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京西重工國際有限公司

BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2339)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**1,319,769**	985,035
Cost of sales		**(1,099,931)**	(813,794)
Gross profit		**219,838**	171,241
Other income and gains, net	*4*	**14,389**	32,414
Selling and distribution expenses		**(5,890)**	(14,514)
Administrative expenses		**(71,083)**	(79,625)
(Impairment)/reversal of impairment losses on financial assets		**(838)**	1,244
Research and development expenses		**(121,864)**	(136,513)
Other operating expenses		**(411)**	(4,615)
Finance costs	*6*	**(8,101)**	(5,553)

	Notes	Six months ended 30 June **2021** **(unaudited)** ***HK$'000***	 2020 (unaudited) *HK$'000*
PROFIT/(LOSS) BEFORE TAX	*5*	**26,040**	(35,921)
Income tax expense	*7*	**(13,382)**	(8,661)
PROFIT/(LOSS) FOR THE PERIOD		**12,658**	(44,582)
Attributable to:			
Owners of the Company		**12,658**	(44,582)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	*8*	**2.20**	(7.76)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**12,658**	(44,582)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(5,964)**	(23,255)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement income/(loss) on defined benefit plans	**7,001**	(3,700)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX	**1,037**	(26,955)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**13,695**	(71,537)
Attributable to:		
Owners of the Company	**13,695**	(71,537)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 (unaudited) HK$'000	31 December 2020 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**490,732**	497,642
Right-of-use assets		**429,055**	230,667
Goodwill		**5,021**	5,030
Deferred tax assets		**121,891**	87,015
Other non-current assets	*9*	**230,615**	223,587
Total non-current assets		**1,277,314**	1,043,941
CURRENT ASSETS			
Inventories		**223,532**	205,266
Trade receivables	*10*	**339,248**	379,156
Prepayments, other receivables and other assets		**254,769**	194,813
Cash and cash equivalents		**295,948**	424,111
Total current assets		**1,113,497**	1,203,346
CURRENT LIABILITIES			
Trade payables	*11*	**371,203**	399,495
Other payables and accruals		**231,437**	255,803
Income tax payables		**2,532**	11,655
Bank borrowings		**70,161**	103,726
Defined benefit obligations	*12*	**3,705**	2,504
Lease liabilities		**28,171**	42,140
Provision		**32,679**	46,326
Total current liabilities		**739,888**	861,649
NET CURRENT ASSETS		**373,609**	341,697
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,650,923**	1,385,638

	Notes	**30 June 2021 (unaudited)** *HK$'000*	31 December 2020 (audited) *HK$'000*
NON-CURRENT LIABILITIES			
Other payables and accruals		**29,707**	31,624
Defined benefit obligations	*12*	**115,496**	126,963
Lease liabilities		**413,905**	197,880
Deferred tax liabilities		**143,957**	94,993
Loan from a holding company		**462**	477
Total non-current liabilities		**703,527**	451,937
NET ASSETS		**947,396**	933,701
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*13*	**57,434**	57,434
Reserves		**889,962**	876,267
TOTAL EQUITY		**947,396**	933,701

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

1. CORPORATE AND GROUP INFORMATION

BeijingWest Industries International Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY 1-1111, Cayman Islands and the shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

As at 30 June 2021 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 information for the six months ended 30 June 2021 has been prepared in accordance with 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 2020.

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.

2.2 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 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

During the period ended 30 June 2021, no monthly lease payments for the leases of the Group's plant and machinery have been reduced or deferred by the lessors. The amendments did not have any significant impact on the financial position and performance of 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	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sale of industrial products	**1,246,534**	909,635
Technical service income	**73,235**	75,400
	1,319,769	985,035

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
United Kingdom	**547,913**	353,201
Mainland China	**29,916**	31,830
Germany	**266,543**	243,002
United States	**192,705**	150,184
Other countries	**282,692**	206,818
	1,319,769	985,035

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

(b) Non-current assets

	30 June	31 December
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Poland	**806,105**	570,899
Czech	**211,900**	231,549
United Kingdom	**111,388**	115,248
Other countries	**26,030**	39,230
	1,155,423	956,926

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	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Customer A	**393,954**	267,524
Customer B	**142,517**	134,539
	536,471	402,063

4. OTHER INCOME AND GAINS, NET

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Other income and gains, net		
Profit from sale of scrap materials, prototypes and samples	**11,043**	9,523
Bank interest income	**98**	2,358
Foreign exchange differences, net	**604**	–
Gain on disposals of items of property, plant and equipment	**624**	1,050
Government grants	**547**	16,881
Others	**1,473**	2,602
	14,389	32,414

5. PROFIT/(LOSS) BEFORE TAX

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

		Six months ended 30 June	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Cost of inventories sold and services provided		**1,099,931**	813,794
Depreciation of property, plant and equipment		**35,743**	33,647
Depreciation of right-of-use assets		**23,022**	18,252
Auditors' remuneration		**1,282**	1,095
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and benefits		**230,218**	222,117
Defined benefit obligation expenses	*12*	**2,958**	3,626
		233,176	225,743
Research and development costs		**121,864**	136,513
Less: Staff costs included as research and development costs		**(55,688)**	(57,958)
Research and development costs, net of staff costs		**66,176**	78,555
Gain on disposals of items of property, plant and equipment, net	*4*	**624**	1,050
Impairment/(reversal of impairment) of financial assets:			
Impairment/(reversal of impairment) of trade receivables, net	*10*	**661**	(1,307)
Impairment of prepayment, other receivables and other assets, net		**177**	63
		838	(1,244)
Provision for obsolete inventories*		**1,296**	1,497
(Reversal)/provision for warranties, net		**(2,600)**	5,930
Fair value gain, net**:			
Derivative instrument – transaction not qualifying as hedge		**–**	(2,191)
Foreign exchange differences, net***		**(604)**	4,567

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

** A fair value gain of HK$2,191,000 is included in “Other income and gains, net” in the consolidated statement of profit or loss for the period ended 30 June 2020.

*** Foreign exchange gain of approximately HK$604,000 is included in “Other income and gains, net” in the interim condensed consolidated statement of profit or loss for the period ended 30 June 2021, and foreign exchange loss of approximately HK$4,567,000 is included in “Other operating expenses” in the interim condensed consolidated statement of profit or loss for the period ended 30 June 2020.

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank loans and other loans	**1,653**	3,205
Interest on lease liabilities	**6,448**	2,348
	8,101	5,553

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2021. 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	
	2021	2020
	(unaudited)	(unaudited)
Luxembourg	**24.9%**	24.9%
Poland	**19.0%**	19.0%
United Kingdom	**19.0%**	19.0%
France	**26.5%**	28.0%
Germany	**29.8%**	29.8%
Italy	**27.9%**	27.9%
Czech	**19.0%**	19.0%

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current – Elsewhere	**1,711**	1,673
Deferred	**11,671**	6,988
Tax charge for the period	**13,382**	8,661

A reconciliation of the tax expense applicable to profit/(loss) 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	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit/(Loss) before tax	**26,040**	(35,921)
Income tax charge at the Hong Kong statutory tax rate of 16.5%	**4,297**	(5,927)
Effect of different income tax rates for foreign operations	**1,726**	(11)
Income not subject to tax	**(711)**	(3,975)
Tax losses not recognised as deferred tax assets	**–**	11,522
Expenses not deductible for tax purposes	**8,037**	6,894
Tax losses utilised from previous periods	**(1,308)**	–
Adjustments in respect of current tax of previous periods	**(1,140)**	–
Effect on deferred tax of increase in future tax rates	**1,773**	158
Withholding tax	**708**	–
Tax charge at the effective rate	**13,382**	8,661

8. EARNINGS/(LOSS) 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 (2020: loss 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 2020: 574,339,068) in issue during the period.

No diluted earnings per share amounts were presented for the six months ended 30 June 2021 and 2020 as the Company did not have any outstanding dilutive potential ordinary shares during the period and the prior period.

9. OTHER NON-CURRENT ASSETS

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contract performance deposits	**63,104**	62,499
Pre-production costs	**197,664**	188,486
	260,768	250,985
Within one year	**(30,153)**	(27,398)
	230,615	223,587

10. 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 2021	31 December 2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 3 months	**337,171**	378,337
3 months to 1 year	**2,077**	819
	339,248	379,156

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

	30 June 2021 *HK$'000* **(unaudited)**	31 December 2020 *HK$'000* (audited)
At beginning of the period/year	**(3,062)**	(3,729)
Impairment losses (recognised)/reversed, net *(note 5)*	**(661)**	862
Exchange realignment	**(26)**	(195)
At end of the period/year	**(3,749)**	(3,062)

11. 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 2021 *HK$'000* **(unaudited)**	31 December 2020 *HK$'000* (audited)
Within 3 months	**366,880**	398,924
3 to 6 months	**3,735**	127
Over 6 months	**588**	444
	371,203	399,495

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

12. 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 2021 HK$'000 (unaudited)	31 December 2020 HK$'000 (audited)
Present value of unfunded obligations	**119,201**	129,467
Portion classified as current liabilities	**(3,705)**	(2,504)
Non-current portion	**115,496**	126,963

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

	30 June 2021 HK$'000 (unaudited)	31 December 2020 HK$'000 (audited)
At beginning of the period/year	**129,467**	115,135
Current service costs	**2,424**	5,758
Interest cost on benefit obligations	**534**	1,705
Benefits paid during the period/year	**(1,130)**	(2,098)
Remeasurement (income)/loss recognised in other comprehensive income*	**(8,718)**	2,686
Exchange realignment	**(3,376)**	6,281
At end of the period/year	**119,201**	129,467

* Deferred tax assets of HK$1,717,000 (31 December 2020: HK$104,000) were reversed for the remeasurement income. The remeasurement income after deferred tax amounted to HK$7,001,000 (31 December 2020: the remeasurement loss after deferred tax amounted to HK$2,790,000), 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	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current service costs	**2,424**	2,801
Interest cost on benefit obligations	**534**	825
Net benefit expenses	**2,958**	3,626

13. SHARE CAPITAL

	30 June	31 December
	2021	2020
	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 did not issue any new ordinary share during the six months ended 30 June 2021.

14. COMMITMENTS

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

	30 June	31 December
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Contracted, but not provided for:		
Plant and machinery	**67,073**	80,539
	67,073	80,539

15. EVENT AFTER THE REPORTING PERIOD

As at the approval date of the interim condensed consolidated financial statements, 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 2021 (for the six months ended 30 June 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 and provision of technical services. The core products of the Group were suspension products.

The Group's automotive suspension products were mainly utilized on premium passenger vehicles, which were manufactured by our plants in Europe. There are two major plants in Poland and the United Kingdom ("UK"), which manufacture and assemble suspension products for their customers. Also, a new plant in the Czech Republic commenced production in the second quarter of year 2017. However, the new plant would not make profit contribution to the Group before the plant reaches the optimal production status. By all means, the Group will try to expedite the process of reaching the designed capacity of the new plant so as to generate profit contribution as soon as possible.

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

The Group purchases 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 mandates 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 the 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. In the first half of 2021, the plants of the Group returned to normal operations. Meanwhile, productions orders of the Group from the major customers have been recovering in early 2021.

Despite the production orders of the Group have been recovering in early 2021, the revenue of the Group for the first half of 2021 did not restore to pre-Pandemic level. Due to the Pandemic, the demand for semiconductors soared in 2020 as consumers rushed to purchase household appliance and home office gadgets during the Pandemic, which resulted in a global shortage of semiconductors. This presented challenges and production disruptions for a wide range of industries worldwide, including the automotive industry. In 2021, the automotive industry gradually emerged a significant shortage of semiconductors, which forced many automobile manufacturers announcing to cut production for 2021.

FINANCIAL REVIEW

Revenue

For the period ended 30 June 2021, the Group recorded revenue of HK$1,246.53 million from manufacture and sales of suspension products. While for the period ended 30 June 2020, the Group recorded revenue of HK$909.64 million from manufacture and sales of suspension products. The increase in in revenue for the period ended 30 June 2021 is mainly due to the non-recurrence of the COVID-19-related temporary suspension for the plants of the Group in the first half of 2021, partially offset by the shortage of semiconductors in the automotive industry.

For the period ended 30 June 2021, the Group also recorded revenue of HK$73.24 million in provision of technical services (period ended 30 June 2020: HK$75.40 million).

Gross Profit and Gross Profit Margin

For the period ended 30 June 2021, the gross profit and gross profit margin were HK$219.84 million and 16.7% respectively. While for the period ended 30 June 2020, the gross profit and gross profit margin were HK$171.24 million and 17.4% respectively. The gross profit increase was mainly due to the increase in revenue as there was non-recurrence of the COVID-19-related temporary suspension for the plants of the Group in the first half of 2021. However, the gross profit margin decreased. The Pandemic caused disruptions across global supply chains, resulting in a rise in cost of raw materials. This dragged down the gross profit margin for the period ended 30 June 2021.

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. The Group expects the plant in the Czech Republic will be able to achieve a higher gross profit margin in the coming future when the production volume ramps up and the utilization of raw materials and production efficiency improve due to economy of scale.

Other Income and Gains

Other income and gains of the Group for the period ended 30 June 2021 decreased by 55.6% to HK$14.39 million (period ended 30 June 2020: HK$32.41 million), which was mainly due to the decrease in the government grants from various European governmental authorities to contain and combat the outbreak and spread of COVID-19.

Selling and Distribution Expenses

Selling and distribution expenses of the Group for the period ended 30 June 2021 decreased by 59.4% to HK$5.89 million (period ended 30 June 2020: HK$14.51 million), mainly due to a reversal of warranty provision. Selling and distribution expenses mainly consisted of delivery expenses, salary and welfare for sales personnel and warranty expenses.

Administrative Expenses

Administrative expenses of the Group for the period ended 30 June 2021 decreased by 10.7% to HK$71.08 million (period ended 30 June 2020: HK$79.63 million). The decrease was mainly because tighten cost control was in place to mitigate the unfavorable effects brought by the Pandemic. Administrative expenses mainly consisted of salaries for administrative staff and management service fee charged by related companies.

Research and Development Expenses

Research and development expenses of the Group for the period ended 30 June 2021 decreased by 10.7% to HK$121.86 million (period ended 30 June 2020: HK$136.51 million). The decrease was mainly because tighten cost control was in place. 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 2021 increased by 45.9% to HK$8.10 million (period ended 30 June 2020: HK$5.55 million) because the level of lease liabilities during the period ended 30 June 2021 increased as compared to that for the period ended 30 June 2020. Finance costs mainly represented interest on bank loans and interest on lease liabilities.

Profit/(Loss) for the Period Attributable to Owners of the Company

For the period ended 30 June 2021, profit for the period attributable to owners of the Company approximate to HK$12.66 million (period ended 30 June 2020: loss for the period attributable to owners of the Company of HK$44.58 million). The profit for the period attributable to owners is mainly due to the non-recurrence of the COVID-19-related temporary suspension for the plants of the Group in the first half of 2021.

Liquidity and Financial Resources

Our business requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials, capital spending, research and development and other expenses. The working capital and other capital requirements were satisfied principally by cash generated from internal operations, and moderate level of bank loans as well.

The Group was operating in a net cash outflow position for the period ended 30 June 2021, in which net cash used in operating activities amounted to HK$30.44 million (period ended 30 June 2020: HK$12.00 million). As at 30 June 2021, the Group maintained cash and cash equivalents of HK$295.95 million (as at 31 December 2020: HK$424.11 million).

Indebtedness

As at 30 June 2021, the Group had bank borrowings of HK$70.16 million, which were obtained by subsidiaries in Europe and were denominated in Euro ("EUR") with an interest of 1-month EURIBOR plus 2.80% per annum and Polish Zloty ("PLN") with an interest of 1-month WIBOR plus 2.60% per annum.

As at 31 December 2020, the Group had bank borrowings of HK$103.73 million, which were obtained by subsidiaries in Europe and were denominated in EUR with an interest of 1-month EURIBOR plus 2.00% to 2.20% per annum and PLN with an interest of 1-month WIBOR plus 2.00% per annum.

The Group's gearing ratio (measured as total bank borrowings over total assets) as at 30 June 2021 was 2.93% (as at 31 December 2020: 4.62%). 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 2021 and 31 December 2020, there were no assets of the Group being pledged.

Foreign Exchange Exposure

The Group's transactions are mainly denominated in EUR and the local currencies of our operations, which include PLN, Great British Pound Sterling and Czech Koruna. Some transactions would also be denominated in United States Dollar. The Group will closely monitor the foreign exchange market and take appropriate and effective measures from time to time to reduce any negative impact from exchange-rate risk to the furthest extent.

Capital and Other Commitments

Save as disclosed in note 14 in the notes to financial statements, the Group and the Company had no other commitments as at 30 June 2021 and 31 December 2020.

Contingent Liabilities

As at 30 June 2021, 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

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.

The Group relies on passenger vehicle manufacturers as customers or potential customers of its products. Its financial performance largely depends on the continuing growth of the automotive industry in Europe. The overall market demand for cars may be affected by factors such as regional economic conditions, fuel price and end customers' expectations on future economic situation. These factors are beyond the Group's control, and may affect the annual production of automobiles by passenger vehicle manufacturers, which possibly in turn affect the sales and profitability of the Group's products.

The Group will keep moving forward and aim to maintain a solid and healthy growth and development. Despite the continued pricing pressure from customers and the increase in commodity prices, the Group is capable of maintaining its gross profit margin at a reasonable level. Apart from the commencement of production of the new sales order awarded from previous years, the Group is confident that it will be able to maintain a sustainable business development in the long run.

The Group has accumulated extensive technical knowledge and developed a high degree of technical expertise with a consistent focus on research and development. We believe that our technical expertise, the long-term relationship with different vehicle manufacturers, as well as the well-understanding of the requirements of the vehicle manufacturers will enable us to capture more market opportunities and develop products that meet the technical requirements of the vehicle manufacturers. It would be a strong support for the Group's long-term development.

The Group believes that the continuing investment on research and development as well as engineering activities is vitally significant for the Group to maintain and improve its leadership position in the industry. It would contribute greatly to the improvement of the Group's competitiveness over other competitors. Meanwhile, it keeps evolving in the automotive industry to cater to the change of requirements from customers. To keep pace with our customers, the Group will endeavor to collaborate closely with the vehicle manufacturers and develop innovative solutions to better serve our customers.

With a view to improve long-term profitability and shareholders' value, the Company will also seriously evaluate and review the business of the Group, and optimize the business structure of the Group by acquisition or restructuring of operations appropriately. In addition, the Group will continue to seek potential acquisition opportunities in both People's Republic of China and abroad to strengthen its revenue base and improve its profitability.

The impact of the Pandemic has caused significant volatility in the global economy and production disruptions for a wide range of industries worldwide. The shortage of semiconductors in automotive industry is expected to continue for the remaining 2021. For the Group's full year financial performance of 2021, the impact of the Pandemic will depend on the future developments, such as vaccination rate in Europe, the contagious strain of mutated COVID-19 variant and its impact on our operations, customers and suppliers, the rate at which economic conditions return to pre-COVID-19 business activity level, as well as the increase in the production rate of semiconductors to address the shortage of semiconductors in automotive industry. Accordingly, the ultimate impact of the Pandemic on the Group cannot be determined at this moment.

Employees and Remuneration Policy

As at 30 June 2021, the Group had approximately 880 full-time employees (as at 30 June 2020: 930). During the period ended 30 June 2021, the total employees' cost was HK$233.18 million (period ended 30 June 2020: HK$225.74 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 2021.

APPRECIATION

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

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

Hong Kong, 30 August 2021

As at the date of this announcement, the Board comprises Mr. Zhao Jiuliang (Chairman), Mr. Chen Zhouping (Managing Director), Mr. Li Zhi (Non-executive Director), Mr. Tam King Ching, Kenny (Independent Non-executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director) and Mr. Chan Pat Lam (Independent Non-executive Director).