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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)

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF SHARES IN A SUBSIDIARY

The Disposal

On 21 June 2018, the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser under which the Vendor agreed to sell the Sale Shares, representing 51% of the registered capital of the Target Company, to the Purchaser for a consideration of RMB132,300,000.

The Target Company is a limited liability company established in the PRC and is held as to 51% by the Vendor. Upon completion of the Disposal, the Group will no longer be interested in the Target Company and the Target Company will cease to be accounted as a subsidiary of the Company.

Listing Rules Implications

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but are less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is a wholly-owned subsidiary of BWI, and BWI is the controlling shareholder of the Company, the Purchaser is a connected person of the Company. Thus, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to the approval by the Independent Shareholders.

General

The Company will convene the EGM to seek the approval of the Independent Shareholders for the Disposal.

An independent board committee comprising all the independent non-executive Directors has been established by the Board to advise the Independent Shareholders as to whether the terms of the Disposal are fair and reasonable. An independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) the information about the Disposal; (ii) a letter of recommendation from the independent board committee to the Independent Shareholders in respect of the Disposal; (iii) a letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders in respect of the Disposal; and (iv) the notice convening the EGM, will be despatched to the Shareholders on or before 13 July 2018.

THE DISPOSAL

On 21 June 2018, the Vendor, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser. The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. The Purchaser is a wholly-owned subsidiary of BWI, the controlling shareholder of the Company. Thus, the Purchaser is a connected person of the Company. The principal terms of the Agreement are set out below.

Subject matter

The Vendor has agreed to sell the Sale Shares to the Purchaser. The Sale Shares represent 51% of the registered capital of the Target Company.

Conditions

Completion will be conditional upon the satisfaction of the following conditions:

- (a) the board of directors of the Target Company having approved the transactions contemplated under the Agreement and BWI having waived its pre-emptive right to the Sale Shares;
- (b) the parties having obtained their respective approvals for the execution of the Agreement;
- (c) Shougang Group and the relevant State-owned Assets Supervision and Administrative Authority having approved the Disposal and completed the relevant procedures in compliance with applicable PRC laws; and

- (d) the Independent Shareholders having approved the Disposal at an extraordinary general meeting in compliance with applicable laws and the Listing Rules.

If the above conditions cannot be satisfied by 31 December 2018 (or such other date as may be agreed by the parties), the Agreement shall lapse and cease to have further effect.

Consideration

The consideration for the Disposal is RMB132,300,000 (equivalent to approximately USD20,446,000), which was determined after arm's length negotiations between the parties with reference to, among other things, (i) the unaudited net asset value of the Target Company as at 31 May 2018; (ii) the original investment amount paid by the Vendor for the Sale Shares; (iii) the current operations of the Target Company; and (iv) the business prospects of the Target Company.

The consideration will be payable in cash in USD by the Purchaser upon completion based on the central parity rate of RMB to USD as quoted on the website of the China Foreign Exchange Trade System on the business day immediately preceding the completion date.

Completion

Completion shall take place on the next business day (or such other date as may be agreed by both parties) after the conditions to the Agreement have been fulfilled.

Information on the Target Company

The Target Company is a limited liability company incorporated in the PRC in 2009 and is currently owned as to 51% by the Group and as to 49% by BWI. The Target Company is principally engaged in the design, research and development, manufacturing, marketing and sale of automobile brake products and the provision of related technical services in the PRC. The Target Company has a production plant in Shanghai, two branches in Liuzhou, one branch in Xiangtan, PRC and an office in Taiwan. The Target Company also holds 51% equity interest in a joint venture in Jintan Economic Development Zone, Jiangsu, PRC which is principally engaged in manufacturing and processing of automobile brake products.

The unaudited net asset value of the Target Company was approximately RMB156,187,000 as at 31 May 2018. The financial results of the Target Company for the two years immediately preceding the date of the Agreement are as follows:

	For the year ended 31 December	
	2016	2017
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit/(loss) before tax	33,249	(51,339)
Net profit/(loss) after tax	31,783	(40,597)

Subject to final audit, it is expected that the Group will realise a gain on disposal of approximately HK\$78,331,000, which is calculated by reference to the consideration of the Sale Shares and the unaudited net asset value of the Target Company as at 31 May 2018. The Directors currently intend to apply the proceeds from the Disposal as general working capital of the Company.

Upon completion of the Disposal, the Group will no longer have any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will cease to be consolidated with the results of the Group upon completion.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the design, research and development, manufacturing, sales and marketing of automobile controlled and passive suspension products for premium passenger vehicle manufacturers in Europe, and brake products in the PRC.

In 2016, the Group acquired 30% of the registered capital of the Target Company for RMB52,000,000 and contributed additional capital of RMB74,000,000 to the Target Company. Upon completion of the acquisition and the capital contribution, the Group held a 51% interest in the Target Company.

The Target Company primarily targeted domestic vehicle manufacturers in the PRC for the brake products manufactured by the Target Company. Since gaining control of the Target Company, the domestic vehicle manufacturers in the PRC have experienced severe competitions mainly because of import products from overseas manufacturers and joint venture automobile manufacturers, resulting in certain major customers of the Target Company postponed or reduced their purchases due to unsatisfactory sales performance of certain automobile models. The downturn in the sales has resulted in the Target Company recording operation loss in 2017. The Directors are of the view that the adverse market condition will continue with no sight of recovery in the near future.

As the Target Company is loss-making, the Disposal will serve to streamline the Group's operation and enable the Group to focus on other sectors in the automobile parts and components market that offer a better return on investment.

As the Disposal is carried out after arm's length negotiation and on normal commercial terms, the Directors (excluding the independent non-executive Directors who will form their view after taking advice from the independent financial adviser) are of the view that the Disposal is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but are less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is a wholly-owned subsidiary of BWI, and BWI is the controlling shareholder of the Company, the Purchaser is a connected person of the Company. Thus, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to the approval by the Independent Shareholders.

At the Board meeting held to approve the Agreement and the transaction contemplated thereunder, Mr. Jiang Yunan, Mr. Chen Zhouping, Mr. Li Shaofeng and Mr. Zhang Yaochun were considered to be interested in such transaction and have abstained from voting for the resolutions proposed to approve such transaction. Mr. Thomas P Gold, who was also considered to be interested in the transaction contemplated under the Agreement, has not attended the Board meeting to approve such transaction and has not voted for the resolutions approving such transaction.

GENERAL

The Company will convene the EGM to seek the approval of the Independent Shareholders for the Disposal.

An independent board committee comprising all the independent non-executive Directors has been established by the Board to advise the Independent Shareholders as to whether the terms of the Disposal are fair and reasonable. An independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) the information about the Disposal; (ii) a letter of recommendation from the independent board committee to the Independent Shareholders in respect of the Disposal; (iii) a letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders in respect of the Disposal; and (iv) the notice convening the EGM, will be despatched to the Shareholders on or before 13 July 2018.

DEFINITIONS

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

“Agreement”	the agreement dated 21 June 2018 between the Vendor and the Purchaser in respect of the Disposal;
“Board”	the board of directors of the Company;
“BWI”	BeijingWest Industries Co., Ltd.* (北京京西重工有限公司), a company incorporated in the PRC, the holding company of the Purchaser and the controlling shareholder of the Company;

“Company”	Beijing West Industries International Limited, 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”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the sale by the Vendor of the Sale Shares to the Purchaser;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Disposal;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HKD” or “HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Independent Shareholders”	the Shareholders other than BWI and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Purchaser”	BWI Company Limited (京西重工(香港)有限公司), a company incorporated in Hong Kong, and a wholly-owned subsidiary of BWI;
“PRC”	People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	51% of the registered capital of the Target Company;
“Shareholder(s)”	shareholder(s) of the Company;

“Shougang Group”	Shougang Group Co., Ltd.* (首鋼集團有限公司), the holding company of BWI;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	BWI (Shanghai) Co., Ltd. (京西重工(上海)有限公司), a company incorporated in the PRC with limited liability and is 51% owned by the Group as at the date of the Agreement;
“USD”	the United State dollar, the lawful currency of the United State of America;
“Vendor”	Billion Million (HK) Limited (兆億(香港)有限公司), a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of the Company; and
“%”	per cent.

Unless otherwise specified in this announcement, translations of RMB into USD are made in this announcement, for illustration only, at the rate of RMB6.4706 to USD1.00. No representation is made that any amounts in RMB or USD could have been or could be converted at that rate or at any other rate or at all.

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

Hong Kong, 21 June 2018

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