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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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the "Board") of BeijingWest Industries International Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021 with comparative figures for the year ended 31 December 2020. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	**2021** ***HK$'000***	2020 *HK$'000*
REVENUE	5	**2,601,955**	2,311,984
Cost of sales		**(2,190,162)**	(1,929,133)
Gross profit		**411,793**	382,851
Other income and gains	5	**40,948**	59,334
Selling and distribution expenses		**(16,927)**	(49,696)
Administrative expenses		**(156,204)**	(159,453)
(Provision for)/reversal of impairment losses on financial assets	6	**(1,323)**	757
Research and development expenses		**(246,139)**	(262,237)
Other operating expenses		**(727)**	(794)
Finance costs	7	**(18,364)**	(12,469)
PROFIT/(LOSS) BEFORE TAX	6	**13,057**	(41,707)
Income tax expense	8	**(22,362)**	(9,837)
LOSS FOR THE YEAR		**(9,305)**	(51,544)
Attributable to:			
Owners of the Company		**(9,305)**	(51,544)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	10	**(1.62)**	(8.97)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(9,305)**	(51,544)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(46,126)**	24,636
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gain/(loss) on defined benefit plans	**18,668**	(2,790)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	**(27,458)**	21,846
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(36,763)**	(29,698)
Attributable to:		
Owners of the Company	**(36,763)**	(29,698)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**452,885**	497,642
Right-of-use assets		**324,781**	230,667
Goodwill		**4,956**	5,030
Deferred tax assets		**74,517**	87,015
Other non-current assets	11	**217,924**	223,587
Total non-current assets		**1,075,063**	1,043,941
CURRENT ASSETS			
Inventories		**195,938**	205,266
Trade receivables	12	**328,218**	379,156
Prepayments, other receivables and other assets	13	**261,941**	194,813
Cash and cash equivalents		**184,565**	424,111
Total current assets		**970,662**	1,203,346
CURRENT LIABILITIES			
Trade payables	14	**335,970**	399,495
Other payables and accruals	15	**154,055**	255,803
Income tax payables		**1,812**	11,655
Bank borrowings		**65,215**	103,726
Defined benefit obligations	16	**3,267**	2,504
Lease liabilities		**36,365**	42,140
Provision		**28,885**	46,326
Total current liabilities		**625,569**	861,649
NET CURRENT ASSETS		**345,093**	341,697
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,420,156**	1,385,638

	Notes	**2021** **HK$'000**	2020 HK$'000
NON-CURRENT LIABILITIES			
Other payables and accruals	15	**29,355**	31,624
Defined benefit obligations	16	**98,086**	126,963
Lease liabilities		**299,030**	197,880
Deferred tax liabilities		**96,305**	94,993
Loan from a holding company		**442**	477
Total non-current liabilities		**523,218**	451,937
NET ASSETS		**896,938**	933,701
EQUITY			
Equity attributable to owners of the Company			
Issued capital	17	**57,434**	57,434
Reserves		**839,504**	876,267
TOTAL EQUITY		**896,938**	933,701

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

As at 31 December 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 of the Company (the "Directors"), the ultimate holding company is Shougang Group Co., Ltd. (formerly known as "Shougang Corporation"), which is a state-owned enterprise established in the People's Republic of China ("PRC") and is supervised by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Date and place of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BWI France S.A.S.	France 13 August 2009	EUR2,002,500	–	100	Provision of research and technical services
BWI UK Limited	United Kingdom 16 June 2009	GBP5,938,975	–	100	Manufacture and sale of automotive parts and components
BWI Poland Technologies sp. z o.o.	Poland 12 March 2009	PLN55,538,150	–	100	Manufacture and sale of automotive parts and components
BWI Czech Republic s.r.o.	Czech 20 May 2015	CZK140,000,000	–	100	Manufacture and sale of automotive parts and components

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements are prepared under the historical cost convention and are presented in Hong Kong dollars. All values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the 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 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 Group had certain interest-bearing bank borrowings denominated in Euro and Poland Zloty based on the European Interbank Offered Rate ("EURIBOR") and the Warsaw Interbank Offered Rate ("WIBOR") as at 31 December 2021 respectively. The Group expects that EURIBOR and WIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's EURIBOR-based and WIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these borrowings when instruments provided that the "economically equivalent" criterion is met.

(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.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[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 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2,5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity’s right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Transfer of construction in progress to property, plant and equipment

Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. Thereafter, depreciation is calculated on a straight-line basis to write off the cost of each item of such property, plant and equipment to its residual value over its estimated useful life. It requires management's judgement and estimation to determine when the project under construction is substantially ready for its intended use, i.e., when it is capable of commercial operation based on the overall assessment of trial operation results.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Useful lives and residual values of items of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Management reassesses the estimation at the end of the reporting period.

Capitalisation of pre-production costs

The Group capitalises pre-production costs when those costs are related to the contracts with customers, generated or enhanced the resources used to satisfy performance obligation and are expected to be recovered.

The Group's management needs to judge and estimate whether such capitalised costs can be recovered, based on experience, historical data and estimation of the profitability of the contract.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Defined benefit plan

The Group has recognised the defined benefit pension plan as a liability. The Group's obligations are determined using actuarial valuations, which rely on various assumptions and conditions. The assumptions used in actuarial valuation reports include discount rates, the growth rates of the benefits and other factors. The deviation from the actual result and the actuarial result will affect the accuracy of related accounting estimates. Even though management is of the view that the above assumptions are reasonable, any changes in condition of assumptions will still affect the estimated liability amounts of employee pension benefit obligations. Further details are set out in note 16 to the financial statements.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the days past due for various customer segments with similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (eg., the fluctuation of the unit price of steel and restriction policy in motor industries) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 12 to the financial statements.

Provision against inventories

Management reviews the condition of inventories of the Group at the end of the reporting period and makes provision against inventories. Management estimates the net realisable value based primarily on the latest sales invoice prices and current market conditions. Management reassesses the estimation at the end of the reporting period.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, and competitor actions in response to severe industry cycle. Management reassesses these estimates at the end of each reporting period.

Provision for warranties

Provision for product warranties granted by the Group is recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

4. 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

	2021	2020
	HK$'000	*HK$'000*
Sale of industrial products	**2,444,180**	2,122,232
Technical service income	**157,775**	189,752
	2,601,955	2,311,984

Geographical information

(a) Revenue from external customers

	2021	2020
	HK$'000	*HK$'000*
United Kingdom	**1,040,378**	916,479
Germany	**527,282**	538,277
United States	**468,497**	338,899
Mainland China	**67,313**	63,819
Other countries	**498,485**	454,510
	2,601,955	2,311,984

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

(b) Non-current assets

	2021	2020
	HK$'000	*HK$'000*
Poland	**690,110**	570,899
Czech	**189,055**	231,549
United Kingdom	**98,939**	115,248
Other countries	**22,442**	39,230
	1,000,546	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 revenues which were generated from two (2020: two) of the Group's customers and were individually accounted for more than 10% of the Group's total revenue are as follows:

	2021	2020
	HK$'000	*HK$'000*
Customer A	**725,504**	687,146
Customer B	**290,854**	273,290
	1,016,358	960,436

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents: (1) the net invoiced value of goods sold, net of value-added tax and government surcharges and excludes sale taxes, and after allowance for returns and trade discounts; and (2) an appropriate proportion of contract revenue of technical and consultancy service contracts.

An analysis of the Group's revenue is as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of industrial products	**2,444,180**	2,122,232
Technical service income	**157,775**	189,752
	2,601,955	2,311,984

	2021	2020
	HK$'000	*HK$'000*
Timing of revenue recognition		
Industrial products and services transferred at a point time	**2,596,728**	2,305,107
Services transferred over time	**5,227**	6,877
	2,601,955	2,311,984

An analysis of the Group's other income and gains is as follows:

	2021	2020
	HK$'000	*HK$'000*
Other income		
Bank interest income	**147**	3,327
Profit from sales of scrap materials	**21,672**	17,503
Foreign exchange differences, net	**7,578**	3,854
Gain on change in financial assets at fair value through profit or loss	**–**	2,192
Others	**4,772**	4,419
	34,169	31,295
Gains		
Gain on disposal of items of property, plant and equipment	**6,112**	1,256
Government grants	**667**	26,783
	6,779	28,039
	40,948	59,334

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Cost of inventories sold and services provided		**2,192,457**	1,929,133
Depreciation of property, plant and equipment		**74,811**	70,039
Depreciation of right-of-use assets		**36,911**	35,885
Lease payments not included in the measurement of lease liabilities		**1,932**	2,162
Auditors' remuneration		**4,281**	3,952
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and benefits		**468,613**	435,207
Defined benefit obligation expenses	16(c)	**6,291**	7,463
		474,904	442,670
Research and development costs		**246,139**	262,237
Less: Staff costs included in research and development costs		**(115,609)**	(109,708)
Research and development costs, net of staff costs		**130,530**	152,529
Gain on disposal of items of property, plant and equipment	5	**(6,112)**	(1,256)
Impairment losses on financial assets, net:			
Recognised/(reversal) of impairment of trade receivables, net	12	**1,001**	(862)
Impairment of prepayments, other receivables and other assets, net	13	**322**	105
		1,323	(757)
Provision/(write-back of provision) for obsolete inventories*		**458**	(529)
(Write-back)/recognise provision for warranties, net		**(2,386)**	32,804
Fair value gain, net:			
Derivative instrument – transaction not qualifying as hedge		**–**	(2,192)
Foreign exchange differences, net		**(7,578)**	(3,854)

* The provision for obsolete inventories is included in "Cost of sales" in the consolidated statement of profit or loss. The balance of provision for impairment of inventories as at 31 December 2021 was HK$5,012,000 (31 December 2020: HK$4,814,000).

7. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on bank loans and other loans	**8,253**	5,735
Interest on lease liabilities	**10,111**	6,734
	18,364	12,469

8. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2021 as the Group did not generate any assessable profits arising in Hong Kong during the year (year ended 31 December 2020: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates. The rates of tax prevailing in the countries in which the Group operates include:

	2021	2020
	(%)	*(%)*
Luxembourg	**24.94**	24.94
Poland	**19.00**	19.00
United Kingdom	**19.00**	19.00
France	**26.50**	28.00
Germany	**29.83**	29.83
Italy	**27.90**	27.50
Czech	**19.00**	19.00

	2021	2020
	HK$'000	*HK$'000*
Current – elsewhere	**11,282**	5,975
Deferred tax	**11,080**	3,862
Total tax charge for the year	**22,362**	9,837

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory rate to the tax expense at the effective tax rate, and a reconciliation of the Hong Kong statutory tax rate to the effective tax rate, are as follows:

	2021		2020	
	HK$'000	*%*	*HK$'000*	*%*
Profit/(loss) before tax	**13,057**		(41,707)	
Income tax charge at the Company's statutory tax rate of 16.5%	**2,154**	**16.5**	(6,882)	16.5
Effect of different income tax rates for foreign operations	**4,895**	**37.5**	161	(0.4)
Income not subject to tax	**(5,524)**	**(42.3)**	(2,678)	6.4
Expenses not deductible for tax purposes	**24,073**	**184.4**	19,743	(47.3)
Utilisation of prior year tax losses	**(1,476)**	**(11.3)**	–	–
Tax losses not recognised as deferred tax assets	**–**	**–**	9,762	(23.4)
Additional deduction of research and development expenses	**–**	**–**	(4,281)	10.3
Withholding tax expense/(refund)	**4,006**	**30.7**	(5,920)	14.2
Adjustment for current income tax of previous periods	**(7,103)**	**(54.4)**	(460)	1.1
Impact of change in the applicable income tax rate on deferred tax	**1,439**	**11.0**	392	(1.0)
Others	**(102)**	**(0.8)**	–	–
Tax charge at the effective rate	**22,362**	**171.3**	9,837	(23.6)

9. DIVIDEND

The board of directors of the Company decided, on 30 March 2022, not to propose any final dividend in respect of the year ended 31 December 2021 (2020: nil).

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

The calculation of the basic earnings per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 574,339,068 (2020: 574,339,068) in issue during the year.

No adjustment has been made to the earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group did not have any potential ordinary shares in issue during the years ended 31 December 2021 and 2020.

11. OTHER NON-CURRENT ASSETS

	2021	2020
	HK$'000	*HK$'000*
Contract performance deposits	**57,358**	62,499
Pre-production costs	**191,602**	188,486
	248,960	250,985
Within one year *(Note 13)*	**(31,036)**	(27,398)
	217,924	223,587

12. TRADE RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**332,007**	382,218
Impairment	**(3,789)**	(3,062)
Total	**328,218**	379,156

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 third-party customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has control to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by analysis by customer. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. They are stated net of provisions.

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

	2021	2020
	HK$'000	*HK$'000*
Within 3 months	**326,982**	378,337
3 months to 1 year	**1,236**	819
	328,218	379,156

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

	2021	2020
	HK$'000	*HK$'000*
At beginning of the year	**(3,062)**	(3,729)
Impairment losses (recognized)/reversed *(Note 6)*	**(1,001)**	862
Amount written off as uncollectible	**18**	–
Exchange realignment	**256**	(195)
At end of the year	**(3,789)**	(3,062)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021	**Not yet due**	**Overdue**	**Total**
Expected credit loss rate	**0.50%**	**78.34%**	**1.14%**
Carrying amount (HK$'000)	**329,272**	**2,735**	**332,007**
Expected credit losses (HK$'000)	**1,646**	**2,143**	**3,789**

As at 31 December 2020	Not yet due	Overdue	Total
Expected credit loss rate	0.50%	73.39%	0.80%
Carrying amount (HK$'000)	380,639	1,579	382,218
Expected credit losses (HK$'000)	1,903	1,159	3,062

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021	2020
	HK$'000	*HK$'000*
Prepayments	**9,358**	4,500
Deposits, other receivables and others	**41,407**	42,058
Pre-production costs – current *(Note 11)*	**31,036**	27,398
Due from fellow subsidiaries	**152,884**	84,107
Due from a holding company	**28,175**	37,347
	262,860	195,410
Impairment	**(919)**	(597)
	261,941	194,813

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

	2021	2020
	HK$'000	*HK$'000*
At beginning of the year	**(597)**	(492)
Impairment losses recognised, net *(Note 6)*	**(322)**	(105)
At end of the year	**(919)**	(597)

Set out below is the information about the credit risk exposure on the Group's due from related parties using a provision matrix:

As at 31 December 2021	**Not yet due**	**Overdue**	**Total**
Expected credit loss rate	**0.5%**	**–**	**0.5%**
Adjusted carrying amount* (HK$'000)	**181,059**	**–**	**181,059**
Expected credit losses (HK$'000)	**919**	**–**	**919**

As at 31 December 2020	Not yet due	Overdue	Total
Expected credit loss rate	0.5%	–	0.5%
Adjusted carrying amount* (HK$'000)	121,454	–	121,454
Expected credit losses (HK$'000)	597	–	597

* The adjusted carrying amount represents the gross carrying amount excluding prepayments, deposits, other receivables and others, and the current portion of pre-production costs with no default risk.

14. TRADE PAYABLES

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

	2021	2020
	HK$'000	*HK$'000*
Within 3 months	**333,239**	398,924
3 months to 1 year	**2,662**	176
Over 1 year	**69**	395
	335,970	399,495

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

15. OTHER PAYABLES AND ACCRUALS

	31 December 2021	31 December 2020
	HK$'000	*HK$'000*
Contract liabilities *(Note (a))*	**32,511**	37,654
Other creditors and accruals *(Note (b))*	**31,827**	55,613
Other tax payables	**16,774**	57,947
Accrued salaries, wages and benefits	**48,377**	62,908
Due to fellow subsidiaries	**22,040**	48,507
Due to a holding company	**31,881**	24,798
	183,410	287,427
Portion classified as current liabilities	**(154,055)**	(255,803)
Non-current portion	**29,355**	31,624

Note:

(a) Details of contract liabilities are as follows:

	31 December 2021	31 December 2020
	HK$'000	*HK$'000*
Engineering technical service fees	**32,511**	37,654
Total contract liabilities	**32,511**	37,654

Contract liabilities include short-term advances received to deliver manufactured automatic products and technical services.

(b) Other creditors are unsecured, non-interest-bearing and repayable on demand.

16. DEFINED BENEFIT OBLIGATIONS

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

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

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

	2021	2020
	HK$'000	*HK$'000*
Present value of unfunded obligations	**101,353**	129,467
Portion classified as current liabilities	**(3,267)**	(2,504)
Non-current portion	**98,086**	126,963

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

	2021	2020
	HK$'000	*HK$'000*
At beginning of the year	**129,467**	115,135
Current service costs	**5,201**	5,758
Interest cost on benefit obligations	**1,090**	1,705
Benefits paid during the year	**(2,429)**	(2,098)
Remeasurement losses recognised in other comprehensive income*	**(23,090)**	2,686
Exchange realignment	**(8,886)**	6,281
At end of the year	**101,353**	129,467

* Deferred tax assets of HK$4,422,000 were reversed (31 December 2020: HK$104,000 were reversed) for the remeasurement losses. The remeasurement gains after deferred tax amounted to HK$18,668,000 (31 December 2020: remeasurement losses of HK$2,790,000), which were recognised in other comprehensive income.

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

	2021	2020
	HK$'000	*HK$'000*
Current service costs	**5,201**	5,758
Interest cost on benefit obligations	**1,090**	1,705
Net benefit expenses	**6,291**	7,463

(d) The principal actuarial assumptions used in valuing the provisions for defined benefit obligations at the end of the reporting period are as follows:

		2021	
	Germany	**Poland**	**France**
	%	**%**	**%**
Discount rate	**1.10**	**3.20**	**0.80**
Rate of salary increases	**3.00**	**4.00**	**2.00**
Rate of price inflation	**2.00**	**2.50**	**N/A**
Pension increase rate	**2.00**	**N/A**	**N/A**

		2020	
	Germany	Poland	France
	%	%	%
Discount rate	0.70	1.20	0.47
Rate of salary increases	3.00	4.00	2.00
Rate of price inflation	2.00	2.50	N/A
Pension increase rate	2.00	N/A	N/A

The average duration of the provision for defined benefits at the end of the reporting period is as follows:

	2021		
	Germany	**Poland**	**France**
	Years	**Years**	**Years**
Average life expectancy			
Plan 1	**14.90**	**10.66**	**19.86**
Plan 2	**4.20**	**14.61**	**NA**

	2020		
	Germany	Poland	France
	Years	Years	Years
Average life expectancy			
Plan 1	15.80	12.66	19.55
Plan 2	4.80	17.58	NA

(e) The quantitative sensitivity analysis of the provisions for defined benefits as at the end of the reporting period is as follows:

2021

	Increase in rate	**Decrease in provisions for defined benefits**	**Decrease in rate**	**Increase in provisions for defined benefits**
	%	***HK$'000***	***%***	***HK$'000***
Discount rate	**1**	**(8,240)**	**1**	**9,997**

2020

	Increase in rate	Decrease in provisions for defined benefits	Decrease in rate	Increase in provisions for defined benefits
	%	*HK$'000*	*%*	*HK$'000*
Discount rate	1	(10,010)	1	12,255

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the provisions for defined benefits as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

17. ISSUED CAPITAL

	2021 *HK$'000*	2020 *HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each (2020: 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 (2020: 574,339,068 ordinary shares of HK$0.10 each)	**57,434**	57,434

18. COMMITMENTS

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

	2021 *HK$'000*	2020 *HK$'000*
Contracted, but not provided for:		
Plant and machinery	**75,710**	80,539

19. EVENTS AFTER THE REPORTING PERIOD

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

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend in respect of the year (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR DETERMINING THE ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING

Latest time for lodging transfers of shares	4:30 p.m. on 23 May 2022 (Monday)
Book close dates	24 May 2022 (Tuesday) to 27 May 2022 (Friday) (both days inclusive)
Annual General Meeting (the "AGM")	27 May 2022 (Friday)

In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before the latest time as set out above.

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 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.

Due to the Pandemic, the demand for semiconductors soared in 2020 as consumers rushed to purchase household appliances 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 year ended 31 December 2021, the Group recorded revenue of HK$2,444.18 million from manufacture and sales of suspension products. While for the year ended 31 December 2020, the Group recorded revenue of HK$2,122.23 million from manufacture and sales of suspension products. The increase in revenue for the year ended 31 December 2021 is mainly due to the non-recurrence of the COVID-19-related temporary suspension for the plants of the Group in 2021, partially offset by the shortage of semiconductors in the automotive industry.

For the year ended 31 December 2021, the Group also recorded revenue of HK$157.78 million in provision of technical services (year ended 31 December 2020: HK$189.75 million).

Gross Profit and Gross Profit Margin

For the year ended 31 December 2021, the gross profit and gross profit margin of the Group were HK$411.79 million and 15.83% respectively. While for the year ended 31 December 2020, the gross profit and gross profit margin of the Group were HK$382.85 million and 16.56% 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 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 year ended 31 December 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

Other income of the Group for the year ended 31 December 2021 decreased by 30.99% to HK$40.95 million (year ended 31 December 2020: HK$59.33 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 year ended 31 December 2021 decreased by 65.94% to HK$16.93 million (year ended 31 December 2020: HK$49.70 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 year ended 31 December 2021 decreased by 2.04% to HK$156.20 million (year ended 31 December 2020: HK$159.45 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 year ended 31 December 2021 decreased by 6.14% to HK$246.14 million (year ended 31 December 2020: HK$262.24 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 year ended 31 December 2021 increased by 47.28% to HK$18.36 million (year ended 31 December 2020: HK$12.47 million) mainly because the interest on lease liabilities increased as a result of the additions of right-of-use assets under lease contracts during the year ended 31 December 2021. Finance costs mainly represented interest on bank loans obtained by subsidiaries in Europe and interest on lease liabilities.

Loss for the Year Attributable to Owners of the Company

For the year ended 31 December 2021, loss for the year attributable to owners of the Company approximate to HK$9.31 million (year ended 31 December 2020: HK$51.54 million). The reduction in loss for the year attributable to owners is mainly due to the non-recurrence of the COVID-19-related temporary suspension for the plants of the Group in 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 year ended 31 December 2021, in which net cash used in operating activities amounted to HK$66.12 million (year ended 31 December 2020: net cash generated from operating activities amounted to HK$157.27 million). As at 31 December 2021, the Group maintained cash and cash equivalents of HK$184.57 million (as at 31 December 2020: HK$424.11 million).

Indebtedness

As at 31 December 2021, the Group had bank borrowings of HK$65.22 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 31 December 2021 was 3.19% (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 31 December 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 18 in the notes to financial statements, the Group and the Company had no other commitments as at 31 December 2021 and 31 December 2020.

Contingent Liabilities

As at 31 December 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 year 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.

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. In 2021, the automotive industry gradually emerged a significant shortage of semiconductors, which forced many automobile manufacturers announcing to cut production for 2021.

The chipmakers are continuously adding production capacity which will lead to improve supply conditions for semiconductors. It is expected that the shortage of semiconductors in automotive industry should ease in 2022 but it will be likely for the automotive industry to get back to normal after 2022. Looking forward to 2022, the Group expects that the future impact of the Pandemic will depend on 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. Accordingly, the ultimate impact of the Pandemic on the Group cannot be determined at this moment.

Employees and Remuneration Policy

As at 31 December 2021, the Group had approximately 840 full-time employees (as at 31 December 2020: 950). During the year ended 31 December 2021, the total employees' cost was HK$474.90 million (year ended 31 December 2020: HK$442.67 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 year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange was revised, re-arranged, and renamed to "Corporate Governance Code" effective from 1 January 2022 (the "Code Amendment"). The code provisions on corporate governance practices as set out in Appendix 14 prior to the Code Amendment hereinafter refer to as the "Former Code", and the code provisions on corporate governance practices as set out in Appendix 14 upon the Code Amendment came into effect hereinafter refer to as the "Revised Code".

The Company has complied with the Former Code during the financial year ended 31 December 2021. In addition, the Company will endeavor to comply with the Revised Code from 1 January 2022 onwards in accordance with the relevant implementation dates of the requirements under the Code Amendment.

Details of the Company's compliance with the provisions of the Former Code during the year will be set out in the Corporate Governance Report in the 2021 annual report of the Company.

SCOPE OF WORK

The financial figures in respect of the preliminary announcement of the Group's consolidated results for the year ended 31 December 2021 have been agreed with the Group's auditor, Ernst & Young, Certified Public Accountants. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

APPRECIATION

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

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

30 March 2022

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