京西重工國際有限公司
BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

Stock Code : 2339

Interim Report 2017

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CORPORATE INFORMATION

Board of Directors	Jiang Yunan *(Chairman)* Chen Zhouping *(Managing Director)* Li Shaofeng *(Executive Director)* Qi Jing *(Executive Director)* Thomas P Gold *(Executive Director)* Zhang Yaochun *(Non-executive Director)* Tam King Ching, Kenny *(Independent Non-executive Director)* Leung Kai Cheung *(Independent Non-executive Director)* Yip Kin Man, Raymond *(Independent Non-executive Director)*
Executive Committee	Jiang Yunan *(Chairman)* Chen Zhouping Li Shaofeng Qi Jing Thomas P Gold
Audit Committee	Tam King Ching, Kenny *(Chairman)* Leung Kai Cheung Yip Kin Man, Raymond
Nomination Committee	Jiang Yunan *(Chairman)* Zhang Yaochun Tam King Ching, Kenny Leung Kai Cheung Yip Kin Man, Raymond
Remuneration Committee	Leung Kai Cheung *(Chairman)* Jiang Yunan Tam King Ching, Kenny Yip Kin Man, Raymond
Company Secretary	Cheng Man Ching
Auditor	Ernst & Young

Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
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To the shareholders of BeijingWest Industries International Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 48, which comprise the condensed consolidated statement of financial position of BeijingWest Industries International Limited (the "Company") and its subsidiaries (collectively the "Group") as of 30 June 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

24 August 2017

INTERIM RESULTS

The board of directors (the "Board") of BeijingWest Industries International Limited (the "Company") is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017. 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 2017

		Six months ended 30 June	
	Notes	**2017** ***HK$'000*** **(unaudited)**	2016 *HK$'000* (unaudited) (restated)
REVENUE	*4*	**1,911,805**	2,314,921
Cost of sales		**(1,548,462)**	(1,811,078)
Gross profit		**363,343**	503,843
Other income and gains, net	*4*	**44,478**	49,825
Selling and distribution expenses		**(18,962)**	(24,359)
Administrative expenses		**(149,994)**	(151,145)
Research and development expenses		**(240,442)**	(211,786)
Other operating expenses, net		**(14,009)**	(1,685)
Finance costs	*6*	**(4,871)**	(6,908)
(LOSS)/PROFIT BEFORE TAX	*5*	**(20,457)**	157,785
Income tax expense	*7*	**(9,612)**	(35,098)
(LOSS)/PROFIT FOR THE PERIOD		**(30,069)**	122,687
Attributable to:			
Owners of the Company		**(10,073)**	108,460
Non-controlling interests		**(19,996)**	14,227
		(30,069)	122,687
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	*8*	**(1.75)**	18.82

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
(LOSS)/PROFIT FOR THE PERIOD	**(30,069)**	122,687
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**83,899**	(23,659)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Re-measurement income on defined benefit plans	**5,034**	1,263
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	**88,933**	(22,396)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**58,864**	100,291
Attributable to:		
Owners of the Company	**75,431**	90,313
Non-controlling interests	**(16,567)**	9,978
	58,864	100,291

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**593,111**	552,150
Prepaid land lease payments		**11,914**	9,556
Goodwill		**4,571**	4,437
Deferred tax assets		**47,812**	38,542
Contract performance deposits		**10,147**	8,971
Total non-current assets		**667,555**	613,656
CURRENT ASSETS			
Inventories	10	**271,219**	289,793
Trade and bills receivables	11	**883,210**	877,553
Prepayments, deposits and other receivables		**174,425**	155,582
Cash and cash equivalents	12	**511,258**	517,674
Total current assets		**1,840,112**	1,840,602
CURRENT LIABILITIES			
Trade payables	13	**587,672**	718,585
Other payables and accruals		**504,808**	442,948
Income tax payables		**10,790**	18,675
Bank borrowings	14	**286,925**	208,482
Defined benefit obligations	15	**3,638**	710
Provision		**51,085**	51,788
Total current liabilities		**1,444,918**	1,441,188
NET CURRENT ASSETS		**395,194**	399,414
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,062,749**	1,013,070

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2017

	Notes	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Defined benefit obligations	*15*	**79,318**	78,034
Deferred tax liabilities		**10,664**	9,681
Loan from a holding company		**443**	408
Total non-current liabilities		**90,425**	88,123
NET ASSETS		**972,324**	924,947
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*16*	**57,434**	57,434
Reserves		**795,707**	731,763
		853,141	789,197
Non-controlling interests		**119,183**	135,750
Total equity		**972,324**	924,947

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company									
	Issued capital *HK$'000* *(note 16)*	Share premium account *HK$'000*	Merger reserve *HK$'000*	Defined benefit plan reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Capital reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2017	57,434	1,037,745	(772,332)	(16,527)	(211,315)	44,132	650,060	789,197	135,750	924,947
Loss for the period	-	-	-	-	-	-	(10,073)	(10,073)	(19,996)	(30,069)
Other comprehensive income for the period:										
Exchange differences related to foreign operations	-	-	-	-	80,470	-	-	80,470	3,429	83,899
Re-measurement income on defined benefit plans	-	-	-	5,034	-	-	-	5,034	-	5,034
Total comprehensive income/(loss) for the period	-	-	-	5,034	80,470	-	(10,073)	75,431	(16,567)	58,864
Dividend declared	-	-	-	-	-	-	(11,487)	(11,487)	-	(11,487)
At 30 June 2017 (unaudited)	57,434	1,037,745*	(772,332)*	(11,493)*	(130,845)*	44,132*	628,500*	853,141	119,183	972,324

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2017

	Attributable to owners of the Company									
	Issued capital *HK$'000* (restated)	Share premium account *HK$'000* (restated)	Merger reserve *HK$'000* (restated)	Defined benefit plan reserve *HK$'000* (restated)	Exchange fluctuation reserve *HK$'000* (restated)	Capital reserve *HK$'000* (restated)	Retained profits *HK$'000* (restated)	Total *HK$'000* (restated)	Non-controlling interests *HK$'000* (restated)	Total equity *HK$'000* (restated)
At 1 January 2016	57,655	1,042,025	(673,745)	(11,709)	(139,982)	44,132	542,248	860,624	106,260	966,884
Profit for the period	–	–	–	–	–	–	108,460	108,460	14,227	122,687
Other comprehensive loss for the period:										
Exchange differences related to foreign operations	–	–	–	–	(19,410)	–	–	(19,410)	(4,249)	(23,659)
Re-measurement income on defined benefit plans	–	–	–	1,263	–	–	–	1,263	–	1,263
Total comprehensive income/(loss) for the period	–	–	–	1,263	(19,410)	–	108,460	90,313	9,978	100,291
Repurchase of shares **	(48)	(984)	–	–	–	–	–	(1,032)	–	(1,032)
At 30 June 2016 (unaudited)	57,607	1,041,041*	(673,745)*	(10,446)*	(159,392)*	44,132*	650,708*	949,905	116,238	1,066,143

* These reserve accounts comprise the consolidated reserves of HK$795,707,000 (30 June 2016 (restated): HK$892,298,000) in the interim condensed consolidated statement of financial position.

** Details of the repurchase of shares were set out in Note 28(c) to the Group's 2016 financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	**(20,457)**	157,785
Total non-cash adjustments	**65,093**	41,790
Total working capital adjustments	**(75,233)**	(52,026)
Net cash flows (used in)/generated from operations	**(30,597)**	147,549
Income tax paid	**(25,605)**	(20,135)
Net cash flows (used in)/from operating activities	**(56,202)**	127,414
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**787**	2,424
Purchases of items of property, plant and equipment and additions to prepaid land lease payments	**(56,974)**	(70,610)
Proceeds from disposals of items of property, plant and equipment	**2,309**	5,120
Acquisition of subsidiaries	**–**	(100,000)
Net cash flows used in investing activities	**(53,878)**	(163,066)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited) (restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**237,213**	171,725
Repayment of bank loans		**(179,119)**	(191,716)
Repurchase of shares		**–**	(1,032)
Interest paid		**(4,871)**	(6,908)
Net cash flows from/(used in) financing activities		**53,223**	(27,931)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(56,857)**	(63,583)
Cash and cash equivalents at beginning of year	*12*	**517,674**	853,871
Effect of foreign exchange rate changes, net		**50,441**	(8,283)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*12*	**511,258**	782,005

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Company and the Group for the six months ended 30 June 2017 were authorised for issue by the board of directors of the Company (the "Directors") on 24 August 2017.

The Company was incorporated in the Cayman Islands on 21 September 2001 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 period, the Group was principally involved in manufacture and sale of automotive parts and components, trading of automotive parts and components and provision of technical services.

As at 30 June 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, 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 (the "PRC") and is supervised by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

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

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with HKAS 34 Interim Financial Reporting and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

The interim condensed consolidated financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand, except when otherwise indicated.

2 BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Basis of consolidation

The interim condensed consolidated financial statements include the financial statements of the Group for the six months ended 30 June 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. The results of the subsidiaries acquired upon completion of the acquisition of 51% equity interest in BWI (Shanghai) Co., Ltd. on 29 December 2016 have been consolidated from 23 January 2014 on a merger accounting basis.

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.

2 BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

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 loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and amendments effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments are/were applied for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standards or amendments are described below:

2 BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to HKAS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to HKAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments 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.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

2 BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Annual Improvements *2014 – 2016 Cycle*

Amendments to HKFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12*

The amendments clarify that the disclosure requirements in HKFRS 12, other than those in paragraphs B10–B16, 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 (or included in a disposal group that is classified) as held for sale.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

2 BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 1 included in *Annual Improvements 2014 –2016 Cycle*	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
Amendments to HKAS 28 included in *Annual Improvements 2014 –2016 Cycle*	*Investments in Associates and Joint Ventures*[1]
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*[1]

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

2 BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (continued)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

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 expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. 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 expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities 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

(a) Revenue from external customers

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Product revenue	**1,833,956**	2,249,547
Technical service income	**77,849**	65,374
	1,911,805	2,314,921

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
United Kingdom	**564,893**	642,661
Mainland China	**451,081**	808,444
Germany	**305,928**	336,914
United States	**139,604**	167,559
Other countries	**450,299**	359,343
Total	**1,911,805**	2,314,921

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	30 June 2017 ***HK$'000*** **(unaudited)**	31 December 2016 *HK$'000* (audited)
Poland	**224,382**	180,330
Mainland China	**201,713**	217,620
United Kingdom	**65,643**	85,147
Other countries	**128,005**	92,017
	619,743	575,114

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

During the reporting period, the revenues which were generated from two of the Group's customers and were individually accounted for more than 10% of the Group's total revenue are as follows:

	Six months ended 30 June	
	2017 ***HK$'000*** **(unaudited)**	2016 *HK$'000* (unaudited) (restated)
Customer A	**451,616**	590,382
Customer B	**136,614**	486,341
	588,230	1,076,723

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents: (1) the net invoiced value of goods sold, net of value-added tax and government surcharges, excluding 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:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Revenue		
Sale of goods	**1,833,956**	2,249,547
Technical service income	**77,849**	65,374
	1,911,805	2,314,921

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Other income and gains, net		
Profit from sale of scrap materials	**13,579**	2,721
Bank interest income	**787**	2,424
Royalty income	**9,405**	7,176
Prototype income	**16,641**	18,155
Exchange realignment	**–**	16,435
Gain on disposals of items of property, plant and equipment	**21**	442
Others	**4,045**	2,472
	44,478	49,825

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	
	Notes	**2017** ***HK$'000*** **(unaudited)**	2016 *HK$'000* (unaudited) (restated)
Cost of inventories sold		**1,548,462**	1,811,078
Depreciation	*9*	**51,393**	42,154
Amortisation of prepaid land lease payments		**142**	71
Minimum lease payments under operating leases:			
Buildings		**1,557**	1,643
Plant and equipment		**24,904**	19,726
Auditors' remuneration		**1,474**	808
Employee benefit expense (including directors' remuneration):			
Wages, salaries and benefits		**305,024**	291,741
Defined benefit obligation expenses	*15*	**2,159**	2,120
		307,183	293,861
Research and development costs		**242,233**	201,728
Less: Staff costs included as research and development costs		**91,025**	84,304
Research and development costs, net of staff costs		**151,208**	117,424
Gain on disposals of items of property, plant and equipment, net		**21**	442
Impairment/(reversal of impairment) of trade and bills receivables, net*	*11*	**3,325**	(956)
Provision/(reversal of provision) against obsolete inventories**	*10*	**476**	(2,616)
Provision for warranties, net		**8,314**	10,516
Foreign exchange differences, net***		**12,782**	(16,435)

* The impairment amounts of trade and bills receivables are included in "Administrative expenses" in the interim condensed consolidated statement of profit or loss.

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

*** The foreign exchange loss is included in "other operating expenses" and the foreign exchange gain was included in "other income and gains" in the interim condensed consolidated statement of profit or loss.

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Interest on bank loans wholly repayable within five years	**4,871**	6,908

7. INCOME TAX

No provisions for Hong Kong profits tax have been made for the six months ended 30 June 2017 as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2016 (restated): nil). 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	
	2017	2016
	(unaudited)	(unaudited)
		(restated)
Luxembourg	**19%**	21%
Poland	**19%**	19%
United Kingdom	**20%**	20%
France	**33.33%**	33.33%
Germany	**26.6%**	31.9%
Italy	**27.9%**	31.4%
Mainland China *(note (i))*	**15%**	15%
Czech	**19%**	19%

(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 periods ended 30 June 2017 and 2016.

7. INCOME TAX (continued)

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Group:		
Current – Elsewhere	**17,721**	37,412
Deferred	**(8,109)**	(2,314)
Tax charge for the period	**9,612**	35,098

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
(Loss)/Profit before tax	**(20,457)**	157,785
Income tax charge at the Company's statutory tax rate of 16.5%	**(3,376)**	26,035
Effect of different income tax rates for foreign operations	**2,913**	3,183
Tax losses not recognised as deferred tax assets	**9,106**	4,614
Expenses not deductible for tax purposes	**969**	1,266
Tax charge at the effective rate	**9,612**	35,098

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

The calculation of the basic earnings per share amount is based on the profit 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 2016 (adjusted): 576,361,294) in issue during the period.

The weighted average number of ordinary shares adopted in the calculation of the basic earnings per share amount for the six months ended 30 June 2016 has been adjusted retrospectively to reflect the impact of share consolidation completed on 16 November 2016. Further details of share consolidation were set out in the Group's 2016 annual report.

No diluted earnings per share is presented for the six months ended 30 June 2017 and 2016 as the Company did not have any outstanding dilutive potential ordinary shares during the period and the prior period.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2017 ***HK$'000*** **(unaudited)**	31 December 2016 *HK$'000* (audited)
At beginning of the period/year:		
Net carrying amount	**552,150**	494,528
Additions	**55,970**	212,764
Depreciation provided during the period/year	**(51,393)**	(94,139)
Disposals	**(2,288)**	(12,996)
Exchange realignment	**38,672**	(48,007)
At end of the period/year:		
Net carrying amount	**593,111**	552,150

10. INVENTORIES

	30 June 2017 **HK$'000** **(unaudited)**	31 December 2016 *HK$'000* (audited)
Raw materials	**177,659**	178,293
Work in progress	**30,944**	28,795
Finished goods	**77,332**	96,177
	285,935	303,265
Provision for impairment	**(14,716)**	(13,472)
	271,219	289,793

The movements in the provision for impairment of inventories are as follows:

	30 June 2017 **HK$'000** **(unaudited)**	31 December 2016 *HK$'000* (audited)
At beginning of the period/year	**(13,472)**	(10,930)
Impairment losses recognised, net *(note 5)*	**(476)**	(3,525)
Exchange realignment	**(768)**	983
At end of the period/year	**(14,716)**	(13,472)

11. TRADE AND BILLS RECEIVABLES

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Trade and bills receivables	**899,447**	889,687
Impairment	**(16,237)**	(12,134)
Total	**883,210**	877,553

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 customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged 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:

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Within 3 months	**871,586**	875,456
3 months to 1 year	**11,370**	1,532
Over 1 year	**254**	565
	883,210	877,553

11. TRADE AND BILLS RECEIVABLES (continued)

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

	30 June 2017 *HK$'000* (unaudited)	31 December 2016 *HK$'000* (audited)
At beginning of the period/year	**(12,134)**	(14,538)
Impairment losses (recognised)/reversed, net *(note 5)*	**(3,325)**	1,390
Exchange realignment	**(778)**	1,014
At end of the period/year	**(16,237)**	(12,134)

Included in the provision for impairment of trade and bills receivables are provision for individually impaired trade receivables of HK$16,237,000 (31 December 2016: HK$12,134,000) with an aggregate carrying amount before provision of HK$265,646,000 as at 30 June 2017 (31 December 2016: HK$26,333,000). 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 aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2017 *HK$'000* (unaudited)	31 December 2016 *HK$'000* (audited)
Neither past due nor impaired	**633,801**	863,354
Past due but not impaired	**–**	–
	633,801	863,354

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

12. CASH AND CASH EQUIVALENTS

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Cash and bank balances denominated in:		
Euro ("EUR")	**362,148**	294,868
Renminbi ("RMB")	**61,960**	69,835
United States dollar ("USD")	**30,995**	26,517
Great Britain Pound Sterling ("GBP")	**20,382**	19,796
Polish Zloty ("PLN")	**16,545**	3,382
HK$	**15,365**	102,261
Czech Koruna ("CZK")	**3,852**	1,004
Singapore dollar	**11**	11
	511,258	517,674

Cash at banks earns interests at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. There was no restricted cash as at 30 June 2017 and 31 December 2016.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

13. TRADE PAYABLES

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

	30 June 2017 **HK$'000** **(unaudited)**	31 December 2016 HK$'000 (audited)
Within 3 month	**537,716**	670,018
3 to 6 months	**27,752**	23,701
6 to 12 months	**10,658**	17,325
Over 12 months	**11,546**	7,541
	587,672	718,585

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 120 days.

14. BANK BORROWINGS

	Notes	**30 June 2017** **HK$'000** **(unaudited)**	31 December 2016 HK$'000 (audited)
Bank loans, unsecured	*(b)*	**286,925**	208,482
Analysed into, repayable:			
Within one year		**286,925**	208,482
Total bank borrowings	*(a)*	**286,925**	208,482
Portion classified as current liabilities		**(286,925)**	(208,482)
Non-current portion		**–**	–

14. BANK BORROWINGS (continued)

Notes:

(a) The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
USD	**37,692**	18,644
RMB	**211,860**	189,838
EUR	**37,373**	–
	286,925	208,482

(b) The bank loan denominated in USD as at 30 June 2017 bore interest at rate of 1 month LIBOR plus 2.20% per annum (31 December 2016: 1 month LIBOR plus 2.20% per annum).

The bank loan denominated in RMB as at 30 June 2017 bore interest at rate from 3.92% to 4.13% (31 December 2016: from 4.13% to 4.35%).

The bank loan denominated in EUR as at 30 June 2017 bore interest at rate of 1 month EURIBOR plus 2.20% per annum (31 December 2016: Nil).

15. DEFINED BENEFIT OBLIGATIONS

The Group have 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 valuation performed by Towers Watson Consulting Company Limited, an independent actuary, whose registered office is located at 11th Floor, Kerry Center, 1515 West Nanjing Road, Shanghai, the PRC, using the projected unit credit method.

15. DEFINED BENEFIT OBLIGATIONS (continued)

The components of net benefit expenses in profit or loss and the amounts recognised in the interim condensed consolidated statement of financial position are summarised as follows:

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

	30 June 2017 ***HK$'000*** **(unaudited)**	31 December 2016 *HK$'000* (audited)
Present value of unfunded obligations	**82,956**	78,744
Portion classified as current liabilities	**(3,638)**	(710)
Non-current portion	**79,318**	78,034

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

	30 June 2017 ***HK$'000*** **(unaudited)**	31 December 2016 *HK$'000* (audited)
At beginning of the period/year	**78,744**	73,642
Current service costs	**1,245**	2,418
Interest cost on benefit obligations	**914**	1,771
Benefits paid during the period/year	**(339)**	(1,353)
Re-measurement (income)/loss recognised in other comprehensive income	**(6,388)**	6,500
Exchange realignment	**8,780**	(4,234)
At end of the period/year	**82,956**	78,744

15. DEFINED BENEFIT OBLIGATIONS (continued)

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current service costs	**1,245**	1,220
Interest cost on benefit obligations	**914**	900
Net benefit expenses	**2,159**	2,120

16. SHARE CAPITAL

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Authorised:		
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	**57,434**	57,434

The Company had not issued any new share during the six months ended 30 June 2017.

17. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain properties, plants and equipment under operating lease arrangements, with leases negotiated for terms ranging from one to five years (for the year ended 31 December 2016: one to five years).

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 **HK$'000** **(unaudited)**	31 December 2016 *HK$'000* (audited)
Within one year	**28,839**	12,997
In the second to fifth years, inclusive	**95,301**	3,826
After five years	**90,433**	–
	214,573	16,823

18. COMMITMENTS

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2017 **HK$'000** **(unaudited)**	31 December 2016 *HK$'000* (audited)
Contracted, but not provided for:		
Plant and machinery	**125,472**	81,753

19. LITIGATION

As at 30 June 2017, the Group has the following outstanding litigation:

In December 2010, a court in the PRC had judged that various entities of the Group were liable for the repayment of overdue finance lease obligations plus related overdue interest charges in respect of various finance lease agreements entered into between Norstar Automobile Industrial Holding Limited and a plaintiff which was guaranteed by certain entities of the Group. In the opinion of the Directors, the plaintiff's claims shall be dealt with in the manner stipulated under the terms of the Schemes (as defined in the Company's 2015 annual report) and the Group's final restructuring as approved by the Schemes which was completed in January 2014. The Directors understand that the plaintiff is in discussion with the administrator of the Schemes to agree on the portion of secured liabilities in respect of such finance lease obligations to be borne by the Schemes, or the portion of secured liabilities can be determined based on the value of the relevant leased assets to be recovered by the plaintiff. The remaining portion of such finance lease obligations shall be treated as unsecured liabilities which shall be settled by the Schemes under pari passu terms with other creditors of the Schemes. The relevant leased assets were already derecognised from the Group's financial statements in 2014. The Directors are of view that the above court judgement shall not have any material adverse effect on the Group and no provision was made in respect thereof in the Group's interim condensed consolidated financial statements for the six months ended 30 June 2017.

20. CONTINGENT LIABILITIES

At 30 June 2017, the Group did not have any significant contingent liabilities.

21. RELATED PARTY DISCLOSURES

The related companies with which the Group had transactions and/or balances were as follows:

Name of the related companies	Relationship with the Group
BeijingWest Industries Co., Ltd ("BWI")	the intermediate holding company
BWI (HK)	the immediate holding company
BWI North America Inc.	a fellow subsidiary
BWI Company Limited S.A.	a fellow subsidiary
Shougang Concord International Enterprises Company Limited ("Shougang Concord International")	an associate of the controlling shareholder
Beijing Shougang Automation Information Technology Co., Ltd. ("Shougang Automation")	a fellow subsidiary

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the interim financial information, the Group had the following material transactions with related parties during the period:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Sales of goods to:		
BWI North America Inc.	**5,633**	10,484
BWI	**1,724**	1,222
BWI (HK)	**–**	393
	7,357	12,099

21. RELATED PARTY DISCLOSURES (continued)

(a) Transactions with related parties (continued)

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Technical services provided to:		
BWI North America Inc.	**52,808**	43,956
BWI	**9,405**	7,177
	62,213	51,133
Purchases of goods from:		
BWI	**2,398**	6,777
BWI North America Inc.	**4**	14
	2,402	6,791
Management and technical services provided by:		
BWI North America Inc.	**149,270**	130,382
BWI	**10,430**	7,565
Shougang Automation	**2,632**	1,607
	162,332	139,554
Royalty provided by:		
BWI	**916**	11,105
Company secretary service fee paid to:		
Shougang Concord International	**600**	600

In the opinion of the Directors, the above transactions arose from the ordinary course of the Group's business and were conducted in accordance with mutually agreed terms.

21. RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties

	Notes	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Amounts due from fellow subsidiaries	*(i)*		
BWI North America Inc.		**20,172**	21,088
BWI Company Limited S.A.		**1,974**	1,806
		22,146	22,894
Amounts due from holding companies	*(ii)*		
BWI		**60,339**	66,766
BWI (HK)		**312**	759
		60,651	67,525
Amounts due to fellow subsidiaries	*(iii)*		
BWI North America Inc.		**91,313**	83,227
Shougang Automation		**712**	2,080
		92,025	85,307
Amounts due to holding companies	*(iv)*		
BWI (HK)		**86,331**	86,331
BWI		**44,877**	31,222
		131,208	117,553
Long term loan due to a holding company:	*(v)*		
BWI (HK)		**443**	408
Dividend payable due to holding companies:			
BWI		**76,925**	85,773
BWI (HK)		**6,036**	–
		82,961	85,773

21. RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties (continued)

Notes:

(i) The amounts due from fellow subsidiaries included in the Group's current assets are unsecured, interest-free and have no fixed terms of repayment.

(ii) The amounts due from holding companies included in the Group's current assets are unsecured, interest-free and have no fixed terms of repayment.

(iii) The amounts due to fellow subsidiaries included in the Group's current liabilities are unsecured, interest-free and have no fixed terms of repayment.

(iv) The amounts due to holding companies included in the Group's current liabilities are unsecured, interest-free and have no fixed terms of repayment.

(v) The long term loan due to a holding company included in the Group's non-current liabilities is unsecured, bears interest at a rate of 4.758% per annum.

The related party transactions disclosed above also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short term employee benefits	**3,337**	3,341
Pension scheme contributions	**153**	151
Total compensation paid to key management personnel	**3,490**	3,492

22. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at 30 June 2017 and 31 December 2016 were loans and receivables, and financial liabilities stated at amortised cost, respectively.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)	**30 June 2017 HK$'000 (unaudited)**	31 December 2016 HK$'000 (audited)
Financial assets				
Trade and bills receivables	**883,210**	877,553	**883,210**	877,553
Financial assets included in prepayments, deposits and other receivables	**10,360**	14,518	**10,360**	14,518
Due from fellow subsidiaries	**22,146**	22,894	**22,146**	22,894
Due from holding companies	**60,651**	67,525	**60,651**	67,525
Cash and cash equivalents	**511,258**	517,674	**511,258**	517,674
	1,487,625	1,500,164	**1,487,625**	1,500,164
Financial liabilities				
Trade payables	**(587,672)**	(718,585)	**(587,672)**	(718,585)
Due to fellow subsidiaries	**(92,025)**	(85,307)	**(92,025)**	(85,307)
Due to holding companies	**(131,208)**	(117,553)	**(131,208)**	(117,553)
Dividends payable to holding companies	**(82,961)**	(85,773)	**(82,961)**	(85,773)
Dividends payable to non-controlling shareholders	**(5,450)**	–	**(5,450)**	–
Bank borrowings	**(286,925)**	(208,482)	**(286,925)**	(208,482)
Long term loan from a holding company	**(443)**	(408)	**(443)**	(408)
	(1,186,684)	(1,216,108)	**(1,186,684)**	(1,216,108)
	300,941	284,056	**300,941**	284,056

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief accountant. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief accountant. The valuation process and results are discussed with senior management twice a year for financial reporting purposes.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Management has assessed that the fair values of the above short term financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the long term financial instruments have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risks as at 30 June 2017 and 31 December 2016 were assessed to be insignificant.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing borrowings and cash and bank balances. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. Senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the Directors holds meetings regularly to analyse and approve the proposals made by senior management of the Company. The Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are recognised below.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions in currencies other than the units' functional currency. The Group does not enter into any hedging transactions in order to reduce the Group's exposure to foreign currency risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the EUR, RMB, USD, GBP and PLN exchange rates, with all other variables held constant, of the Group's (loss)/profit before tax (due to changes in the fair value of monetary assets and liabilities). In the opinion of the Directors, as the currency exposures arising from possible changes in other currencies will not have any significant financial impact on the Group's equity, the relative sensitivity is not disclosed.

	Increase/ (decrease) in foreign exchange rate	**Increase/(decrease) in (loss)/profit before tax Six months ended 30 June**	
		2017 *HK$'000* **(unaudited)**	2016 *HK$'000* (unaudited) (restated)
If HK$ strengthens against EUR	10%	**(48,203)**	(52,789)
If HK$ weakens against EUR	(10%)	**48,203**	52,789
If HK$ strengthens against RMB	10%	**(20,443)**	(11,906)
If HK$ weakens against RMB	(10%)	**20,443**	11,906
If HK$ strengthens against USD	10%	**(10,140)**	(11,493)
If HK$ weakens against USD	(10%)	**10,140**	11,493
If HK$ strengthens against GBP	10%	**(6,769)**	(2,553)
If HK$ weakens against GBP	(10%)	**6,769**	2,553
If HK$ strengthens against PLN	10%	**(6,325)**	(15,764)
If HK$ weakens against PLN	(10%)	**6,325**	15,764

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group only trades with third parties recognised to be creditworthy, no pledge of assets is required from customers. Concentrations of credit risk are managed by analysis by customer.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 11 to the interim financial information.

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on the current rates at the end of the reporting period.

	Within 1 year *HK$'000*	Over 3 years *HK$'000*	Total *HK$'000*
30 June 2017 (unaudited)			
Trade payables	**587,672**	**–**	**587,672**
Due to holding companies	**131,208**	**–**	**131,208**
Due to fellow subsidiaries	**92,025**	**–**	**92,025**
Dividends payable to holding companies	**82,961**	**–**	**82,961**
Dividends payable to non-controlling shareholders	**5,450**	**–**	**5,450**
Bank borrowings	**286,925**	**–**	**286,925**
Long term loan from a holding company	**–**	**443**	**443**
	1,186,241	**443**	**1,186,684**
31 December 2016 (audited)			
Trade payables	718,585	–	718,585
Due to fellow subsidiaries	85,307	–	85,307
Due to holding companies	117,553	–	117,553
Dividends payable to BWI	85,773	–	85,773
Bank borrowings	208,482	–	208,482
Long term loan from a holding company	–	408	408
	1,215,700	408	1,216,108

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new ordinary shares or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the six months ended 30 June 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Net debt is calculated as the total of trade payables, financial liabilities included in amounts due to trade payables, amounts due to fellow subsidiaries, amounts due to holding companies, Dividends payable to holding companies and non-controlling shareholders, a long-term loan from a holding company and bank borrowings and less cash and cash equivalents. Equity represents attributable to owners of the Company.

	30 June 2017 *HK$'000* (unaudited)	31 December 2016 *HK$'000* (audited)
Trade payables	**587,672**	718,585
Due to holding companies	**131,208**	117,553
Due to fellow subsidiaries	**92,025**	85,307
Dividends payable to holding companies	**82,961**	85,773
Dividends payable to non-controlling shareholders	**5,450**	–
Long-term loan from a holding company	**443**	408
Bank borrowings	**286,925**	208,482
Less: Cash and cash equivalents	**(511,258)**	(517,674)
Net debt	**675,426**	698,434
Equity	**972,324**	924,947
Net debt and equity	**1,647,750**	1,623,381
Gearing ratio	**40.99%**	43.02%

25. EVENT AFTER THE REPORTING PERIOD

There is no material event after 30 June 2017.

26. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the Directors on 24 August 2017.

OPERATIONAL REVIEW

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

(1) Suspension business

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 wouldn't make contribution to the profit of the Group before the plant reaches the optimal production status. By all means, we will try to expedite the process of reaching the designed capacity of the new plant so as to generate profit as soon as possible.

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

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

The sales volume and revenue generated from the suspension business remains stable when compared to the period ended 30 June 2016, however, the overall performance for the period ended 30 June 2017 was adversely affected mainly due to (i) an foreign exchange loss of approximately HK$12.30 million was recorded for the period ended 30 June 2017, instead of a foreign exchange gain of approximately HK$17.30 million for the period ended 30 June 2016; (ii) decrease in gross profit margin due to change in product mix; (iii) the new plant of the Group in the Czech Republic commenced its production, which led to increases in fixed costs and operating expenses of the Group. The Group expects that the production quantity will ramp up in the near future and the new plant will be able to make profit when production can reach the designed capacity.

OPERATIONAL REVIEW (continued)

(2) Brake business

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 many well-known 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.

Year 2017 would be a difficult year for the PRC brake business. Revenue and gross profit generated from the plant of the Group in Shanghai decreased, resulting from certain major customers of the Group, being vehicle manufacturers, having postponed or reduced their procurements of the products from our Shanghai plant due to unsatisfactory sales volume of certain automobile models. This in turns had an adverse impact on the overall performance for the brake business. The Group will endeavor to reduce the loss of Shanghai plant in the second half of year 2017 and will try our best to achieve positive growth again in the near future.

FINANCIAL REVIEW

Revenue

The revenue of the Group's core business sectors for the periods ended 30 June 2017 and 2016 are summarized as below:

	For the period ended 30 June 2017 ***(HK$ million)***	For the period ended 30 June 2016 *(HK$ million)* (restated)	Change *(%)*
Manufacture and sales of automotive controlled and passive suspension products	**1,395.89**	1,455.80	-4.1
Manufacture and sales of brake products in PRC	**438.07**	793.79	-44.8
Provision of technical services – suspension products	**66.21**	58.13	13.9
Provision of technical services – brake products	**11.64**	7.20	61.7
Total	**1,911.81**	2,314.92	-17.4

For the period ended 30 June 2017, the Group recorded revenue of HK$1,395.89 million in manufacture and sales of controlled and passive suspension products (period ended 30 June 2016 (restated): HK$1,455.80 million), which slightly decreased when comparing to the period ended 30 June 2016 mainly due to change in product mix. Following the commencement of production of the new plant in the Czech Republic since second quarter of year 2017, the Group expects revenue from this business sector will increase in a steady pace.

For the period ended 30 June 2017, the Group recorded revenue of HK$438.07 million in manufacture and sales of brake products in the PRC (period ended 30 June 2016 (restated): HK$793.79 million), 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 period ended 30 June 2017, the Group also recorded HK$66.21 million in provision of technical services in suspension products (period ended 30 June 2016 (restated): HK$58.13 million) and HK$11.64 million in provision of technical services in brake products (period ended 30 June 2016 (restated): HK$7.20 million).

FINANCIAL REVIEW (continued)

Gross profit and gross profit margin

	For the period ended 30 June 2017 (HK$ million)		For the period ended 30 June 2016 (HK$ million) (restated)		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	**319.81**	**21.9**	383.75	25.3	-63.94	-3.4
Manufacture and sales of brake products in PRC, and provision of technical services in related products	**43.53**	**9.7**	120.09	15.0	-76.56	-5.3
Total	**363.34**	**19.0**	503.84	21.8	-140.50	-2.8

For the period ended 30 June 2017, the gross profit and gross profit margin for the suspension products sector were HK$319.81 million and 21.9% respectively (period ended 30 June 2016 (restated): HK$383.75 million and 25.3% respectively). Both the gross profit and gross profit margin have been decreased, which were mainly attributed to the change in products mix and the slight increase in raw materials price such as steel. In addition, lower profit margin was observed from our new plant in the Czech Republic at its commencement stage, which also had a slight impact on the overall gross profit margin. However, the Group expects the plant in the Czech Republic will be able to achieve a higher gross profit margin in the coming future when the production volume ramps up and the utilization of raw materials and production efficiency improve due to economy of scale.

For the period ended 30 June 2017, the gross profit and gross profit margin for the brake products sector were HK$43.53 million and 9.7% respectively (period ended 30 June 2016 (restated): HK$120.09 million and 15.0% respectively). Both the gross profit and gross profit margin decreased when comparing to the period ended 30 June 2016 mainly 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.

FINANCIAL REVIEW (continued)

Other income

Other income of the Group for the period ended 30 June 2017 decreased by 10.7% to HK$44.48 million (period ended 30 June 2016 (restated): HK$49.83 million), which was mainly contributed by the decrease in exchange gain from operations.

Distribution and selling expenses

Distribution and selling expenses of the Group for the period ended 30 June 2017 decreased by 22.2% to HK$18.96 million (period ended 30 June 2016 (restated): HK$24.36 million), mainly due to decrease in warranty provision. Distribution and selling 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 2017 decreased slightly by 0.8% to HK$149.99 million (period ended 30 June 2016 (restated): HK$151.15 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 period ended 30 June 2017 increased by 13.5% to HK$240.44 million (period ended 30 June 2016 (restated): HK$211.79 million), mainly due to an increase in service fee charged as a result of increased projects performed during the period. These research and development projects were mainly carried out for new sales orders received in previous years, and the respective products were expected to be launched in near future. Research and development expenses mainly consisted of salaries for technical staff and service fee charged by related companies.

Finance costs

Finance costs of the Group for the period ended 30 June 2017 decreased by 29.5% to HK$4.87 million (period ended 30 June 2016 (restated): HK$6.91 million), attributed to decrease in short term loans over the period. Finance costs mainly represented interest on bank loans obtained by subsidiaries in the PRC.

FINANCIAL REVIEW (continued)

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

For the period ended 30 June 2017, loss for the year attributable to equity owners of the Company approximate to HK$10.07 million (period ended 30 June 2016 (restated): profit for the period attributable to equity owners of the Company of HK$108.46 million). The turnaround from profit to loss was mainly attributed to the decrease in revenue and gross profit, and decrease in foreign exchange gain resulted from operations during the period.

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. For the period ended 30 June 2017, the Group invested HK$29.40 million in the new manufacturing plant in Cheb, the Czech Republic and such investment was mainly funded by cash generated from internal operations.

The Group was operating in a net cash outflow position for the period ended 30 June 2017, in which net cash used in operating activities amounted to HK$56.20 million (period ended 30 June 2016 (restated): net cash from operating activities HK$127.41 million). As at 30 June 2017, the Group maintained cash and bank balances of HK$511.26 million (as at 31 December 2016: HK$517.67 million).

Indebtedness

As at 30 June 2017, the Group had bank borrowings of HK$286.93 million (as at 31 December 2016: HK$208.48 million), in which HK$75.07 million (as at 31 December 2016: HK$18.64 million) was obtained by a subsidiary in Europe, and the amount was denominated in Euro ("EUR") and United States dollar ("US$") with an interest of 1 Month EURIBOR and LIBOR plus 2.20% per annum (as at 31 December 2016: 1 Month LIBOR plus 2.20% per annum). The remaining bank borrowings of HK$211.86 million (as at 31 December 2016: HK$189.84 million) were denominated in Renminbi ("RMB"), with an interest of 3.92% to 4.13% per annum (as at 31 December 2016: 4.13% to 4.35% per annum). The Group's gearing ratio (measured as total bank borrowings over total assets) as at 30 June 2017 was 11.44% (as at 31 December 2016: 8.49%).

The Company will keep monitoring the financial and liquidity position of the Group closely, and carry out appropriate financing strategies for the Group in accordance with the change of the financial market from time to time.

FINANCIAL REVIEW (continued)

Pledge of Assets

As at 30 June 2017 and 31 December 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 Polish Zloty ("PLN"), Great Britain Pound Sterling ("GBP"), Czech Koruna ("CZK") and RMB. Some transactions would also be denominated in US$. During the period ended 30 June 2017, the Group did not have any material foreign exchange exposure.

Capital and other commitments

Save as disclosed in note 18 in the notes to financial statements, the Group and the Company had no other commitments as at 30 June 2017 and 31 December 2016.

Contingent Liabilities

As at 30 June 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 program 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.

OTHER INFORMATION (continued)

Environmental, Health and Safety (continued)

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

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

Prospects

During the period under review, the Group involved in the manufacture and sales 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. First of all, 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. Additionally, the global automotive industry is still expected to maintain stable growth, while the China's passenger vehicle industry is still expected to maintain a sound growth rate, 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.

OTHER INFORMATION (continued)

Prospects (continued)

The Group will continue to invest in research and development as well as engineering activities in order to maintain and improve its leadership position in the industry, and to improve the Group's competitiveness over other competitors. Meanwhile, 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. Furthermore, 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 30 June 2017, the Group had approximately 1,095 full-time employees, of which 291 were working in the Company's subsidiary in the PRC and 804 were working in the Company and Company's subsidiaries in Europe (as at 30 June 2016: 282 full-time employees working in the PRC, 776 full-time employees working in the Company and Company's subsidiaries in Europe). During the period ended 30 June 2017, the total employees' cost was HK$307.18 million (period ended 30 June 2016 (restated): HK$293.86 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.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2017 (2016: Nil).

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(A) LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

None of the Directors of the Company who held office at 30 June 2017 had any interests in the shares and underlying shares of the Company as at 30 June 2017 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(B) LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF SHOUGANG CONCORD GRAND (GROUP) LIMITED ("SHOUGANG GRAND"), AN ASSOCIATED CORPORATION OF THE COMPANY

The Directors of the Company who held office at 30 June 2017 had the following interests in the shares and underlying shares of Shougang Grand, an associated corporation (within the meaning of Part XV of the SFO) of the Company, as at 30 June 2017 as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

		Number of shares/underlying shares in Shougang Grand			
Name of Director	**Capacity in which interests were held**	**Interests in shares**	**Derivative interests***	**Total interests**	**Interests as to % of the issued share capital of Shougang Grand as at 30.06.2017**
Li Shaofeng	Beneficial owner	–	11,000,000	11,000,000	0.41%
Tam King Ching, Kenny	Beneficial owner	–	1,150,000	1,150,000	0.04%
Yip Kin Man, Raymond	Beneficial owner	–	1,150,000	1,150,000	0.04%

* *The interests are unlisted physically settled options.*

Save as disclosed above, as at 30 June 2017, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

No right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2017.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2017, according to the register kept by the Company under Section 336 of the SFO, the following companies had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

LONG POSITIONS IN THE SHARES/UNDERLYING SHARES OF THE COMPANY

Name of shareholder	**Capacity in which interests were held**	**Number of shares/ underlying shares**	**Interests as to % of the issued share capital of the Company as at 30.06.2017**	*Notes*
Success Arrive Limited ("SAL")	Beneficial owner	146,247,815	25.46%	*1*
BWI Company Limited ("BWI HK")	Beneficial owner, Interest of a controlled corporation	301,842,572	52.55%	*1*
北京京西重工有限公司 (BeijingWest Industries Co., Ltd. *)("BWI")	Interests of controlled corporations	301,842,572	52.55%	*1*
北京房山國有資產經營有限責任公司 (Beijing Fangshan State-owned Assets Management Co. Ltd. *) ("Beijing Fangshan")	Interests of controlled corporations	301,842,572	52.55%	*1*
首鋼總公司 (Shougang Corporation*)	Interests of controlled corporations	301,842,572	52.55%	*1, 2*

* For identification purpose only

Notes:

1. SAL was a wholly-owned subsidiary of BWI HK which in turn was wholly owned by BWI. BWI was held as to 55.45% by Shougang Corporation and as to 44.55% by Beijing Fangshan. Accordingly, the interests held by SAL, BWI HK, BWI, Shougang Corporation and Beijing Fangshan were the same block of shares of the Company.

2. 首鋼總公司 (Shougang Corporation) has changed its corporate name to 首鋼集團有限公司 (Shougang Group Co., Ltd) with effect from 27 May 2017.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

LONG POSITIONS IN THE SHARES/UNDERLYING SHARES OF THE COMPANY (continued)

Save as disclosed above, as at 30 June 2017, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

On 6 June 2014, the shareholders of the Company adopted a new share option scheme (the "Share Options Scheme"), which would be valid for a period of ten years and became effective on 18 June 2014 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the Share Options Scheme.

No share option has been granted under the Share Options Scheme since its adoption. Accordingly, as at 30 June 2017, there was no share option outstanding under the Share Options Scheme.

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2017 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 15 August 2017 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2017.

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 Listing Rules during the six months ended 30 June 2017.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2017.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The following are the changes in the information of Directors since the date of the 2016 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

(a) Mr. Li Shaofeng, an Executive Director of the Company, resigned as an executive director and the chairman of the board of directors of each of Shougang Concord Grand (Group) Limited and Global Digital Creations Holdings Limited, both are listed companies in Hong Kong, with effect from 14 June 2017.

(b) Mr. Chen Zhouping, an Executive Director of the Company, has been appointed as a director of BeijingWest Industries Co., Ltd., a substantial shareholder of the Company within the meaning of Part XV of the SFO, with effect from 22 June 2017.

(c) Mr. Leung Kai Cheung, an Independent Non-executive Director of the Company, has been appointed as an independent non-executive director of Hong Kong International Construction Investment Management Group Co., Limited, a Hong Kong listed company, with effect from 15 July 2017.

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
Jiang Yunan
Chairman

Hong Kong, 24 August 2017