghai plant due to unsatisfactory sales volume of certain of their automobile models.

For the year ended 31 December 2017, the Group also recorded HK\$148.71 million in provision of technical services in suspension products (year ended 31 December 2016: HK\$119.17 million) and HK\$27.88 million in provision of technical services in brake products (year ended 31 December 2016: HK\$21.35 million).

Gross profit and gross profit margin

	For the year ended 31 December 2017		For the year ended 31 December 2016		Change	
	Gross profit (HK\$ million)	Gross profit margin (%)	Gross profit (HK\$ million)	Gross profit margin (%)	Gross profit (HK\$ million)	Gross profit margin (%)
Manufacture and sales of automotive controlled and passive suspension products, and provision of technical services in related products	636.79	21.76	664.52	24.09	(27.73)	(2.33)
Manufacture and sales of brake products in PRC, and provision of technical services in related products	110.43	11.31	262.09	16.42	(151.66)	(5.11)
Total	<u>747.22</u>	<u>19.14</u>	<u>926.61</u>	<u>21.28</u>	<u>(179.39)</u>	<u>(2.14)</u>

For the year ended 31 December 2017, the gross profit and gross profit margin for the suspension products sector were HK\$636.79 million and 21.76% respectively (year ended 31 December 2016: HK\$664.52 million and 24.09% respectively). Both the gross profit and gross profit margin have been decreased, which were mainly attributed to the change in products mix and the increase in raw materials price such as steel. In addition, the overall gross profit margin was dragged down by our new plant in the Czech Republic during its commencement stage. However, the Group expects the plant in the Czech Republic will be able to achieve a rational profit margin in the coming future when the production volume ramps up and the utilization of raw materials and production efficiency improve due to economy of scale.

For the year ended 31 December 2017, the gross profit and gross profit margin for the brake products sector were HK\$110.43 million and 11.31% respectively (year ended 31 December 2016: HK\$262.09 million and 16.42% respectively). Both the gross profit and gross profit margin decreased because certain major domestic vehicle manufacturers postponed or reduced their procurements of the products from our Shanghai plant. A negative impact was observed on the gross profit margin as transactions with these customers were of higher gross profit margin.

Other income

Other income of the Group for the year ended 31 December 2017 decreased by 23.28% to HK\$75.73 million (year ended 31 December 2016: HK\$98.71 million), which was mainly due to unfavorable exchange rate movements which resulted in a foreign exchange loss of HK\$24.12 million which was included in other operating expenses. While for the year ended 31 December 2016, there was a foreign exchange gain of HK\$16.44 million which was included in other income.

Selling and distribution expenses

Selling and distribution expenses of the Group for the year ended 31 December 2017 decreased by 18.38% to HK\$49.20 million (year ended 31 December 2016: HK\$60.28 million) mainly due to decrease in warranty provision. 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 2017 decreased by 11.30% to HK\$236.29 million (year ended 31 December 2016: HK\$266.38 million) mainly due to decrease in management service fee. Administrative expenses mainly consisted of salaries for administrative staff and management service fee charged by related companies.

Research and development expenses

Research and development expenses of the Group for the year ended 31 December 2017 slightly decreased by 0.73% to HK\$490.59 million (year ended 31 December 2016: HK\$494.20 million) mainly due to tighten cost monitoring implemented during the 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 year ended 31 December 2017 increased slightly by 0.73% to HK\$13.72 million (year ended 31 December 2016: HK\$13.62 million) attributed to increase in short term bank borrowings during the year. Finance costs represented interest on bank loans obtained by subsidiaries in Europe and the PRC.

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

For the year ended 31 December 2017, loss for the year attributable to equity owners of the Company approximately to HK\$8.57 million (year ended 31 December 2016: profit for year attributable to equity owners of the Company approximately to HK\$107.91 million). The turnaround from profit to loss was mainly attributed to the decrease in revenue and gross profit during the year.

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 2017, with net cash from operating activities amounted to HK\$63.43 million (year ended 31 December 2016: HK\$202.37 million). As at 31 December 2017, the Group maintained cash and bank balances of HK\$652.77 million (as at 31 December 2016: HK\$517.67 million).

Indebtedness

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 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 2.20% 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.

As at 31 December 2016, the Group had bank borrowings of HK\$208.48 million, in which HK\$18.64 million obtained by a subsidiary in Europe were denominated in EUR and US\$ with an interest of 1 Month LIBOR plus 2.20% per annum; and the remaining bank borrowings of HK\$189.84 million were denominated in RMB with an interest of 4.13% to 4.35% per annum.

The Group's gearing ratio (measured as total bank borrowings over total assets) as at 31 December 2017 was 20.12% (as at 31 December 2016: 8.49%). 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 2017 and 2016, there were no assets being pledged.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in EUR and the local currencies of our operations, which include PLN, Great Britain Pound Sterling ("GBP"), Czech Koruna ("CZK") 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 18 to this announcement, the Group and the Company had no other commitments as at 31 December 2017 and 2016.

Contingent Liabilities

As at 31 December 2017, the Group and the Company did not have any significant contingent liabilities.

OTHER INFORMATION

Environmental, Health and Safety

The Group is dedicated to protecting the health of people, natural resources and the global environment, and has adopted the hazardous material control 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 law of the PRC relating to emissions to land, air and water and waste production from its production facilities. Various hazardous material control programs and chemical material assessment procedures have also been adopted to meet the applicable legal requirements.

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

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

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 and the PRC. Overall market demand for cars may be affected by factors such as regional economic conditions, fuel price and end customers' expectations on future economic situation. These factors are beyond the Group's control, and may affect the annual production of automobiles by passenger vehicle manufacturers, which possibly in turn affect the sales and profitability of the Group's products.

The Group will keep moving forward and aim to maintain a solid and healthy growth and development. 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. While the global automotive industry is still expected to maintain stable growth, 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, with more changes from the 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 2017, the Group had approximately 1,500 full-time employees, of which 650 were working in the Company's subsidiary in the PRC and 850 were working in the Company and Company's subsidiaries in Europe (as at 31 December 2016: 850 full-time employees working in the PRC, 760 full-time employees working in the Company and Company's subsidiaries in Europe). During the year ended 31 December 2017, the total employees' cost was HK\$616.46 million (year ended 31 December 2016: HK\$588.69 million). Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by the management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group has defined benefit pension plans covering substantially all of its qualified employees in Poland, France and Germany. The Group has also adopted a mandatory provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for its employees in Hong Kong, as well as retirement benefits plans under respective laws and regulations in the PRC.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the 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 2017.

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 2017 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, 20 March 2018

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. Leung Kai Cheung (Independent Non-executive Director) and Mr. Yip Kin Man, Raymond (Independent Non-executive Director).