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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2339)

CONTINUING CONNECTED TRANSACTIONS

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On 30 November 2017, the Company entered into the Agreement with BWI in respect of purchase of auto parts and components from BWI and/or its associates for a term of three financial years ending 31 December 2019. As BWI is interested in approximately 52.55% of the issued share capital of the Company as at the date of this announcement, it is the controlling shareholder and a connected person of the Company. Accordingly, the Purchases contemplated under the Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As one or more of the applicable ratios under the Listing Rules in respect of the Purchases is/are expected to be more than 0.1% while all such ratios are less than 5%, the Purchases are subject to reporting, announcement and annual review requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

REASONS FOR THE AGREEMENT AND THE PURCHASES

The Group has been purchasing auto parts and components from BWI and its associates in its ordinary course of business since 2014. As BWI is the controlling shareholder and a connected person of the Company, such purchases constitute continuing connected transactions for the Company under the Listing Rules. In the past, as the applicable percentage ratios under the Listing Rules in respect of such purchases were less than 5% threshold and the total consideration was less than HK\$3,000,000, such purchases fell within Rule 14A.76(1)(c) of the Listing Rules and were exempt from the connected transactions requirements under Chapter 14A of the Listing Rules.

However, in view of the projected increases in demand for auto parts and components by the Group from BWI and/or its associates, it is expected that such purchases for the year ending 31 December 2017 would exceed HK\$3,000,000. Therefore, the Company entered into the

Agreement with BWI for a term of three financial years ending 31 December 2019 to regulate the Purchases between the Group and BWI and/or its associates in compliance with the Listing Rules. The principle terms and conditions of the Agreement are set out as below:

THE AGREEMENT

Date: 30 November 2017

Parties: (A) The Company; and
(B) BWI

BWI is the controlling shareholder and a connected person of the Company.

Subject: The Group will purchase auto parts and components from BWI and/or its associates.

Term: A term of three financial years ending on 31 December 2019.

Pricing: The basis of determining the prices of the Purchases by the Group will be in accordance with the following principles:

- (i) by reference to the prevailing market prices of the same or substantially similar products, taking into account of the prices of the same or substantially similar products with comparable order quantities and quality offered by other suppliers; and on terms which are no less favourable to the Group than prevailing market practices; or
- (ii) if (i) above is not applicable, by reference to the average price of similar products previously supplied or provided by a party, and on no less favourable terms comparable to those offered by the relevant party to independent third parties; and on normal commercial terms comparable to those received from independent third parties in respect of the same or substantially similar products with comparable quantities.

Payment terms: The payment terms for the Purchases will be on normal commercial terms which will be no less favourable to the Company than those available from independent third parties.

Cap amount: The Purchases shall not exceed the following annual caps:

	Annual caps <i>HK\$' million</i>
For the financial year ending 31 December 2017	10.0
For the financial year ending 31 December 2018	10.0
For the financial year ending 31 December 2019	10.0

In determining the annual caps, the Company has taken into consideration the historical transaction amounts and the projected increases in demand for auto parts and components by the Group from BWI and/or its associates. The historical transaction amounts for the three years ended 31 December 2016 and the ten months ended 31 October 2017 were as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2016	For the ten months ended 31 October 2017
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
purchases of auto parts and components by the Group from BWI and/or its associates	0.42	0.47	0.75	2.53

To ensure that the actual prices for the Purchases are on normal commercial terms and on terms no less favourable to the Group than that available from independent third party suppliers, the Group will conduct regular checks to review and assess whether the products have been supplied or purchased in accordance with the terms of the Agreement.

In addition, the independent auditor of the Group will also conduct an annual review on the pricing terms and annual caps under the Agreement. The independent non-executive Directors will review the transactions contemplated under the Agreement pursuant to Listing Rule 14A.55, and confirm in the annual report whether the transactions have been entered in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreement governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As BWI is interested in approximately 52.55% of the issued share capital of the Company, it is the controlling shareholder and a connected person of the Company. Accordingly, the Purchases contemplated under the Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As one or more of the applicable ratios under the Listing Rules in respect of the Purchases is/are expected to be more than 0.1% while all such ratios are less than 5%, the Purchases are subject to reporting, announcement and annual review requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Group is principally engaged in manufacture and sale of automotive parts and components, trading of automotive parts and components and provision of technical services.

As at the date of this announcement, BWI is interested as to approximately 52.55% of the issued share capital of the Company and is a controlling shareholder and a connected person of the Company. Pursuant to the Listing Rules, the transactions contemplated under the Agreement constitute continuing connected transactions for the Company.

BWI Group is principally engaged in the production and sale of vehicle parts and components. BWI was established under the laws of the PRC with limited liability on 23 March 2009. As at the date of this announcement, BWI is held as to 55.45% by Shougang Group Co., Ltd.* (首鋼集團有限公司) and as to 44.55% by Beijing Fangshan State-owned Assets Management Company Limited* (北京房山國有資產經營有限責任公司).

The Purchases under the Agreement are a continuation of the already established sale and purchase arrangement between the Group and BWI and/or its associates. The Purchases will be carried out in the ordinary course of business of the Group and the terms thereof will base on arm's length basis and on normal commercial terms.

At the Board meeting held to approve the Agreement, Mr. Jiang Yunan, Mr. Zhang Yaochun and Mr. Chen Zhouping were considered to be interested in the transactions under the Agreement and have abstained from voting in respect of the resolutions proposed to approve the Agreement. Mr. Li Shaofeng and Mr. Thomas P Gold have not attended the Board meeting to approve the Agreement and have not voted for the resolutions approving the Agreement. Other Directors (including the independent non-executive Directors) were of the view that the Agreement was entered into in the ordinary and usual course of business of the Group, on normal commercial terms and is fair and reasonable and in the interests of the Company and Shareholders as a whole.

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Agreement”	the parts and components purchase agreement entered into between the Company and BWI on 30 November 2017;
“associate(s)”	has the same meaning ascribed to it under the Listing Rules;
“Board”	board of Directors;
“BWI”	BeijingWest Industries Co., Ltd* (北京京西重工有限公司), a company established under the laws of the PRC with limited liability, being a controlling shareholder of the Company;
“BWI Group”	BWI and its subsidiaries (other than the Group);
“Company”	BeijingWest Industries International Limited (京西重工國際有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;

“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries (other than BWI (Shanghai) Co., Ltd.* (京西重工 (上海) 有限公司));
“HKD” or “HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchases”	The purchases of auto parts and components by the Group from BWI and/or its associate under the Agreement;
“Shareholders”	holders of the ordinary shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

By Order of the Board
BeijingWest Industries International Limited
Jiang Yunan
Chairman

30 November 2017

As at the date of this announcement, the Board comprises Mr. Jiang Yunan (Chairman), Mr. Chen Zhouping (Managing Director), Mr. Li Shaofeng (Executive Director), Mr. Thomas P Gold (Executive Director), Mr. Zhang Yaochun (Non-executive Director), Mr. Tam King Ching, Kenny (Independent Non-executive Director), Mr. Leung Kai Cheung (Independent Non-executive Director) and Mr. Yip Kin Man, Raymond (Independent Non-executive Director).

** For identification purpose only*