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 2023

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 2023. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**1,430,720**	1,290,252
Cost of sales		**(1,238,218)**	(1,070,341)
Gross profit		**192,502**	219,911
Other income and gains, net	*4*	**28,713**	18,009
Selling and distribution expenses		**(11,643)**	(15,270)
Administrative expenses		**(66,656)**	(70,624)
Impairment reversals/(losses) on financial assets		**385**	(193)
Research and development expenses		**(141,671)**	(122,573)
Other operating expenses		**(1,332)**	(73)
Finance costs	*6*	**(6,378)**	(7,974)
(LOSS)/PROFIT BEFORE TAX	*5*	**(6,080)**	21,213
Income tax credit/(expense)	*7*	**28,797**	(9,580)
PROFIT FOR THE PERIOD		**22,717**	11,633
Attributable to:			
Owners of the Company		**22,717**	11,633
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted *(HK cents per share)*	*8*	**3.96**	2.03

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**22,717**	11,633
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**51,816**	(59,567)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement (loss)/gain on defined benefit plans	**(4,169)**	18,449
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	**47,647**	(41,118)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**70,364**	(29,485)
Attributable to:		
Owners of the Company	**70,364**	(29,485)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023 (unaudited) *HK$'000***	31 December 2022 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**426,937**	403,853
Right-of-use assets		**305,763**	299,268
Goodwill		**748**	896
Deferred tax assets		**70,896**	66,833
Other non-current assets	*10*	**198,548**	193,746
Total non-current assets		**1,002,892**	964,596
CURRENT ASSETS			
Inventories		**200,076**	177,083
Trade receivables	*11*	**421,192**	339,823
Prepayments, other receivables and other assets		**375,529**	332,306
Cash and cash equivalents		**109,637**	122,780
Total current assets		**1,106,434**	971,992
CURRENT LIABILITIES			
Trade payables	*12*	**402,949**	322,777
Other payables and accruals		**235,702**	215,397
Income tax payables		**7,124**	20,635
Defined benefit obligations	*13*	**3,974**	3,406
Lease liabilities		**26,602**	33,610
Provision		**29,213**	27,798
Total current liabilities		**705,564**	623,623
NET CURRENT ASSETS		**400,870**	348,369
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,403,762**	1,312,965

	Notes	**30 June 2023 (unaudited)** *HK$'000*	31 December 2022 (audited) *HK$'000*
NON-CURRENT LIABILITIES			
Other payables and accruals		**23,984**	24,971
Defined benefit obligations	*13*	**88,875**	77,829
Lease liabilities		**282,867**	272,589
Deferred tax liabilities		**89,297**	89,213
Loan from a holding company		**427**	415
Total non-current liabilities		**485,450**	465,017
NET ASSETS		**918,312**	847,948
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*14*	**57,434**	57,434
Reserves		**860,878**	790,514
TOTAL EQUITY		**918,312**	847,948

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 June 2023

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 2023 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. On 5 September 2022, Shougang Group Co., Ltd. and BeijingWest Smart Mobility Zhangjiakou Automotive Electronics Co., Ltd.# (“京西智行張家口汽車電子有限公司”) (“**BWSM**”) signed an equity transfer agreement for the transfer of 55.45% equity interest in BeijingWest Industries Co., Ltd. (“**BWI**”). Upon completion of this transaction on 19 September 2022, BWSM indirectly held 52.55% shareholding interest in the Company through holding equity interest in BWI. After a series of capital injection into BWSM by Zhangjiakou Financial Holding Group Co., Ltd.# (張家口金融控股集團有限公司) (“**Zhangjiakou Holding**”) and capital injection into BWI by BWSM during the six months period ended 30 June 2023, Zhangjiakou Holding directly and indirectly held a total of approximately 67.14% shareholding interest in BWSM and BWSM directly held 81.58% shareholding interest in BWI. In the opinion of the directors of the Company (the “**Directors**”), the ultimate holding company of the Company is Zhangjiakou Holding, which is a state-owned enterprise established in the People’s Republic of China and is supervised by Zhangjiakou Finance Bureau.

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 2023 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 2022.

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.

For identification purpose only

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") and HKASs for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised HKFRSs and HKASs that are applicable to the Group are described below:

(a) HKFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. HKFRS 17 replaces the existing HKFRS 4 *Insurance Contracts*. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in HKFRS 4, which were largely based on grandfathering previous local accounting policies, the standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and

- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

As the Group did not have contracts within the scope of HKFRS 17, the standard did not have any impact on the financial position or performance of the Group.

(b) Amendments to HKFRS 17 include changes to simplify certain requirements in the standard and make financial performance easier to explain. The amendments also provide additional reliefs to reduce the effort required for the transition to HKFRS 17. As the Group did not have contracts within the scope of HKFRS 17, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendment to HKFRS 17 is a transition option relating to comparative information about financial assets presented on initial application of HKFRS 17, which helps to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and to improve the usefulness of comparative information for users of financial statements. An entity that chooses to apply the transition option set out in this amendment shall apply it on initial application of HKFRS 17. As the Group did not have contracts within the scope of HKFRS 17, the amendment did not have any impact on the financial position or performance of the Group.

(d) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(e) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(f) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Prior to the initial application of these amendments, the Group did not apply the initial recognition exception and has recognised a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases, hence, the amendments did not have any impacts to the Group.

(g) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two Model Rules, the amendments did not have any impact to the Group.

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	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sale of industrial products	**1,331,512**	1,187,013
Technical service income	**99,208**	103,239
	1,430,720	1,290,252

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
United Kingdom	**350,454**	372,368
Germany	**379,618**	317,573
United States	**295,283**	280,435
Mainland China	**62,886**	41,865
Other countries	**342,479**	278,011
	1,430,720	1,290,252

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

(b) Non-current assets

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Poland	**730,123**	664,664
Czech	**154,320**	155,383
United Kingdom	**37,866**	52,748
Other countries	**9,687**	24,968
	931,996	897,763

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	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Customer A	**276,502**	275,983
Customer B	**171,390**	177,385
Customer C	**N/A***	148,982
	447,892	602,350

* 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	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Other income and gains, net		
Profit from sale of scrap materials, prototypes and samples	**18,023**	12,932
Bank interest income	**96**	49
Foreign exchange differences, net	**–**	3,843
Gain on disposal of items of property, plant and equipment	**1,365**	300
Government grants	**2,082**	172
Others	**7,147**	713
	28,713	18,009

5. (LOSS)/PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Cost of inventories sold and services provided		**1,238,218**	1,070,341
Depreciation of property, plant and equipment		**32,025**	35,040
Depreciation of right-of-use assets		**17,687**	17,250
Auditors' remuneration		**1,385**	1,311
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and benefits		**260,840**	230,122
Defined benefit obligation expenses	*13*	**3,138**	1,864
		263,978	231,986
Research and development costs		**141,671**	122,573
Less: Staff costs included as research and development costs		**(72,323)**	(58,710)
Research and development costs, net of staff costs		**69,348**	63,863
Gain on disposal of items of property, plant and equipment, net	*4*	**1,365**	300
(Impairment reversals)/impairment losses on financial assets:			
Reversal of impairment of trade receivables, net	*11*	**(432)**	(148)
Impairment of prepayments, other receivables and other assets, net		**47**	341
		(385)	193
Provision for obsolete inventories*		**1,741**	1,279
Provision for warranty, net		**1,017**	2,214
Foreign exchange differences, net**		**688**	(3,843)

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

** Foreign exchange loss of approximately HK$688,000 is included in "Other operating expenses" in the interim condensed consolidated statement of profit or loss for the period ended 30 June 2023, and foreign exchange gain of approximately HK$3,843,000 is included in "Other income and gains, net" in the interim condensed consolidated statement of profit or loss for the period ended 30 June 2022.

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank loans and others	**2,273**	2,893
Interest on lease liabilities	**4,105**	5,081
	6,378	7,974

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2023. 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	
	2023	2022
	(unaudited)	(unaudited)
Luxembourg	**24.9%**	24.9%
Poland	**19.0%**	19.0%
United Kingdom	**23.4%**	19.0%
France	**25.0%**	25.0%
Germany	**29.8%**	29.8%
Italy	**27.9%**	27.9%
Czech	**19.0%**	19.0%

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current – Elsewhere	**9,417**	20,059
Current – Over provision in prior years	**(34,726)**	(6,693)
Deferred	**(3,488)**	(3,786)
Tax (credit)/charge for the period	**(28,797)**	9,580

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/profit before tax	**(6,080)**	21,213
Income tax (credit)/charge at the Hong Kong statutory tax rate of 16.5%	**(1,003)**	3,500
Effect of different income tax rates for foreign operations	**74**	1,912
Income not subject to tax	**(1,722)**	(1,005)
Expenses not deductible for tax purposes	**8,664**	10,423
Adjustments in respect of current tax of previous periods, including:		
Tax refund in respect of treating SG&A expenses paid to related companies and fellowship subsidiaries as tax-deductible expenses*	**(21,306)**	–
Additional deduction of R&D expenses**	**(14,305)**	(5,407)
Other adjustments for current income tax of previous period	**885**	(1,286)
Withholding tax expenses	**121**	1,257
Effect on deferred tax of change in future tax rates	**(205)**	186
Tax (credit)/charge at the effective rate	**(28,797)**	9,580

* From 2019 to 2021, due to the cap of the tax regulations imposed by the Polish tax authorities, the selling and general administrative ("**SG&A**") expenses paid by BWI Poland Technologies sp.z.o.o. ("**BWI Poland**") to related companies and fellow subsidiaries could only be deducted to a part, failing to treat all of these expenses as tax deductible. Afterwards, BWI Poland applied to the Polish tax authorities for an "Advance Pricing Arrangement" and was accepted by the Polish tax authorities during the current period. After the "Advance Pricing Arrangement", all of the above-mentioned expenses can be treated as tax deductible and BWI Poland got a refund of income tax paid in previous years with total amount of approximately HK$21,306,000.

** According to Polish tax regulations, BWI Poland enjoyed double tax deduction benefits for part of the eligible research and development ("**R&D**") expenses. And due to some expenses paid to related companies and fellow subsidiaries were not recognized by the Polish tax authorities in the past years, after being recognized, the amount of taxable income in previous years after deductions has decreased significantly, and the double tax deduction benefits obtained for the eligible R&D expenses incurred in those years have not been fully utilized. The double tax deduction for eligible R&D expenses that has not been used in previous years can be rolled over and utilized in future years, thus generating tax credits.

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 2022: 574,339,068) in issue during the period.

No diluted earnings per share amounts were presented for the six months ended 30 June 2023 and 2022 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 2023 (for the six months ended 30 June 2022: Nil).

10. OTHER NON-CURRENT ASSETS

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contract performance deposits	**57,669**	56,215
Pre-production costs	**178,020**	171,069
	235,689	227,284
Within one year	**(37,141)**	(33,538)
	198,548	193,746

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 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 3 months	**419,037**	338,992
3 months to 1 year	**2,155**	831
	421,192	339,823

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

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At beginning of the period/year	**(2,882)**	(3,789)
Impairment losses reversed, net *(note 5)*	**432**	421
Amount written off as uncollectible	**–**	114
Exchange realignment	**(263)**	372
At end of the period/year	**(2,713)**	(2,882)

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 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 3 months	**402,052**	322,582
3 months to 6 months	**612**	–
6 months to 1 year	**205**	68
Over 1 year	**80**	127
	402,949	322,777

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 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Present value of unfunded obligations	**92,849**	81,235
Portion classified as current liabilities	**(3,974)**	(3,406)
Non-current portion	**88,875**	77,829

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

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
At beginning of the period/year	**81,235**	101,353
Current service costs	**1,309**	2,135
Interest cost on benefit obligations	**1,829**	1,780
Benefits paid during the period/year	**(1,530)**	(3,622)
Remeasurement loss/(gain) recognised in other comprehensive income*	**5,005**	(13,526)
Exchange realignment	**5,001**	(6,885)
At end of the period/year	**92,849**	81,235

* Deferred tax assets of HK$836,000 (31 December 2022: deferred tax assets of HK$2,472,000 were reversed for the remeasurement gain) were recognised for the remeasurement loss. The remeasurement loss after deferred tax amounted to HK$4,169,000 (31 December 2022: the remeasurement gain after deferred tax amounted to HK$11,054,000), 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	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current service costs	**1,309**	938
Interest cost on benefit obligations	**1,829**	926
Net benefit expenses	**3,138**	1,864

14. SHARE CAPITAL

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each (2022: 2,000,000,000 ordinary shares of HK$0.10 each)	**200,000**	200,000
Issued and fully paid:		
574,339,068 ordinary shares of HK$0.10 each (2022: 574,339,068 ordinary shares of HK$0.10 each)	**57,434**	57,434

The Company did not issue any new ordinary share during the six months ended 30 June 2023.

15. COMMITMENTS

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

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contracted, but not provided for:		
Plant and machinery	**89,905**	65,294

16. EVENTS 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 2023 (for the six months ended 30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

The Group involves in manufacture, sale and trading of automotive parts and components and provision of technical services. The core products of the Group are suspension products.

The Group's automotive suspension products are mainly utilised on premium passenger vehicles, which are 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 phrased 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.

At the current stage, the Pandemic has come to be seen as an endemic disease, and people around the world have grown accustomed to coexisting with the virus. The damaging effects and impact of the virus is also gradually becoming trivial, and people's lives have fully returned to normalcy.

FINANCIAL REVIEW

Revenue

For the period ended 30 June 2023, the Group recorded revenue of HK$1,331.5 million from manufacture and sale of suspension products (period ended 30 June 2022: HK$1,187.0 million). The increase in revenue for the period ended 30 June 2023 is mainly due to increase in the number of orders in the plants in Poland and the Czech Republic. On the contrary, the plant in UK is affected by the upcoming closure, and has recorded a decrease in revenue.

For the period ended 30 June 2023, the Group also recorded revenue of HK$99.2 million in provision of technical services (period ended 30 June 2022: HK$103.2 million).

Gross Profit and Gross Profit Margin

For the period ended 30 June 2023, the gross profit and gross profit margin of the Group were HK$192.5 million and 13.5% respectively. While for the period ended 30 June 2022, the gross profit and gross profit margin were HK$219.9 million and 17.0% respectively. Both the gross profit and gross profit margin decreased as compared with the same period of last year.

During the period, although the Group recorded an increase in revenue as compared with the corresponding period of last year, the gross profit dropped. The increase in revenue of the Group during the period was mainly due to the two major plants in Poland and the Czech Republic, while the revenue from the plant in the UK decreased. Although there was an increase in revenue from the plant in Poland, its gross profit and gross profit margin decreased to a certain extent resulting from the high level of local inflation which led to a significantly increase in energy price and the costs of raw materials and staff. The plant established in the Czech Republic also recorded an increase in revenue, but its operation was still under the condition of gross loss. As a result, the increase in revenue from this plant failed to promote the growth of overall gross profit of the Group. In contrast, the decreased in revenue from the plant of the UK led to the decrease in the gross profit of the Group.

The Group's plant in the Czech Republic was unable to leverage its best efficiency as the utilization rate fell short of expectation in addition to the over three-year COVID-19 pandemic. However, the condition of gross loss of its operation was improved during the period. It is believed that its performance will be significantly improved in the future with the benefits from the increase in orders transferred from the plant in the UK after its closure, achievement of expanding production volume brought by economy of scale, improvement of the use of raw materials as well as increase in production efficiency.

Other Income and Gains

Other income and gains of the Group for the period ended 30 June 2023 increased by 59.4% to HK$28.7 million (period ended 30 June 2022: HK$18.0 million), which was mainly due to the increase in profit from sale of scrap materials, prototypes and recharge income from customers and suppliers.

Selling and Distribution Expenses

Selling and distribution expenses of the Group for the period ended 30 June 2023 decreased by 23.8% to HK$11.6 million (period ended 30 June 2022: HK$15.3 million), mainly due to reduced special freight expenses for the current period. These charges are due to delays in the supply of certain components by the suppliers, resulting in the delay in the completion of the product. Special arrangements must be made to ship the product by express air transport instead of the normal sea freight to customers in the United States in order to meet the customer's time requirements. 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 2023 decreased by 5.6% to HK$66.7 million (period ended 30 June 2022: HK$70.6 million). The decrease was mainly because tighten cost control was in place and continue to implement. Administrative expenses mainly consisted of salaries for administrative staff and management services fees charged by related companies.

Research and Development Expenses

Research and development expenses of the Group for the period ended 30 June 2023 increased by 15.6% to HK$141.7 million (period ended 30 June 2022: HK$122.6 million). Research and development expenses mainly consisted of salaries for technical staff and technical services fees charged by related companies. Among that, the salary of technical staffs is of a significant ratio. Due to high local inflation, the salary of technical staffs was also adjusted upwards, which caused an increase in the research and development expenses. In addition, in order to complement the future business development and long-term sales plans, there is a corresponding increase in the advanced development research for the new products and technologies during the period, which also caused an increase in the research and development expenses.

Finance Costs

Finance costs of the Group for the period ended 30 June 2023 decreased by 20.0% to HK$6.4 million (period ended 30 June 2022: HK$8.0 million), mainly because all loans have been repaid during the second half of last year, and hence there is no interest expense on loans for the current period. Finance costs mainly represented interest on bank loans, interest on lease liabilities and interest cost on defined benefit obligations.

Income Tax

For the period ended 30 June 2023, the net income tax credit of the Group is HK$28.8 million, and the net income tax expense for the period ended 30 June 2022 is HK$9.6 million. The net income tax credit for the period is mainly due to BWI Poland Technologies sp.z.o.o. ("**BWI Poland**") has income tax refunds during the period and the effect brought by double tax deduction benefits for eligible research and development ("**R&D**") expenses. From 2019 to 2021, due to the cap of the tax regulations imposed by the Polish tax authorities, the selling and general administrative expenses paid by BWI Poland to related companies and fellow subsidiaries could only be deducted to a part, failing to treat all these expenses as tax deductible. Afterwards, BWI Poland applied to the Polish tax authorities for an "Advance Pricing Arrangement" and was accepted by the Polish tax authorities during the current period. After the "Advance Pricing Arrangement", all of the above-mentioned expenses can be treated as tax deductible and BWI Poland got a refund of HK$21.3 million, being refund of income tax paid in previous years. In addition, part of the eligible R&D expenses of BWI Poland can enjoy double tax deduction benefits. Since some expenses paid to related companies and fellow subsidiaries were not recognised by the Polish tax authorities in the past years, after being recognised, the amount of taxable income in previous years after deductions has decreased significantly, and the double tax deduction benefits obtained for the eligible R&D expenses incurred in those years have not been fully utilised. The double tax deduction benefits that has not been utilised in previous years can be rolled over and utilised in future years, thus generating a large part of tax credits. During the period, income tax credits recognised as a result of the double tax deduction benefits for R&D expenses totalled HK$14.3 million.

Profit for the Period Attributable to Owners of the Company

In summary of the above, for the period ended 30 June 2023, the profit attributable to owners of the Company is HK$22.7 million (period ended 30 June 2022: HK$11.6 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, remuneration of employees, 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 (if necessary) as well.

The Group was running in a net cash outflow position for the period ended 30 June 2023, but there was net cash inflow from operating activities amounted to HK$20.8 million (period ended 30 June 2022: HK$42.6 million). As at 30 June 2023, the Group maintained cash and cash equivalents of HK$109.6 million (as at 31 December 2022: HK$122.8 million).

Indebtedness

The Group did not have any balance of bank or other borrowings as at 30 June 2023 and 31 December 2022.

The Group's gearing ratio (measured as total bank or other borrowings over total assets) as at 30 June 2023 was 0% (as at 31 December 2022: 0%). 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 2023 and 31 December 2022, there were no assets of the Group being pledged.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in Euro, US Dollar and the local currencies of our operations, which include Polish Zloty, Great British Pound Sterling and Czech Koruna. 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 2023 and 31 December 2022.

Contingent Liabilities

As at 30 June 2023 and 31 December 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. The core products are suspension products.

During the period under review, the Russian-Ukrainian war continues, the extreme tensions of European geopolitics remain unchanged, hence we still have to face a challenging and volatile operational environment since the Group’s plants in Poland, UK and the Czech Republic are located in Europe. During the period under review, inflation in the locations where we operate remained at a high level. The 2022 inflation rate for the locations of the three major plants ranged from 10.5% to 16.6%, and the pressure of rising operating costs is more and more obvious. In terms of interest rates, the U.S. Federal Reserve and central banks around the world have started an interest rate hike cycle more than a year ago, and the high borrowing cost brings uncertainty to the prospect of global economy.

Customers of the Group mostly comprise of premium passenger vehicle manufacturers, and as such, the business of the Group is largely dependent on the performance of the automotive industry, especially in Europe. Affected by the pandemic and the slowdown of economy, passenger vehicle production in Europe in 2022 was only approximately 13,143,000 vehicles, and the annual output remained, as in 2021, at a low level of approximately 13,000,000 vehicles, one of the lowest numbers in recent years. Compared to the pre-pandemic level of 2019, it decreased substantially by 29.1%, indicating that the recovery of the automotive industry in Europe is less than ideal. In addition, according to the forecast of the International Monetary Fund, the eurozone will see a low GDP growth of just 0.7% in 2023, which indicates that the European economy is still not out of the woods. This will bring great challenges to the Group's business performance for the remainder of the year.

The plan of the Group for the closure of the plant located in Luton, UK is going smoothly and on schedule. At the present stage, production of most of products in the plant has stopped, and the site of the plant will be handed over to the landlord before the end of the year. Most of the original orders and production lines of the UK Plant has been gradually transferred to the plants located in Krosno in Poland and Cheb in the Czech Republic of the Group according to schedule. Management is of the view that the closure of the UK plant will enable the Group to consolidate its resources more effectively, reduce its fixed administrative expenses such as leasing and staff costs, and increase its overall capacity utilization rate, and is beneficial to the future operation of the Group.

The Group has accumulated extensive technical knowledge and developed a high degree of technical expertise with a consistent focus on research and development for many years. 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. While the future prospects remain challenging, 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 2023, the Group had approximately 2,140 (30 June 2022: 2,110) employees. During the period ended 30 June 2023, the total employees' cost was HK$264.0 million (period ended 30 June 2022: 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 during the six months ended 30 June 2023.

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
Dong Xiaojie
Chairman

Hong Kong, 30 August 2023

As at the date of this announcement, the Board comprises Mr. Dong Xiaojie (Chairman), Mr. Chang Ket Leong (Executive Director), Mr. Zheng Jianwei (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).