THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **BeijingWest Industries International Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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
CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to the Independent Board Committee and to the Independent Shareholders

大有融資有限公司

MESSIS CAPITAL LIMITED

A letter from the Independent Board Committee including its recommendation to the Independent Shareholders is set out on pages 17 to 18 of this circular, and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the terms of the Agreement and the Technology Development Agreement and the transactions contemplated thereunder is set out on pages 19 to 40 of this circular.

A notice convening the EGM of BeijingWest Industries International Limited to be held at The Residence, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on June 29, 2016 (Wednesday) at 11:50 a.m. is set out on pages 156 to 157 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of BeijingWest Industries International Limited, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

June 1, 2016

CONTENTS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

"Agreement"	the agreement dated April 15, 2016 entered into between BWI, the Purchaser and the Target Company;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of directors of the Company;
"BWI" or "Vendor"	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 Target Company and a controlling shareholder of the Company;
"BWI Group"	BWI and its subsidiaries and for the purpose of this circular, shall exclude the Company and the Company's subsidiaries;
"BWI North America"	BWI North America Inc., a company incorporated under the laws of Delaware of the United States of America, a wholly-owned subsidiary of BWI;
"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;
"Completion"	completion of the Transaction;
"connected person"	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;
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Agreement and the Technology Development Agreement and the transactions contemplated thereunder;
"Enlarged Group"	the Group together with the Target Company;
"EUR"	Euro, the currency used by the Institutions of the European Union;
"Group"	the Company and its subsidiaries from time to time;

"GBP"	British Pound Sterling, the lawful currency of the United Kingdom;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the terms of the Agreement and the Technology Development Agreement and the transactions contemplated thereunder;
"Independent Financial Adviser"	Messis Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Agreement and the Technology Development Agreement and the transactions contemplated thereunder;
"Independent Shareholders"	the Shareholders other than BWI and its associates;
"Latest Practicable Date"	May 25, 2016, being the latest practicable date for the purpose of ascertaining certain information contained herein prior to the printing of this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PLN"	Polish Zloty, the lawful currency of Poland;
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan;
"Purchaser"	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;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Shares"	RMB24,000,000 in the existing registered capital of the Target Company, representing 30% of existing registered capital of the Target Company;

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shares"	ordinary shares of HK$0.01 each in the share capital of the Company;
"Shareholders"	holders of the Shares of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	BWI (Shanghai) Co., Ltd. (京西重工（上海）有限公司), a company incorporated in the PRC with limited liability;
"Technology Development Agreement"	the technology development agreement dated April 15, 2016 entered into between BWI North America and the Target Company;
"Track Record Period"	the three years ended December 31, 2013, 2014 and 2015;
"Transaction"	the transactions comprising the acquisition by the Purchaser of the Sale Shares and the contribution of additional capital to the Target Company as contemplated under the Agreement;
"US$" or "USD"	U.S. dollars, the lawful currency of the United States of America.

For illustration purposes, amounts in RMB in this circular have been translated into HK$ at RMB1.00 = HK$1.1943.

* *For identification purpose only*

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)

Executive Directors:
Mr. Jiang Yunan *(Managing Director)*
Mr. Li Shaofeng
Mr. Craig Allen Diem
Mr. Bogdan Józef Such

Non-executive Directors:
Mr. Han Qing *(Chairman)*
Mr. Zhang Yaochun

Independent Non-executive Directors:
Mr. Tam King Ching, Kenny
Mr. Leung Kai Cheung
Mr. Yip Kin Man, Raymond

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Head Office and principal place of business in Hong Kong:
Rooms 1005-06, 10th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

June 1, 2016

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The Board announced that on April 15, 2016, the Purchaser, BWI and the Target Company entered into the Agreement under which the Purchaser has conditionally agreed to (i) acquire the Sale Shares from BWI at an aggregate consideration of RMB52,000,000, and (ii) contribute additional capital in the amount of RMB74,000,000 to the Target Company.

The Target Company and BWI and its associates currently have certain transactions which upon Completion will become continuing connected transactions of the Company under the Listing Rules.

The purpose of this circular is to provide you with information in respect of, among other things, the details of the Agreement and Technology Development Agreement and the transactions contemplated thereunder, the financial information of the Group, the financial information of the Target Company, the unaudited pro-forma financial information of the Enlarged Group, the letter of advice from the Independent Financial Adviser and the notice convening the EGM.

THE TRANSACTION

The Agreement

Date

April 15, 2016

Parties

(1)	Purchaser:	Billion Million (HK) Limited, an indirectly wholly-owned subsidiary of the Company;
(2)	Vendor:	BWI; and
(3)	Target Company:	BWI (Shanghai) Co., Ltd. (京西重工（上海）有限公司), a wholly-owned subsidiary of the Vendor.

Subject matter

The Purchaser has conditionally agreed to acquire from the Vendor and the Vendor has conditionally agreed to sell to the Purchaser the Sale Shares. The Sale Shares represent 30% of the existing registered capital of the Target Company.

The Purchaser has also conditionally agreed to contribute additional capital in the amount of RMB74,000,000 to the Target Company.

Upon Completion, the Purchaser will hold 51% of the registered capital of the Target Company.

Consideration

Consideration for the acquisition of the Sale Shares

The consideration for the acquisition of the Sale Shares is RMB52,000,000 and was determined by the parties after arm's length negotiations with reference to among other things, (i) the net asset value of the Target Company as at December 31, 2015; (ii) the current operations of the Target Company; and (iii) the business prospects and development potential of the Target Company. The consideration will be payable by the Purchaser in one lump sum on the date of Completion.

The Vendor has prepared a valuation on the Target Company (the "**Valuation**") as a reference for determining the consideration for obtaining the relevant approval from the relevant authorised department of the State-owned Assets Administrative Bureau of the PRC in respect of the Transaction. The valuation amount of the Target Company per the Valuation as at September 30, 2015 was approximately RMB170,000,000, which was used by the Company only as the indicative value of the Vendor's interest in the Target Company as at September 30, 2015.

As the Valuation was prepared by the Vendor and that the final consideration was the result of arm's length negotiations between the parties where the Company has focused more on the prospects and development potential of the Target Company when assessing whether the Transaction is fair and reasonable and to the interests of the Company and the Shareholders as a whole. Details with respect to the Valuation have not been included in this circular.

Capital Contribution

The Purchaser will contribute additional capital in the amount of RMB74,000,000 to the Target Company, of which RMB34,285,714 will be accounted for as the registered capital of the Target Company and RMB39,714,286 will be accounted for as capital reserve of the Target Company. As a result, the registered capital of the Target Company will increase from RMB80,000,000 to RMB114,285,714 and the capital reserve of the Target Company will increase from zero to RMB39,714,286.

Such additional capital will be contributed by the Purchaser in one lump sum on the date of Completion. The amount of capital contribution was determined by the parties after arm's length negotiations with reference to the capital requirement of the Target Company. The consideration for the acquisition of the Sale Shares and the additional capital to be contributed to the Target Company will be funded by the internal resources of the Group.

Conditions Precedent

Completion will be conditional upon the satisfaction or (as the case may be) waiver of the following conditions:

(a) the Purchaser being satisfied with the results of its due diligence on the Target Company, and the Purchaser having received to its satisfaction a PRC legal opinion in relation to the status of the Target Company;

(b) the Independent Shareholders having approved the Transaction in a general meeting of the Company held in compliance with the Listing Rules;

(c) all necessary approvals and consents in relation to the transactions contemplated under the Agreement having been obtained, such consents and approvals should include, without limitation:

(i) the unconditional approval from the Commerce Department of the PRC in respect of:

(1) the increase in the registered capital of the Target Company and the transfer of the Sale Shares, and the issue of the approval certificate for changing the Target Company to an overseas Chinese (Taiwan, Hong Kong, Macau) invested enterprise which has clearly set out the Purchaser as a shareholder;

(2) the joint venture contract of the Target Company in form and substance to the satisfaction of the Purchaser; and

(3) the articles of association of the Target Company in form and substance to the satisfaction of the Purchaser.

(ii) the increase in the registered capital of the Target Company and the transfer of the Sale Shares having been approved or the filing in respect thereof having been completed in compliance with applicable PRC laws with the State-owned Assets Administration Department of the PRC or relevant authorised departments with such responsibilities; and

(iii) if necessary, the increase in the registered capital of the Target Company and the transfer of the Sale Shares having been approved or the filing in respect thereof having been completed in compliance with applicable PRC laws with the State Development and Reform Commission of the PRC;

(d) the warranties under the Agreement remaining true and accurate in all material respects and not misleading and BWI and the Target Company having performed all of their obligations under the Agreement at or prior to Completion; and

(e) there having occurred since December 31, 2015 no material adverse effect with respect to the Target Company and there having been promulgated, put into effect, commenced, granted or issued since December 31, 2015 and subsisting or pending as at the date of Completion, no statute, regulation, proceeding, or order pertaining to the Target Company which would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the Agreement.

The Purchaser may, in its absolute discretion, waive conditions (a), (d) and (e) at any time. Conditions (b) and (c) cannot be waived. Conditions (a), (d) and (e) concern the due diligence results of the Target Company, warranties given under the Agreement remaining true and accurate and there has not been any material adverse effects to the Target Company, respectively (collectively, the "**Subject Conditions**"). It is a normal commercial practice to provide certain flexibility to the purchaser of a contract of this nature to enable it to exercise its discretion on waiving certain conditions to the agreement in completing the transaction.

In exercising such discretion, the Company will assess the circumstances surrounding the non-fulfilment of the relevant condition and determine the risk involved if the condition is waived. The condition will only be waived if the benefits for proceeding to completion out-weighted the non-fulfilment of the particular condition and that it makes commercial sense and is reasonable under the circumstances to do so. The Purchaser has no present intention in waiving any of the conditions precedent to the Agreement. Accordingly, in the absence of a waiver from the Company, conditions (a), (d) and (e) would need to be satisfied before Completion could take place.

If it comes to the notice of the Purchaser of any event prior to the date of Completion that may prevent any of the conditions precedent from being fulfilled; or if any of the conditions precedent have not been fulfilled or waived by December 31, 2016 (or such later time or date as may be agreed among the parties to the Agreement in writing); or the conditions precedent have not been fulfilled or waived by the Purchaser on the date of Completion, the Purchaser will have the right to declare the Agreement null and void and of no further effect, save for any antecedent breaches.

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled or satisfied.

Completion

Completion will take place on the third business day (or such other date as may be agreed between the parties) following the date on which conditions (b) and (c) as set out above have been satisfied.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the PRC on June 26, 2009. It is a wholly-owned subsidiary of BWI and is a connected person of the Company. BWI established the Target Company on its own with registered capital of RMB80,000,000. The Target Company acquired the brake business and assets from Delphi Corporation in 2009 after it had filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code of the United States.

The Target Company is principally engaged in the design, research and development, manufacturing, marketing and sale of automobile brakes products and the provision of related technical services in the PRC. The Target Company has a production plant in Shanghai and a branch in Liuzhou, the PRC.

The brake products manufactured by the Target Company have broad applications and are used in sedans to full-size sport utility vehicles. For further details about the business of the Target Company, please refer to the section headed "Business of the Target Company" set out in this circular.

Financial Information of the Target Company

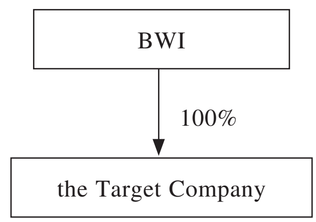
Set out below is a summary of the financial information of the Target Company for the three financial years ended December 31, 2013, 2014 and 2015:

	For the year ended December 31,					
	2013		2014		2015	
		Approximate		*Approximate*		*Approximate*
	RMB' million	*HK$' million*	*RMB' million*	*HK$' million*	*RMB' million*	*HK$' million*
Profit before tax	15	18	32	38	31	37
Profit after tax	12	14	30	36	29	35

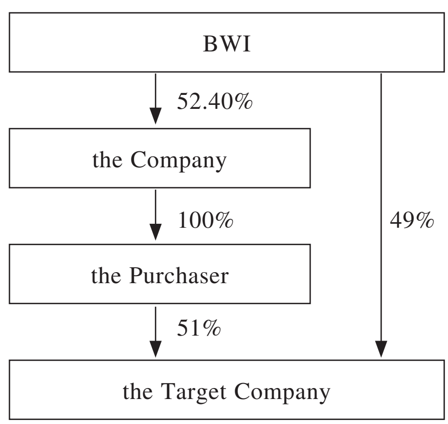
As at December 31, 2015, the net assets value of the Target Company was RMB148,586,182. Further details about the financial information of the Target Company are set out in Appendix I and Appendix II to this circular.

Shareholding Structure of the Target Company

(i) Shareholding structure of the Target Company as at the Latest Practicable Date:



(ii) Group structure of the Company and the Target Company upon Completion:



Upon Completion, the Purchaser will hold 51% of the registered capital of the Target Company and will have the right to appoint three out of the five directors of the board of directors of the Target Company. Accordingly, the Target Company will become a non wholly-owned subsidiary of the Company and the Target Company's financial results will be consolidated into the consolidated financial statements of the Company.

REASONS FOR AND BENEFITS OF THE TRANSACTION

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 located in Europe. The Target Company is principally engaged in the design, research and development, manufacturing, sales and marketing of automobile brake products in the PRC.

The Transaction will enable the Group to enlarge its products mix and expand the Group's market share in the automobile parts market in the PRC.

The Directors (including the independent non-executive Directors) are of the view that the Agreement was entered into on normal commercial terms and is fair and reasonable and in the interests of the Company and Shareholders as a whole.

As an on-going process to create better returns to the Shareholders, the Company is always exploring the possibility of acquiring quality assets from BWI and/or other independent third parties. As at the Latest Practicable Date, save for the Transaction, no such acquisition has materialised and the Company has no information that would need to be disclosed under Part XIVA of the SFO or the Listing Rules.

INFORMATION ON THE PARTIES

The Company was incorporated in the Cayman Islands with limited liability on September 21, 2001, the shares of which are listed on the main board of the Stock Exchange.

The Purchaser is an investment holding company incorporated in Hong Kong with limited liability in 2013 and is indirectly wholly-owned by the Company.

BWI was established under the laws of the PRC with limited liability on March 23, 2009. As at the Latest Practicable Date, BWI is held as to 55.45% by Shougang Corporation (首鋼總公司) 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). As at the Latest Practicable Date, BWI is interested in approximately 52.40% of the issued share capital of the Company and is the controlling shareholder the Company.

The Target Company is a company incorporated in the PRC with limited liability. The Target Company is a wholly-owned subsidiary of BWI.

FINANCIAL EFFECTS TO THE GROUP AS A RESULT OF THE TRANSACTION

Immediately upon Completion, the Target Company will become a 51% owned subsidiary of the Group and the financial results of the Target Company will be consolidated into the financial statements of the Group.

As set out in Appendix IV to this circular, assuming the Transaction has been completed on December 31, 2015, upon Completion, the consolidated total assets of the Group would increase from approximately HK$1,641 million to approximately HK$2,716 million, as a result of the Transaction. The increase is primarily due to the consolidation of the assets of the Target Company with those of the Group. The consolidated total liabilities of the Group would increase from approximately HK$851 million to approximately HK$1,812 million as at December 31, 2015 due to the consolidation of the liabilities of the Target Company with those of the Group. As a result, the consolidated net assets of the Group would increase from approximately HK$790 million as at December 31, 2015 to approximately HK$904 million as a result of the Transaction.

CONTINUING CONNECTED TRANSACTIONS

Currently, there are transactions between the Target Company and BWI and its associates in the ordinary course of business of the respective parties. These transactions are expected to continue after Completion. These post-Completion transactions will become continuing connected transactions of the Company under the Listing Rules. Details of such post-Completion transactions which would require the approval of the Independent Shareholders are set out below:

Technology Development Agreement

Date of the agreement: April 15, 2016

Parties:

(1) BWI North America; and

(2) the Target Company

BWI North America is a wholly-owned subsidiary of BWI and is hence a connected person of the Company.

Subject matter

The Target Company will from time to time engage BWI North America to carry out product development work for its brake system for application in the vehicles of its customers.

Services fee

The services fee under the Technology Development Agreement has been fixed by using the transactional net margin method which was determined by the parties after arm's length negotiations with reference to a study conducted by an independent third party consultant commissioned by the parties based on the Organisation for Economic Co-operation and Development ("**OECD**") Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (the "**OECD Guidelines**"). The OECD Guidelines set out the principles for establishing arm's length transfer prices for goods, services, technical assistance, trademarks, or other assets that are transferred or licensed between related or controlled parties and are endorsed by the member states of OECD (which include France, Germany, Italy, Luxembourg, Poland and the United Kingdom) and the tax authorities of the United States.

The consultant was selected by the parties from one of the big four international accounting firms based on a competitive bid and their experience on advising on tax and transfer pricing related issues for multinational companies. The consultant has evaluated a series of methodologies that could be used for the case and determined that the transactional net margin method is best suited to these particular transactions. The transactional net margin method is used to examine the profit level indicators that the Target Company realizes from the transactions with BWI North America. Under this method, the profit level indicators of the Target Company from such controlled transactions should ideally be established by reference to the profit level indicators that the Target Company earns in comparable uncontrolled transactions. Where this is not possible, the profit level indicators that would have been earned in comparable transactions by independent enterprises may serve as a guide in determining such profits.

The profit level indicators include, among others, return on assets, operating margin and net cost plus mark-up. The comparability analysis would examine the differences between the connected transactions and unrelated party transactions on functions, risks, economic environment, and other factors that impact operating profit, including functions performed, risks assumed, assets used, business scale, product life cycle, allocation of costs and expenses. The transactional net margin method was determined to be an appropriate method under the circumstances of the Technology Development Agreement and the tax legislations of the PRC and the United States and is consistent with the arm's length principle of the OECD Guidelines.

In applying the transactional net margin method, the consultant identifies comparable companies which have similar functions, bear similar risks and operate similar business. Under these criteria and sourced from a well-known empirical analysis tool widely used in the fields of securities investment analysis, strategic operating analysis for entreprises, multinational entreprise transfer pricing, and corporate finance analysis, a number of public companies listed in the Asia Pacific Region are selected as comparable companies.

The profit levels of these comparable companies are benchmarked as a reasonable range of profit levels. The consultant compares the operating margin before interest and tax of the Target Company (after the payment of the services fee made to BWI North America) with selected comparable companies. The services fee is considered as being conducted under arm's length principle should the profit level of the Target Company falls within the range of profit levels of the comparable companies.

Given that the transactional net margin method is one of the methods approved by OECD for determining arm's length transfer prices for goods or services, and that the routine profit level of the Target Company will be determined through a comparable analysis drawn from a range of comparable companies, the Board is of the view that the procedures used to establish the services fee under the Technology Development Agreement are fair and reasonable so far as the Company and the Shareholders are concerned.

To ensure that the actual services fee charged will be in accordance with the transactional net margin method, the Company will conduct its own comparability analysis and review the analysis prepared by BWI North America. The finance department of the Company will also review and monitor the continuing connected transactions between the Group and BWI North America on a regular basis to ensure that the pricing mechanism and the annual caps under the Technology Development Agreement are in compliance with the terms stipulated therein.

In each financial year after the services fees for that year have been paid, the Target Company will, in compliance with the PRC supervisory requirements, engage an independent third party consultant to issue a report to verify that the services and the fees paid under the Technology Development Agreement have been in compliance with the terms of the agreement and that the transactions have been fair and reasonable.

As such, the Directors are of the view that the services fee to be paid to BWI North America under the Technology Development Agreement, the methodology of which for determining the services fee was recommended by the independent third party consultant and endorsed by both the PRC and US tax authorities, are fair and reasonable.

In addition, the Company will engage the auditor of the Company to conduct an annual review of the continuing connected transactions of the Group pursuant to the Listing Rules.

Term and Annual cap

The Technology Development Agreement has a term of three financial years ending December 31, 2018, subject to the following annual caps:

Period	**Annual Cap**
	RMB'000
For the financial year ending December 31, 2016	60,000
For the financial year ending December 31, 2017	66,000
For the financial year ending December 31, 2018	73,000

In determining the annual caps, the Company has taken into consideration the historical transaction amounts and the projected increase in product development work. The historical fees paid by the Target Company to BWI North America for the three years ended December 31, 2015 were as follows:

	For the year ended December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Development fee paid	77,108	59,251	52,694

Conditions for the Technology Development Agreement

The Technology Development Agreement is subject to Completion and approval by the Independent Shareholders.

Reason for the Technology Development Agreement

BWI North America is one of the leading auto parts and components manufacturers in the world. It has advanced research and development and engineering centers in Brighton, Michigan, and Dayton, Ohio. The Target Company requires continuous product development services to keep abreast of technological development and to meet the requirements of new vehicle models to be introduced by its customers. The Target Company has engaged BWI North America for its product development work since January 2012 and it is expected that the arrangement will continue after Completion. The Technology Development Agreement was entered into to continue engaging BWI North America in providing technology development services to the Target Company after Completion.

The Target Company is in possession of its own technical centre with 139 engineers as at December 31, 2015 to conduct its own technology development work. Historically, the Target Company has handled almost all of the development work related to foundation brakes in-house and has outsourced the more complex and higher technological requirement works in relation to controlled brakes to BWI North America. The reason for such arrangement is that BWI North America is the core technology and development centre of the BWI Group, and it would be more efficient and effective to look to BWI North America with many decades of experience to give support rather than employing another engineering team locally to carry out its own independent technology development work for controlled brakes. Controlled brakes accounted for about 43% of the revenue of the Target Company in 2015 and approximately 50.6% of the research and development expenses of the Target Company for 2015.

The Target Company could engage other companies to conduct product development work but owing to the reasons that BWI North America is more familiar with the products of the Target Company, and the need to safeguard the confidentiality of the product under development and the identity of the end-customer (as products are usually being developed for a specific model or prototype for a vehicle manufacturer), the Company would prefer to engage BWI North America for such development work rather than using another company.

Since one or more of the applicable ratios under the Listing Rules in respect of the annual services fee payable under the Technology Development Agreement is expected to be more than 5%, the transactions under the Technology Development Agreement will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To ensure that the actual prices for the continuing connected transactions of the Group are in accordance with the terms of the Agreement, the Group will conduct regular checks to review and assess the information of the products or services have been supplied/provided by BWI North America. In addition, the Company will engage the auditor of the Company to conduct an annual review of the continuing connected transactions of the Group pursuant to the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction exceeds 25% but are less than 100%, the Transaction 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 BWI is interested in approximately 52.40% of the issued share capital of the Company as at the Latest Practicable Date, it is the controlling shareholder and a connected person of the Company. Accordingly, the Transaction 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 EGM by way of poll.

Furthermore, upon Completion, the transactions contemplated under the Technology Development Agreement will become continuing connected transactions of the Company under the Listing Rules. As the annual transaction amount for the Technology Development Agreement is expected to exceed 5% of the applicable ratios, the Technology Development Agreement will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

At the Board meeting held to approve the Agreement and the Technology Development Agreement and the transactions contemplated thereunder, Messrs. Mr. Jiang Yunan, Mr. Li Shaofeng, Mr. Craig Allen Diem and Mr. Zhang Yaochun were considered to be interested in the transactions contemplated thereunder and have abstained from voting in respect of the resolutions proposed to approve such transactions. Mr. Han Qing, who was also considered to be interested in the Transaction and the Technology Development Agreement, has not attended the Board meeting to approve such transactions and has not voted for the resolutions approving such transactions.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Agreement and the Technology Development Agreement and the transactions contemplated thereunder.

Messis Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding, among other things, the terms of the Agreement and the Technology Development Agreement and the transactions contemplated thereunder.

EGM

The Company will convene the EGM at The Residence, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on June 29, 2016 (Wednesday) at 11:50 a.m. to consider and if thought fit, approve the Agreement, the Technology Development Agreement and the transactions contemplated thereunder. A notice of the EGM is set out on pages 156 to 157 of this circular. In accordance with the requirements of the Listing Rules, all votes to be taken at the EGM will be by poll. BWI and its associates will be required to abstain from voting for the resolutions proposed at the EGM to approve the Agreement and the Technology Development Agreement.

A form of proxy for the EGM is enclosed herewith. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of determining the list of Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from June 27, 2016 (Monday) to June 29, 2016 (Wednesday) (both days inclusive). No transfer of Shares will be registered during that period.

In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on June 24, 2016 (Friday).

RECOMMENDATIONS

On the basis of the information set out in this circular, the Directors (including the independent non-executive Directors) consider the Agreement, the Technology Development Agreement and the transactions contemplated thereunder to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions proposed at the EGM.

FURTHER INFORMATION

Your attention is drawn to the other sections and appendices in this circular, which contain further information about the Target Company, the Enlarged Group and other information that need to be disclosed in accordance with the Listing Rules. You should consider carefully all the information set out in the circular before making a decision about the Agreement and the Technology Development Agreement and the transactions contemplated thereunder at the EGM or dealing in the securities of the Company.

WARNING

Shareholders and potential investors should note that the Completion is subject to the fulfillment of the conditions under the Agreement and therefore may or may not occur. As the Transaction may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

By order of the Board
BeijingWest Industries International Limited
Jiang Yunan
Managing Director

The following is the text of the letter of recommendations, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the Agreement and the Technology Development Agreement and the transactions contemplated thereunder.

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)

June 1, 2016

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated June 1, 2016 (the "**Circular**"), in which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Agreement and the Technology Development Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Messis Capital Limited as set out on pages 19 to 40 of the Circular and the letter from the Board as set out on pages 4 to 16 of the Circular.

Having considered the terms of the Agreement and the Technology Development Agreement, the situation of the Company, the factors and reasons considered by Messis Capital Limited and its opinion as stated in its letter of advice, we consider that the terms of the Agreement and the Technology Development Agreement (including the annual caps thereto) and the transactions contemplated thereunder are being carried out on normal commercial terms and in the ordinary and usual course of business of the Company, the terms of which are fair and reasonable so far as the Independent Shareholders are concerned and the transactions are in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions proposed to approve the Agreement and the Technology Development Agreement (including the annual caps thereto) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
BeijingWest Industries International Limited
Mr. Tam King Ching, Kenny
Mr. Leung Kai Cheung
Mr. Yip Kin Man, Raymond
Independent Non-executive Directors

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

大有融資有限公司
MESSIS CAPITAL LIMITED

June 1, 2016

To: The Independent Board Committee and the Independent Shareholders
of BeijingWest Industries International Limited

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Agreement and the Technology Development Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated June 1, 2016 (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On April 15, 2016, the Purchaser, BWI and the Target Company entered into the Agreement under which the Purchaser has conditionally agreed to (i) acquire the Sale Shares from BWI at an aggregate consideration of RMB52,000,000, which represent 30% of the existing registered capital of the Target Company; and (ii) contribute additional capital in the amount of RMB74,000,000 to the Target Company. Upon the Completion, the Purchaser will be interested in 51% of the registered capital of the Target Company, the Target Company will become a non wholly-owned subsidiary of the Company and the Target Company's financial results will be consolidated into the financial statements of the Group.

As the applicable percentage ratios in respect of the Transaction under the Agreement exceeds 25% but are less than 100%, the Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. BWI is interested in approximately 52.40% of the issued share capital of the Company as at the Latest Practicable Date and, is therefore the controlling shareholder and a connected person of the Company. Accordingly, the Transaction also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval by the Independent Shareholders at the EGM by way of poll.

Upon Completion, the transactions contemplated under the Technology Development Agreement will constitute continuing connected transactions of the Company for the purpose of the Listing Rules. As the expected annual transaction amounts for the three years ending December 31, 2018 under the Technology Development Agreement exceed 5% of the applicable ratios, the Technology Development Agreement will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tam King Ching, Kenny, Mr. Leung Kai Cheung and Mr. Yip Kin Man, Raymond, has been established to advise the Independent Shareholders on the terms of the Agreement and the Technology Development Agreement (including the annual caps thereto) and the transactions contemplated thereunder. We, Messis Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion in relation to the terms of the Agreement and the Technology Development Agreement (including the annual caps thereto) and the transactions contemplated thereunder.

As at the Latest Practicable Date, we do not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company. In the last two years, we acted as an independent financial adviser to the independent board committee and independent shareholders of the Company for two occasions as detailed in its circular dated November 27, 2014 and January 9, 2015 respectively. We were also appointed to act as the independent financial adviser of Shougang Concord Grand (Group) Limited (stock code: 730), a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules, for two occasions as detailed in its circular dated October 28, 2014 and May 26, 2015 respectively. Notwithstanding, we are independent from the Company pursuant to Rule 13.84 of the Listing Rules, in particular that we did not serve as a financial adviser to (i) the Company, (ii) BWI or its subsidiaries, (iii) the Target Company or its subsidiaries, or (iv) any core connected person of the Company or Target Company within 2 years prior to April 19, 2016, being the date of making our independence declaration to the Stock Exchange pursuant to Rule 13.85(1) of the Listing Rules.

BASIS OF OUR OPINION AND RECOMMENDATION

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company are true and accurate at the time when they were made and will continue to be accurate as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, the Vendor, the Target Company or any of their respective associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with the terms of the Agreement and the Technology Development Agreement (including the annual caps thereto) and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

(I) THE TRANSACTION

Principal factors taken into consideration

1. Information of the Company

The Company was incorporated in the Cayman Islands with limited liability on September 21, 2001, the shares of which were listed on the main board of the Stock Exchange in 2003. Following the completion of the acquisition of BWI Europe Company Limited S.A. on December 23, 2014, the Group is principally engaged in the manufacture and sale of automotive parts and components and the trading of automotive parts and components.

Historical financial performance of the Group

Set out below is the highlights of the audited financial information of the Group for the two years ended December 31, 2014 and 2015:

	For the year ended December 31, 2014 *Approximate HK$' million*	**For the year ended December 31, 2015** *Approximate HK$' million*
Turnover	3,354.61	2,956.85
Gross profit	770.71	674.76
Profit for the year attributable to owners to the Company	344.46	134.07

The Group has been focusing on the manufacture and sale of automotive controlled and passive suspension products and provision of technical services in Europe. As set out in the annual report of the Company for the year ended December 31, 2015 ("**2015 Annual Report**"), new passenger car registrations in European Union has been increased by approximately 9.3% in 2015, reaching approximately 13.71 million units and surpassing 2014 full year volumes. Benefited from the increase in demand in the European market, sales orders and production quantity has been increased when compared to the corresponding period in 2014. However, as the sales of the Group is mainly denominated in Euro, the increase in turnover has been offset as Euro was depreciated against HK$ when compared to the corresponding period in 2014. For the year ended December 31, 2015, the Group recorded turnover of approximately HK$2,863.40 million in manufacture and sale of controlled and passive suspension products (year ended December 31, 2014: approximately HK$3,224.09 million), as well as approximately HK$93.45 million in provision of technical services (year ended December 31, 2014: approximately HK$130.52 million).

During the year ended December 31, 2015, the overall gross profit and gross profit margin were approximately HK$674.76 million and approximately 22.82% respectively (year ended December 31, 2014: approximately HK$770.71 million and approximately 22.97% respectively). The decrease in gross profit was mainly because of the translation effect from Euro, Polish Zloty and GBP to HK$, while the gross profit margin decreased slightly primarily due to slight increase in cost of sales of passive suspension products.

Profit for the year attributable to owners to the Company decreased from approximately HK$344.46 million for the year ended December 31, 2014 to approximately HK$134.07 million for the year ended December 31, 2015. It was mainly attributed to (i) the decrease in revenue from approximately HK$3,354.61 million to HK$2,956.85 million for the two years ended December 31, 2014 and 2015, and (ii) gain on restructuring of approximately HK$272.9 million was recognized during the year ended 31 December 2014, while no such gain was recognized during the year ended December 31, 2015.

Financial position of the Group

Set out below is the summary of the consolidated assets and liabilities of the Group as at December 31, 2014 and December 31, 2015, respectively:

	As at December 31, 2014 *Approximate HK$' million*	**As at December 31, 2015** *Approximate HK$' million*
Current assets	1,194.06	1,313.33
Current liabilities	1,265.66	768.93
Net current (liabilities)/assets	(71.60)	544.40
Net assets	227.36	789.86

The Group recorded net current liabilities of approximately HK$71.60 million as at December 31, 2014 and net current assets of approximately HK$544.40 million as at December 31, 2015. Such improvement in current assets position was mainly attributed to the increase in cash and balances from approximately HK$357.51 million as at December 31, 2014 to HK$664.10 million as at December 31, 2015.

Net asset value of the Group increased from approximately HK$227.36 million as at December 31, 2014 to HK$789.86 million as at December 31, 2015. It was mainly attributed to (i) the profit for the year ended December 31, 2015 amounted to approximately HK$134.07 million, which was retained in the Group; (ii) a subscription and two placements of the new shares of the Company completed during the year ended December 31, 2015, the net proceeds of which amounted to approximately HK$38.00 million and approximately HK$501.00 million respectively; and (iii) the voluntary winding up of Fullitech International Limited ("**Fullitech**"), previously a direct wholly-owned subsidiary of the Company. The assets and liabilities of Fullitech together with its subsidiaries were deconsolidated from that of the Group since February 12, 2015, which had net liabilities at the time the Group's control was lost.

Qualified opinion

Independent Shareholders should note that the auditor of the Company, Ernst and Young, has given qualified opinion that, the Group's consolidated financial statements for the year ended December 31, 2014 was modified in respect of the matters as described in the "Basis for qualified opinion" paragraphs in the 2015 Annual Report. The opinion of the auditor of the Company on the Group's consolidated financial statements for the year ended December 31, 2015 is also modified because of the possible effects of the matter as described in the "Basis for qualified opinion" paragraphs in the 2015 Annual Report on the comparability of the figures for the current year and the comparative information. In the opinion of the auditor of the Company, except for the possible effects on the comparative information of the matters as described in the "Basis for qualified opinion" paragraphs in the 2015 Annual Report, the financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at December 31, 2015, and of their financial performance and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

2. Information of the Target Company

The Target Company is a company incorporated in the PRC with limited liability on June 26, 2009. It is a wholly-owned subsidiary of BWI and is a connected person of the Company. The Target Company is principally engaged in the design, research and development, manufacturing, marketing and sale of automobile brakes products and the provision of related technical services in the PRC.

The Target Company has a production plant in Shanghai and a branch in Liuzhou, the PRC. The brake products manufactured by the Target Company have broad applications and are used in sedans to full-size sport utility vehicles.

Set out below are the highlights of the audited financial information of the Target Company for the two years ended December 31, 2014 and 2015, details of which are set out in section headed "Appendix I – Accountants' Report on the Target Company" of the Circular:

	For the year ended December 31,	
	2014	**2015**
	Approximate RMB' million	*Approximate RMB' million*
Revenue	1,482	1,519
Gross profit	226	224
Profit for the year	30	29

The Target Company recorded a slight improvement in revenue from approximately RMB1,482 million to RMB1,519 million for the two years ended December 31, 2014 and 2015. It was primarily attributable to the increase in the sales of controlled brake products supplied to new customers and existing customers who launched new vehicle models.

The gross profit of the Target Company decreased from approximately RMB226 million to RMB224 million for the two years ended December 31, 2014 and 2015. Such decrease was mainly due to the increase in cost of sales, which was primarily due to overall increase in the costs of raw materials and key components and the cost of manufacturing overheads, had offset the increase in revenue.

The Target Company's profit for the year decreased from approximately RMB30 million to RMB29 million for the two years ended December 31, 2014 and 2015, which was mainly attributed to (i) the competitive price provided to customers to obtain more business opportunities in order to increase the market share; (ii) the increase in manufacturing overheads as a result of the increase in salary and welfare costs, depreciation, utilities costs and indirect material costs for new projects launching; and (iii) the costs in relation to establishment of Liuzhou branch.

Set out below is the summary of the audited consolidated assets and liabilities of the Target Company as at December 31, 2014 and December 31, 2015 respectively, details of which are set out in section headed "Appendix I – Accountants' Report on the Target Company" of the Circular:

	As at December 31, 2014	**As at December 31, 2015**
	Approximate RMB' million	*Approximate RMB' million*
Current assets	588	758
Current liabilities	637	803
Net current liabilities	49	45
Net assets	165	149

The Target Company recorded net current liabilities of approximately RMB49 million and approximately RMB45 million as at December 31, 2014 and December 31, 2015 respectively. The total current assets of the Target Company increased from approximately RMB588 million as at December 31, 2014 to approximately RMB758 million as at December 31, 2015, mainly attributed to the increase in (i) inventories; (ii) trade receivables; and (iii) cash and cash equivalents. The total current liabilities increased from approximately RMB637 million as at December 31, 2014 to approximately RMB803 million as at December 31, 2015. Such increase was mainly due to (i) increases in trade payables; and (ii) increase in other payables and accruals. In order to minimize risks related to net current liabilities, the Target Company has renewed certain bank loans by April 30, 2016.

Further information on the Target Company can be found in the sections headed "Business of the Target Company" and "Financial Information of the Target Company" of the Circular.

3. Reasons and benefits for the Transaction

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 located in Europe.

The Group's automotive controlled and passive suspension products are mainly utilized on premium passenger vehicles, which are mainly from reputable premium passenger vehicle manufacturers located in Europe. The Group developed and maintained strong relationships with its key customers and therefore developed an understanding of the manufacturing process for premium passenger vehicles and the technical requirements of automotive controlled and passive suspension products for premium passenger vehicles.

As set out in the 2015 Annual Report, it is the Group's business strategy to focus on its existing core business to design, manufacture and sale of automotive controlled and passive suspension products, as well as provision of related technical services in Europe. It is also a business strategy of the Group to evaluate the operations and business structure of the Group with a view of improving long-term profitability and Shareholders' value, which may include acquisitions or streamlining of operations as appropriate. The Group will continue to evaluate potential acquisition opportunities to strengthen its revenue base and improve its profitability. Given that (i) the Target Company is engaging business in the same business sector of the Group on the manufacturing of automobile parts; and (ii) the Target Company was profit making and recorded a net profit of approximately RMB30 million and approximately RMB29 million for the year ended December 31, 2014 and 2015 respectively, the Directors consider that the entering into of the Agreement is in line with the business strategy of the Group for its future expansion and development.

As advised by the Directors, the Target Company manufactures automobile brakes products which the Group is not currently producing. The Transaction is hence expected to enable the Group to enlarge its products mix to include both automotive controlled and passive suspension products and automobile brakes products upon Completion.

While Europe is a major market of the Group, the Group also conducts business in the PRC market. For the year ended December 31, 2015, the Group's revenue from customers in the PRC amounted to approximately RMB17.9 million, representing approximately 0.6% of the Group's total revenue. The Directors consider that the Transaction will expand the Group's market share in the automobile parts market in the PRC as the revenue of the Target Company is mainly generated in the PRC market.

Having considered that (i) the entering into of the Agreement is in line with the business strategy of the Group; (ii) the Group's product offering will be enlarged upon Completion; and (iii) the market share of the Group in the PRC is expected to be expanded upon Completion, we concur with the view of the Directors that the Transaction is in the interests of the Company and the Shareholders as a whole.

As an on-going process to create better returns to the Shareholders, the Company is always exploring the possibility of acquiring quality assets from BWI and/or other independent third parties. We understand from the Directors that, save for the Transaction, no such acquisition has materialized as at the Latest Practicable Date and the Company has no information that would need to be disclosed under Part XIVA of the SFO or the Listing Rules.

4. Principal terms of the Agreement

Date of the Agreement:

April 15, 2016

Parties:

Purchaser:	Billion Million (HK) Limited, an indirectly wholly-owned subsidiary of the Company;
Vendor:	BWI; and
Target Company:	BWI (Shanghai) Co., Ltd. (京西重工(上海)有限公司), a wholly-owned subsidiary of the Vendor

Subject Matter:

The Purchaser has conditionally agreed to acquire from the Vendor and the Vendor has conditionally agreed to sell to the Purchaser the Sale Shares at a consideration of RMB52,000,000. The Sale Shares represent 30% of the existing registered capital of the Target Company.

Pursuant to the terms of the Agreement, the Purchaser will also contribute additional capital in the amount of RMB74,000,000 to the Target Company of which RMB34,285,714 will be accounted for as the registered capital of the Target Company and RMB39,714,286 will be accounted for as the capital reserve of the Target Company, thereby increasing the registered capital of the Target Company from RMB80,000,000 to RMB114,285,714 and increasing the capital reserve of the Target Company from zero to RMB39,714,286.

The consideration for the acquisition of the Sale Shares of RMB52,000,000 and the additional capital contribution in the amount of RMB74,000,000 will be settled by the Purchaser in one lump sum on the date of Completion. The amount of capital contribution was determined by the parties after arm's length negotiations with reference to the capital requirement of the Target Company. The consideration for the acquisition of the Sale Shares and the additional capital to be contributed to the Target Company will be funded by the internal resources of the Group. Upon Completion, the Purchaser will hold in aggregate 51% of the registered capital of the Target Company.

Conditions Precedent

Completion will be conditional upon the satisfaction or (as the case may be) waiver of the following conditions:

(a) the Purchaser being satisfied with the results of its due diligence on the Target Company, and the Purchaser having received to its satisfaction a PRC legal opinion in relation to status of the Target Company;

(b) the Independent Shareholders having approved the Transaction in a general meeting of the Company held in compliance with the Listing Rules;

(c) all necessary approvals and consents in relation to the transactions contemplated under the Agreement having been obtained, such consents and approvals should include, without limitation:

   (i) the unconditional approval from the Commerce Department of the PRC in respect of:

      (1) the increase in the registered capital of the Target Company and the transfer of the Sale Shares, and the issue of the approval certificate for changing the Target Company to an overseas Chinese (Taiwan, Hong Kong, Macau) invested enterprise which has clearly set out the Purchaser as a shareholder;

      (2) the joint venture contract of the Target Company in form and substance to the satisfaction of the Purchaser; and

      (3) the articles of association of the Target Company in form and substance to the satisfaction of the Purchaser.

(ii) the increase in the registered capital of the Target Company and the transfer of the Sale Shares having been approved or the filing in respect thereof having been completed in compliance with applicable PRC laws with the State-owned Assets Administration Department of the PRC or relevant authorized departments with such responsibilities; and

(iii) if necessary, the increase in the registered capital of the Target Company and the transfer of the Sale Shares having been approved or the filing in respect thereof having been completed in compliance with applicable PRC laws with the State Development and Reform Commission of the PRC.

(d) the warranties under the Agreement remaining true and accurate in all material respects and not misleading and BWI and the Target Company having performed all of their obligations under the Agreement at or prior to Completion; and

(e) there having occurred since December 31, 2015 no material adverse effect with respect to the Target Company and there having been promulgated, put into effect, commenced, granted or issued since December 31, 2015 and subsisting or pending as at the date of Completion, no statute, regulation, proceeding, or order pertaining to the Target Company which would or could reasonably be expected to prohibit or restrict the consummation of the transactions contemplated under the Agreement.

The Purchaser may, in its absolute discretion, waive conditions (a), (d) and (e) at any time. Conditions (b) and (c) cannot be waived. The Purchaser has no present intention in waiving any of the conditions precedent to the Agreement.

If it comes to the notice of the Purchaser of any event prior to the date of Completion that may prevent any of the conditions precedent from being fulfilled; or if any of the conditions precedent have not been fulfilled or waived by December 31, 2016 (or such later time or date as may be agreed among the parties to the Agreement in writing); or the conditions precedent have not been fulfilled or waived by the Purchaser on the date of Completion, the Purchaser will have the right to declare the Agreement null and void and of no further effect, save for any antecedent breaches.

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled or satisfied.

Completion

Completion will take place on the third business day (or such other date as may be agreed between the parties) following the date on which conditions (b) and (c) as set out above have been satisfied.

Evaluation on the consideration of the Transaction

As set out in the Letter from the Board, the consideration for the acquisition of the Sale Shares is RMB52,000,000 and was determined by the parties after arm's length negotiations with reference to among other things, (i) net asset value of the Target Company as at December 31, 2015; (ii) the current operations of the Target Company; and (iii) the business prospects and development potential of the Target Company. The additional capital contribution in the amount of RMB74,000,000 was determined by the parties after arm's length negotiations with reference to the capital requirement of the Target Company. Accordingly, the total consideration for the Transaction amounts to RMB126,000,000.

As advised by the Directors, a valuation on the Target Company (the "**Valuation**") was prepared by the Vendor as a reference for determining the consideration for obtaining relevant approval from the relevant authorized department of the State-owned Assets Administrative Bureau of the PRC in respect of the Transaction. The final consideration was the result of arm's length negotiations between the parties and the Valuation was used by the Company as the indicative amount that the Vendor might accept as the value of the Vendor's interest in the Target Company. Given the above, in particular that the Valuation was not prepared under the instruction of the Company and the Directors consider the Valuation as an indicative amount only, we do not consider the Valuation relevant in assessing the fairness and reasonableness of the Transaction.

As discussed with the Directors, the current operation of the Target Company is the manufacturing of automobile brakes products, which the Group is not producing with long history of operations, it has established competitive strengths and will therefore bring benefits to the Group by expanding the Group's product portfolio and current market share in the automobile parts market in the PRC. In addition, in relation to the business prospects of the Target Company, it will further strengthen its market position in the automobile brake products industry in the PRC by implementing various strategies. We understand from the Directors that one of the important strategies of the Target Company is to continue to expand customer base in the PRC through strategic relationships with global and domestic automobile manufacturers. In view of the reasons and benefits of the Target Company as previously mentioned and the information as stated in the sections headed "Business of the Target Company – Competitive Strengths" and "Business of the Target Company – Strategies", we consider that it is justifiable for the Directors to take into account these factors in determining the consideration of the Transaction.

To assess the fairness and reasonableness of the consideration of the Transaction, we have considered various valuation analysis approaches for the most suitable and reasonable approach to assess the consideration of the Transaction. The discounted cash flow methodology under the income approach is often used for companies that have limited or no operating history and historical finance figures, and this methodology focuses on the further earnings potential of the valuation target and heavily relies on the financial projection of the company to reflect its potential earnings. Given that the Target Company is developed with sufficient financial performance details available, we do not consider the income approach appropriate to value the Target Company based on financial projection with uncertainties. The cost approach is also considered as inappropriate because this approach is more common in valuing tangible assets, while the Target Company is engaged in the design, research and development, manufacturing, marketing and sale of automobile brakes products and the provision of related technical services. On the other hand, we have conducted analyses by applying the price to earnings ratio (the "**PE ratio**") analysis and price to book ratio (the "**PB ratio**") analysis with a number of comparable companies as set out below. PE ratio analysis is a common valuation method for the assessment of the value of a business. In particular, it is used for valuing businesses with established and profitable history. Given that the Target Company recorded a stable net profits during the three years ended December 31, 2013, 2014 and 2015, we believe that the PE ratio analysis is an appropriate method to evaluate the consideration of the Transaction. PB ratio analysis is another business valuation method for capital-intensive businesses or businesses with plenty of assets on the books. Given the business nature of the Target Company as an automobile brakes producer, we also consider that the PB ratio analysis is another applicable valuation method for our analysis.

In selecting the samples for comparison purpose, we target on those companies which (i) are in similar businesses in nature of the Target Company and are principally engaged in the manufacturing of automobile parts and components; and (ii) shares are listed on the Stock Exchange. Under these criteria, we have identified 9 companies as the samples (the "**Comparables**"). The list of Comparable is an exhaustive list and we considered that the Comparables are fair and representative samples. We have compared the respective PE ratios and PB ratios of the Comparables with that of the Target Company. We have also considered the average PE ratios and PB ratios of the Comparables to mitigate material distortions in our analysis arisen from variations in the PE ratios and PB ratios of the Comparables due to their own circumstances in businesses and operations. Details of which are set out in the table below:

Company name (stock code)	Principal business	Market capitalisation[2] *approximate (i) HK$ (million)*	Profit attributable to shareholders for the preceding financial year[3, 5, 6] *approximate (ii) HK$ (million)*	Equity attributable to owners for the preceding financial year/period[4, 5, 6] *approximate (iii) HK$ (million)*	P/E ratio *approximate (iv)=(i)/(ii) times*	P/B ratio[8] *approximate (v)=(i)/(iii) times*
Xinchen China Power Holdings Ltd. (1148)	Development, manufacture and sale of automotive engines for passenger vehicles and light duty commercial vehicles and manufacture of engine parts and components of the passenger vehicles in the PRC.	1,615.6	269.1	3,210.0	6.00	0.50
Nexteer Automotive Group Ltd. (1316)	Supply of steering systems & components driveline systems & components, utilized on a broad range of vehicles.	20,462.5	1,593.3	6,417.5	12.84	3.19
Wuling Motors Holdings Ltd. (305)	Manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles and the trading of raw materials, water and power supply services.	1,148.2	98.5	1,247.7	11.66	0.92
Zhejiang Prospect Co. Ltd. – H Shares (8273)	Manufacturing and sale of universal joints and automotive components for automobiles including cardan universal joints, wing bearing universal joints and differential spiders.	160.9	55.0	133.1	2.93	1.21
Huazhong In-Vehicle Holdings Co. Ltd. (6830)	Manufacture and sale of internal and external decorative and structural automobile parts, moulds and tooling, casing and liquid tank of air conditioning or heater units and other non-automobile products.	1,316.1	83.1	690.8	15.84	1.91
Zhejiang Shibao Co. Ltd. (1057)[9]	Development, design, manufacture and sales of automotive steering gears and other key components and parts of steering system.	7,741.8	64.1	1,728.5	120.78	4.48
China First Capital Group Ltd. (1269)	Research, development and manufacturing of automobile shock absorber and suspension system for the OEM Market and automobile aftermarket in the PRC.	2,211.8	(27.1)	753.2	N/A[7]	2.94
Launch Tech Co. Ltd. – H Shares (2488)	Provision of products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries.	1,395.4	(112.5)	841.6	N/A[7]	1.66
Minth Group Ltd. (425)	Design, manufacturing, processing, developing and sales of exterior automobile body parts and moulds of passenger cars.	22,764.7	1,523.5	11,012.3	14.94	2.07
Maximum					15.84	3.19
Minimum					2.93	0.50
Average					10.70	1.80

	The total consideration	The equity interest owned by the Group upon Completion	Profit attributable to shareholders for the year ended December 31, 2015[6]	Equity attributable to owners as at December 31, 2015[6]	Additional capital contribution	P/E ratio	P/B ratio[8]
	(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f) =(a)/(b)/(c)*	(g) = (a)/(b)/[(d)+(e)]
	approximate RMB (million)		*approximate RMB (million)*	*approximate RMB (million)*	*approximate RMB (million)*	*approximate times*	*approximate times*
The Target Company	126	51%	29	149	74	8.52	1.11

Notes:

(1) Although the market capitalizations of the Comparables are higher than the transaction value of the Target Company, we consider that the P/E ratios and P/B ratios of the Comparables are appropriate references in our analysis. In calculating the P/E ratios and P/B ratios, the market capitalizations of the Comparables are divided by their respective scale of earnings or equities. Therefore, the high market capitalizations should have been offset with their higher earnings/ equities (if applicable). Exceptional value on any P/E ratio and P/B ratio resulted is excluded to avoid material distortions in our analysis.

(2) The market capitalizations are calculated based on their respective closing prices of the Comparables as stated in the website of the Stock Exchange (www.hkex.hk) on April 15, 2016, being the date of the Agreement, and the total number of issued shares (including domestic shares as appropriate) as extracted from their respective latest filings with the Stock Exchange.

(3) The profits attributable to shareholders of the Comparables for the preceding financial year are extracted from the respective latest financial results announcements and/or annual reports published prior to April 15, 2016.

(4) The equities attributable to owners of the Comparables for the preceding financial year are extracted from the respective latest interim/annual financial results announcements and/or interim/annual reports published prior to April 15, 2016.

(5) The figures (if applicable) are translated into HK$ at closing exchange rates of approximately RMB1: HK$1.198 and US$1: HK$7.756 as at April 15, 2016 as stated in the website of Bloomberg (www.bloomberg.com).

(6) The profit attributable to shareholders for the year ended December 31, 2015 and the equity attributable to the owners as at December 31, 2015 of the Target Company are extracted from the section headed "Appendix I – Accountants' Report on the Target Company" in the Circular.

(7) The P/E ratio is not applicable for companies which recorded a loss attributable to shareholders for the preceding financial year.

(8) The P/B ratio is calculated based on the sum of the equity attributable to owners as at December 31, 2015 and the additional capital contribution on the amount of RMB74 million.

(9) The relevant information of Zhejiang Shibao Co. Ltd. (Stock code: 1057) is excluded in our analysis due to the extremities in value.

As illustrated in the above table, the PE ratio of the Comparables ranges from approximately 2.93 times to 15.84 times with an average PE ratio of approximately 10.70 times. The PE ratio of the Target Company for the Transaction of approximately 8.52 times is hence lower than average and within the range of those of the Comparables. The PB ratio of the Comparables ranges from approximately 0.50 times to 3.19 times with an average PB ratio of approximately 1.80 times. The PB ratio of the Target Company for the Transaction of approximately 1.11 times is hence lower than the average and within the range of those of the Comparables.

Based on the above and having considered, in particular, (i) the PE ratio of the Target Company is within the range of those of the Comparables, and (ii) the PB ratio of the Target Company is within the range of those of the Comparables, we concur with the view of the Directors that the consideration of the Transaction is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

5. Possible financial effects of the Transaction

Upon Completion, the Target Company will become a non wholly-owned subsidiary of the Company and the results, assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Group thereafter.

(i) Effect on earnings

Based on the historical performance of the Target Company, in particular that it recorded net profits for the three years ended December 31, 2013, 2014 and 2015, the Directors expect that the revenue and the earnings of the Group will be enhanced upon Completion.

(ii) Effect on net assets value

As set out in the section headed "Appendix IV – Unaudited Pro Forma Financial Information of the Enlarged Group" of the Circular, assuming the Transaction had been completed on December 31, 2015, the net asset value of the Group as at December 31, 2015 will be improved from approximately HK$789.9 million to the net asset value of the Enlarged Group of approximately HK$903.6 million. The improvement in net asset value is principally due to the consolidation of the assets and liabilities of the Target Company after settlement of the consideration for the acquisition of the Sale Shares. Based on the above, the Directors expect that the net assets position of the Group will be enhanced upon Completion.

(iii) Effect on liquidity position

According to the financial information of the Group as at December 31, 2015, the total current assets and liabilities of the Group amounted to approximately HK$1,313.3 million and HK$768.9 million respectively, resulting in a net current assets position of approximately HK$544.4 million. The current ratio of the Group (being calculated as total current assets divided by total current liabilities) was approximately 1.7. As set out in the section headed "Appendix IV – Unaudited Pro Forma Financial Information of the Enlarged Group" of the Circular, assuming the Transaction had been completed on December 31, 2015, the Enlarged Group would have net current assets of approximately HK$426.7 million. The decrease on net current assets is mainly due to the net current liabilities position of the Target Company as at December 31, 2015. As set out in the section headed "Appendix II – Financial Information of the Target Company" of the Circular, the Target Company has renewed certain bank loans by April 30, 2016 in order to minimize risks related to its net current liabilities position. Based on the above, we are of the view that the net current liabilities of the Target Company will have no material negative financial impact on the liquidity position of the Enlarged Group.

It should be noted that the above financial effects are for illustrative purpose only and do not purport to represent the financial position of the Group upon Completion.

(II) CONTINUING CONNECTED TRANSACTIONS – TECHNOLOGY DEVELOPMENT AGREEMENT

1. Background of and reasons for entering into the Technology Development Agreement

(i) Overview

Currently, there are transactions between the Target Company and BWI and its associates in the ordinary course of business of the respective parties. These transactions are expected to continue after Completion.

Upon Completion, the transactions contemplated under the Technology Development Agreement will constitute continuing connected transactions of the Company for the purpose of the Listing Rules. As the applicable ratios under the Listing Rules in respect of the annual service fee payable under the Technology Development Agreement is expected to exceed 5% of the applicable ratios, the transactions under the Technology Development Agreement will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(ii) Reasons for Technology Development Agreement

As set out in the section headed "Continuing Connected Transactions" in the Letter from the Board, the Target Company will from time to time engage BWI North America to carry out product development work for its brake system for application in the vehicles of its customers. BWI North America is one of the leading auto parts and components manufacturers in the world. It has advanced research and development and engineering centers in Brighton, Michigan, and Dayton, Ohio. In addition, as set out in the section headed "Business of the Target Company" in the Letter from the Board, with the support and cooperation of BWI North America according to the technology development agreement entered into by the parties, the Target Company possesses the capability to design, develop, validate and produce ECU (Electronic Control Unit), one of the core hardware components of ESC (Electronic Stability Control). Furthermore, the Target Company requires continuous product development services to keep abreast of technological development and to meet the requirements of new vehicle models to be introduced by its customers. Therefore, the Target Company has engaged BWI North America for its product development work since January 2012 and it is expected that the arrangement will continue after Completion. The Technology Development Agreement was entered into to continue engaging BWI North America in providing technology development services to the Target Company after Completion.

To ensure that the actual prices for the continuing connected transactions of the Group are in accordance with the terms of the Technology Development Agreement, the Group will conduct regular checks to review and assess the information of the products or services that have been supplied/provided by BWI North America. In addition, the Company will engage the auditor of the Company to conduct an annual review of the continuing connected transactions of the Group pursuant to the Listing Rules.

Based on the above, in particular that the services provided under the Technology Development Agreement are conducted in the ordinary course of business of the Target Company, we concur with the view of the Directors that the entering into of the Technology Development Agreement is in the interests of the Company and the Shareholders as a whole to secure a continuous technical support for the Target Company upon Completion.

2. Principal terms of the Technology Development Agreement

The services fee under the Technology Development Agreement is budgeted by the Target Company and agreed with BWI North America for such product development work and the usage of such technology by the Target Company by using the transactional net margin method which was determined by the parties after arm's length negotiations. The fairness and reasonableness of the services fee is then further assessed by a study conducted by an independent third party consultant commissioned by the parties annually based on the Organisation for Economic Co-operation and Development ("**OECD**") Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (the "**OECD Guidelines**"). The OECD Guidelines set out the principles for establishing arm's length transfer prices for goods, services, technical assistance, trademarks, or other assets that are transferred or licensed between related or controlled parties and are endorsed by the member states of OECD (which include France, Germany, Italy, Luxembourg, Poland and the United Kingdom) and the tax authorities of the United States.

The consultant was selected by the parties from one of the big four international accounting firms based on a competitive bid and their experience on advising on tax and transfer pricing related issues for multinational companies. The consultant has evaluated a series of methodologies that could be used for the case and determined that the transactional net margin method is best suited to these particular transactions.

The transactional net margin method is used to examine the profit level indicators that the Target Company realizes from the transactions with BWI North America. Under this method, the profit level indicators of the Target Company from such controlled transactions should ideally be established by reference to the profit level indicators that the Target Company earns in comparable uncontrolled transactions. Where this is not possible, the profit level indicators that would have been earned in comparable transactions by independent enterprises may serve as a guide in determining such profits.

The profit level indicators include, among others, return on assets, operating margin and net cost plus mark-up. The comparability analysis would examine the differences between the connected transactions and unrelated party transactions on functions, risks, economic environment, and other factors that impact operating profit, including functions performed, risks assumed, assets used, business scale, product life cycle, allocation of costs and expenses. The transactional net margin method was determined to be an appropriate method under the circumstances of the Technology Development Agreement and the tax legislations of the PRC and the United States and is consistent with the arm's length principle of the OECD Guidelines.

In applying the transactional net margin method, the consultant identifies comparable companies which have similar functions, bear similar risks and operate similar business. Under these criteria and sourced from a well-known empirical analysis tool widely used in the fields of securities investment analysis, strategic operating analysis for entreprises, multinational entreprise transfer pricing, and corporate finance analysis, a number of public companies listed in the Asia Pacific region are selected as comparable companies.

The profit levels of these comparable companies are benchmarked as a reasonable range of profit levels. The consultant compares the operating margin before interest and tax of the Target Company (after the payment of the services fee made to BWI North America) with selected comparable companies. The services fee is considered as being conducted under arm's length principle should the profit level of the Target Company falls within the range of profit levels of the comparable companies.

Given that the transactional net margin method is one of the methods approved by OECD for determining arm's length transfer prices for goods or services, and that the routine profit level of the Target Company will be determined through a comparable analysis drawn from a range of comparable companies, the Directors are of the view that the procedures used to establish the services fee under the Technology Development Agreement are fair and reasonable so far as the Company and the Shareholders are concerned.

To ensure that the actual services fee charged will be in accordance with the transactional net margin method, the Company will conduct its own comparability analysis and review the analysis prepared by BWI North America. The finance department of the Company will also review and monitor the continuing connected transactions between the Group and BWI North America on a regular basis to ensure that the pricing mechanism and the annual caps under the Technology Development Agreement are in compliance with the terms stipulated therein.

In each financial year after the services fee for that year have been paid, the Target Company will, in compliance with the PRC supervisory requirements, engage the consultant to issue a report to verify that the services and the fees paid under the Technology Development Agreement have been in compliance with the terms of the agreement and that the transactions have been fair and reasonable. In addition, the Company will engage the auditor of the Company to conduct an annual review of the continuing connected transactions of the Group pursuant to the Listing Rules.

As such, the Directors are of the view that the services fee to be paid to BWI North America under the Technology Development Agreement, the methodology of which for determining the services fee was recommended by the independent third party consultant and endorsed by both the PRC and US tax authorities, are fair and reasonable.

In assessing whether the services fee are to be conducted on fair and reasonable basis, we have arranged an interview with the consultant regarding the consultant's qualification and experience in relation to the preparation of the consultant report. The consultant is one of the largest accounting and professional services firms in the world and has certified public accountants experienced in providing quantitative analysis and advisory services for different types of transactions, including transfer pricing planning. We further understand that the consultant is independent from the Company and the other parties involved in the Technology Development Agreement. By reviewing the terms of the past engagements of the consultant and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the consultant. Based on the above, we are of the view that the scope of work of the consultant is appropriate and the consultant is qualified for the preparation of the consultant report.

We have obtained and reviewed the relevant reports for year 2013 and 2014 and we note that the consultant had performed the analysis under transactional net margin method, in which a search for comparable companies worldwide and the relevant profit margins (before interest and tax) were compared. We understand from the reports that the transactional net margin method is usually applied to related party transactions of sales, purchases, transfer and use of tangible properties, provision of services, and transfer and use of intangible assets. We further understand that the methodology being adopted in arriving its conclusions complied with relevant PRC tax laws and regulations.

According to the reports, we are given to understand that the information applied for the assessments was sourced from a database recognized by the PRC tax authorities. The comparable companies being identified were companies listed in the Asia Pacific region and were engaging in similar businesses with the Target Company. On this basis, we are of the view that the comparable companies being selected for the assessments were appropriate and relevant for providing a fair and reasonable basis in reaching its conclusions. We note that the consultant was in the opinion that the service fees of approximately RMB77.1 and approximately RMB59.3 million for the years ended December 31, 2013 and 2014 respectively were conducted under arm's length principle.

As advised by the Directors, upon Completion, the Target Company will continue to engage an independent third party consultant in assessing the service fee on annual basis. Based on (i) our review on the reports prepared by the consultant on similar services fee for the years ended December 31, 2013 and 2014; (ii) our discussions with the consultant on the methodology adopted for the determination of the annual services fee; and (iii) our researches that the transactional net margin method is recognized by OECD and the PRC tax authorities, we are of the view that the services fee, which is to be determined with reference to the opinion of the consultant, are on normal commercial terms and the terms of the Technology Development Agreement are fair and reasonable so far as the Independent Shareholders are concerned. We are also of the view that the pricing basis of the services fee contemplated under the Technology Development Agreement can be properly functioned to ensure that the services fee to be charged are fair and reasonable.

3. The Annual Cap

The proposed annual cap for the services fees under the Technology Development Agreement would be RMB60.0 million, RMB66.0 million and RMB73.0 million for the three years ending December 31, 2016, 2017 and 2018 respectively (the "**Annual Cap(s)**").

Based on information provided by the Company, we summarize in the following table (i) the historical transacted amounts for the three financial years ended December 31, 2013, 2014 and 2015; and (ii) the expected transaction amounts for each of the three financial years ending December 31, 2016, 2017 and 2018:

	For the financial year ended/ending December 31,					
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*
	Approximate	*Approximate*	*Approximate*			
Historical transacted amount/ expected transaction amount	77.1	59.3	52.7	60.0	66.0	73.0

The Annual Cap for each of the three years ending December 31, 2016, 2017 and 2018 were determined by the Directors after taking into account of the fact that (i) the historical transaction amounts; and (ii) the projected increase in product development work.

In order to assess the fairness and reasonableness of the Annual Caps, we have considered the followings:

(i) The historical transaction amounts

The services fee charged by BWI North America were approximately RMB 77.1 million, RMB 59.3 million and RMB 52.7 million for the three years ended December 31, 2013, 2014 and 2015 respectively. Accordingly, the average annual services fee was amounted to approximately RMB63.0 million. The proposed Annual Cap of RMB60.0 million for the year ending December 31, 2016 is close to the average annual services fee in the preceding three years.

(ii) the projected increase in product development work

The proposed Annual Caps of RMB66.0 million and RMB73.0 million for the two years ending December 31, 2017 and 2018 represented an annual growth of approximately 10% per year. As advised by the Directors, it is expected that more product development work will be required by the Target Company to support its future business developments. We note that the revenue of the Target Company increased from approximately RMB1,358 million in 2013 to RMB1,519 million in 2015, representing a compound annual growth rate of approximately 5.8%. We therefore consider that annual growth of the proposed annual caps for the two years ending December 31, 2017 and 2018 is not excessive.

Having considered the above, in particular that (i) the Annual Cap for the year ending December 31, 2016 is close to historical transaction amount; and (ii) the annual growth of Annual Caps for the two years ending December 31, 2017 and 2018 is not excessive, we concur with the view of the Directors that the Annual Caps are determined under fair and reasonable basis.

RECOMMENDATION

Having taken into account the principal factors discussed above, we are of the view that (i) the entering into of the Agreement and the Technology Development Agreement and the transactions contemplated thereunder (including the annual caps thereto) are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Agreement and the Technology Development Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Technology Development Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and the Annual Caps are determined under fair and reasonable grounds. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Agreement and the Technology Development Agreement (including the annual caps thereto) and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Vincent Cheung
Executive Director

Mr. Vincent Cheung is a licensed person registered with the SFC and regarded as a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over eight years of experience in corporate finance industry.

OVERVIEW

The Target Company principally engages in the design, research and development, manufacturing and sale of automobile brake components and systems and the provision of related technical services. The Target Company is one of the leading suppliers in the PRC of automobile brake components and systems. The Target Company's customers include the PRC operations of some of the world's largest automobile manufacturers as well as domestic automobile manufacturers. The Target Company provides auto parts to customers principally on an original equipment manufacturer basis.

The automobile brake components and systems business of the Target Company was previously owned by Delphi Corporation, a global automobile electronics and transportation system supplier. BWI acquired the chassis business from Delphi Corporation in 2009 after it had filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code of the United States.

COMPETITIVE STRENGTHS

The principal competitive strengths of the Target Company include the following:

One of the leading suppliers of high quality and diverse automobile brake products in the PRC

The Target Company is one of the leading suppliers of quality auto parts, predominantly including brake components and systems, to automobile manufacturers in the PRC. As of December 31, 2015, the Target Company had 852 employees operating in two manufacturing facilities and one research and development center in Shanghai and one manufacturing facility in Liuzhou where its key customers are also located.

The Target Company established its leadership status through its long-term presence in the PRC. Efficient production capacities along with high quality and diverse automobile brake products offered at competitive prices have helped the Target Company gain the trust of leading global and domestic automobile manufacturer customers, win recurring orders and maintain leadership position in the auto parts industry. The Company believes that the leadership status of the Target Company will allow it to have greater bargaining power with its suppliers both in terms of procurement cost and stability of supply.

The Target Company's high quality automobile brake products are popular among automobile manufacturers who demand stringent product qualification standards due to, among other reasons, increasing regulatory and consumer concerns for safety. The Target Company operates two vehicle testing centers, one in Shanghai and the other one in Daqing, and conducts extensive track testing of its brake products to ensure product quality. Various rigorous quality testing procedures employed include high temperature endurance, torque endurance and vibration endurance. The Target Company also requires many of its suppliers to go through similar raw material testing procedures.

Moreover, the Target Company maintains high production quality by utilizing its extensive patents and manufacturing know-how. The Target Company's manufacturing facilities have been certified to comply with ISO/TS 16949 for quality, safety and environmental management systems. The Company believes that the Target Company's high quality product portfolio, together with its leading market position, lead to continued demand for its brake products from automobile manufacturer customers as well as cross referrals from global automobile manufacturers operating business in the PRC.

A leading supplier of controlled brake systems

The Target Company is a leading supplier of controlled brake products attributable to its customer base, production capacity, intellectual property rights, research and development capability and access to advanced technologies of BWI. Controlled brake systems are the fundamental actuator and control system for the development of ADAS (Advanced Driver Assistant System) which is a modern trend in automobile industry and has become core business target of major international and domestic automobile manufacturers. The Target Company has changed its business type and devoted more resources and effort into controlled brake products sector during the Track Record Period and has derived increasing revenue from the sales of controlled brake products.

ABS (Anti-lock Brake System) and ESC (Electronic Stability Control) are two essential products of controlled brake system, and ESC is a critical part comprising AEB (Automatic Emergency Braking), ACC (Adaptive Cruise Control) and ADAS which are fundamental features of smart cars. The Target Company is one of a few domestic auto parts manufacturers in the PRC which own ESC and its related intellectual property rights and technologies. In addition, with the support and cooperation of BWI North America according to the technology development agreement entered into by the parties, the Target Company possesses the capability to design, develop, validate and produce ECU (Electronic Control Unit), one of the core hardware components of ESC. Moreover, the Target Company has access to a mega software database built by BWI, which to a large extent distinguished the Target Company from its domestic competitors. Furthermore, the Target Company is the only domestic auto parts manufacturer in the PRC that is able to mass produce ESC on a commercial scale, which makes the Target Company as competitive as most of the top global auto parts suppliers. Based on the capability and advantages the Target Company possesses, it has entered into a development agreement regarding an ADAS demonstration project with an OEM (Original Equipment Manufacturer) and expects to enter into AEB and ACC supply agreements with several other automobile manufacturers. The Target Company plans to obtain more ESC related business from automobile manufacturers as equipping passenger vehicles with ESC has become a mandatory requirement for passenger vehicles in most developed countries and ESC will be utilized by more and more automobile manufacturers in the PRC.

The Target Company is also an active player in new energy vehicle market. With the experiences and core technologies of controlled brake, the Target Company has successfully developed an algorithm compatible with regenerative braking system. Such algorithm is popular among OEM because it significantly increases effectiveness and reduces costs of engineering solution. The Target Company has been engaged by several automobile manufacturers on a number of new energy vehicle projects and continues working on a more advanced engineering solution contributing to efficiency of regenerative braking system.

Another advantage that distinguishes the Target Company from its competitors who also supply controlled brake products is the related technical services that the Target Company provides to its customers. A critical feature of the Target Company's related technical services is product solution – the Target Company maintains a well-equipped department for the production of prototypes, design pattern and small series of complex components. Controlled brake systems have a major influence on vehicle dynamics and safety, the Target Company is capable of offering engineering for complete brake system solution to fulfill legal requirements and optimize vehicle dynamics, vehicle stability, brake performance and comfort. The Target Company carries out detailed feasibility, modeling and durability analysis, which helps pinpoint possible problems and come up with solutions to improve performance, as well as cut costs and weight. In addition, the Target Company is able to combine its own intellectual properties and know-how with advanced knowledge from extensive portfolio of proven products with creative refinement, adapted to new functions and individualized systems exactly to the wishes and needs of customers. Besides various advanced technologies for the production of rapid prototyping components, the product solution has all the possibilities of mechanical processing of various metal and plastic materials. Specifically, the Target Company's integrated project teams consisting of mechanical design engineers, software engineers and vehicle test engineers are specialized to cover tasks such as brake system dimensioning, selection and packaging of brake components, integration of necessary sensors, prototype vehicle equipment, application of controlled brake systems (ABS or ESC), optimization of vehicle dynamics by parameter fine tuning and vehicle dynamics evaluation on all relevant test tracks.

An experienced and committed management team with in-depth managerial and industry knowledge and experience

The Target Company's management team led the Target Company to achieve its current leadership position in the automobile brake products market in the PRC and positioned the Target Company to take advantage of the continuing growth of the market. The Target Company's management team has significant industry and managerial knowledge, skill and experience as well as strong connections throughout the industry. In addition, the Target Company's management team employs Lean Manufacturing Principles which help achieve improvements in productivity, quality and lead-time by eliminating waste in the day-to-day business operation. The management team's in-depth knowledge of the automobile brake products industry and understanding of automobile manufacturer customers' needs have contributed to the high quality and broad range of its products. The Company believes that the experienced and committed management team of the Target Company will enable it to continue to capture market opportunities and ensure future growth.

Diversified and expanding customer base and strong relationships with global and domestic automobile manufacturers operating in the PRC

As of December 31, 2015, the Target Company had a diversified customer base with its products being sold to more than 30 automobile manufacturers in the PRC. In addition to its key customers, the Target Company has been able to secure and maintain customers in different market segments within the PRC automotive industry, and currently supplies automobile brake products across the entire price spectrum to a range of domestic automobile manufacturers and the PRC operations of global leading automobile manufacturers.

With the Target Company's largest customer experiencing enhanced brand recognition over the last several years in the PRC as well as globally, the Company believes that the brand awareness of the associated auto parts suppliers has increased as well, which has enabled the Target Company to enhance its ability to win orders from other global automobile manufacturers.

Given the concentration of the automotive industry and the relatively high entry barriers to obtaining new automobile manufacturer customers in light of the direct impact that auto parts have on the safety and performance quality of vehicles and the resulting reluctance of automobile manufacturers to work with new auto parts suppliers, the Company believes that it is common within the auto parts industry for an auto parts manufacturer to rely on a few major customers. The Company further believes that the Target Company has been successful in diversifying its customer base over the years, reducing its reliance on a few major customers and thus mitigating the risks associated with such reliance, and the Target Company intends to continue dedicating efforts to increase sales to diverse customers.

The Company believes that the diverse customer base of the Target Company, which encompasses the PRC operations of some of the largest global automobile manufacturers as well as domestic automobile manufacturers, places it in a strong position to secure additional supply contracts from existing customers as they continue to expand their own production capacities in the PRC.

Efficient operating platform and competitive cost structure

The Target Company has an efficient operating platform encompassing a network of manufacturing, research and development and testing facilities. The Target Company's manufacturing facilities are strategically located in close proximity to its major customers and suppliers, which the Company believes that it provides the Target Company with an advantage in production costs and reduces its working capital requirements. The Target Company's manufacturing facilities in the East Region of Shanghai are located closely to a few global leading automobile manufacturers, while the manufacturing facility in Liuzhou is close to a few prestigious domestic automobile manufacturers. By establishing the facilities in these key locations, the Target Company is able to (i) reduce the costs associated with the warehousing and transportation of finished goods, and (ii) minimize the lag time in responding to customers' product orders.

In addition, the Target Company strives to implement advanced logistics and production systems through a combination of fully automated manufacturing facilities and product standardization. The Company believes that such systems have assisted in mitigating the impact of rising labor costs, shortening raw material order time and delivery time, and managing inventory levels more effectively.

Strong technological capabilities and access to BWI's extensive technology portfolio

The Target Company is a recognized high-tech company operating business in the Free Trade Zone in Shanghai. The Target Company owns over 25 patents rights which are used in the production of automobile brake products. In addition, through the non-exclusive licenses granted to the Target Company to use BWI's intellectual property rights, the Target Company has access to the extensive technology portfolio of BWI. The Target Company's ability to develop and introduce advanced automobile brake components and systems in the PRC market is enhanced by its own research and development activities as well as its access to technologies of BWI. These activities focus on "local differentiated design," which includes the application of advanced technologies relating to brake products and the development of more advanced brake products with improved capabilities to fit the particular demands and needs of automobile manufacturer customers in the PRC, together with the development of optimized "low-cost designs" of existing products which can be manufactured using more cost-effective materials or manufacturing processes while retaining the same performance characteristics. Such established research and development capabilities are an important competitive factor in the automobile brake products industry, particularly for automobile manufacturer customers who prefer to work with auto parts suppliers that can quickly develop products in accordance with their specifications. The Target Company has a dedicated research and development center located in Shanghai that was established in

2009, and maintained a research and development team of over 139 employees as of December 31, 2015, which enable the Target Company to cater the needs of the customers and to develop products adapted to the PRC market. The Target Company's research and development team also works closely with its sales and marketing team to highlight and promote its products in a more efficient way.

STRATEGIES

The Target Company's strategic objective is to further strengthen its leadership position in the automobile brake products industry in the PRC, especially in providing controlled brake systems and related technical services, by implementing the following strategies:

Continue to devote effort into the research, development and production of controlled brake systems

Since ESC has been widely applied on automobiles in most of the developed countries, such as North America, European Union and Japan, it will be utilized by more and more automobile manufacturers in the PRC as ESC significantly increases automobile's stability and safety. Going forward, the Target Company plans on devoting most of its efforts, resources into the design, research and development, manufacturing and sales of controlled brake products as well as related technical services in order to keep pace with the trend of global automobile industry and obtain more business opportunities as well as maintaining its current leadership position and increasing its market share. In light of the customer base, production capacity, research and development capability and access to advance technologies of BWI, the Company believes that the Target Company is competitive in the production of controlled brake systems compared to its competitors.

Continue to expand customer base in the PRC through strategic relationships with global and domestic automobile manufacturers

The Target Company plans to continue to promote its brand name and reputation in the PRC as a supplier of choice for a broad range of high quality automobile brake products and thereby further enlarges its market share. To achieve this goal, the Target Company plans to continue to strengthen its existing relationships with leading global and domestic automobile manufacturers. The Target Company aims to upgrade its product lineup, which in turn will allow the Target Company to continue to provide an assured supply of high quality products to its existing and new customers at competitive prices. Since the Target Company's controlling shareholder, BWI, has global operations and established supplier relationships with a number of global leading automobile manufacturers, the Target Company plans to work closely with BWI to identify the PRC expansion opportunities of these global automobile manufacturers and will actively market itself to become preferred supplier for those global automobile manufacturers in the PRC. The Target Company also plans to employ strategy of entering into selective joint ventures or strategic alliances in the future in the areas where it wishes to increase market share. However, as of the Latest Practicable Date, the Target Company has not identified any target for entering into a new joint venture or strategic alliance.

Continue to increase contents per vehicle supplied to automobile manufacturer customers

The Target Company seeks to increase "contents per vehicle" supplied to its automobile manufacturer customers by capturing not only replacement demand for auto parts (that is, through increased cross selling to those customers who purchase certain auto parts from the Target Company but currently order other products from alternative suppliers), but also by capturing new content demand for more advanced and higher-priced automobile brake systems such as ABS and ESC which address current and anticipated trends in the automotive industry. In addition, the Target Company is continuing its efforts to increase the relative proportion of integrated sub-modules and modules (which combine the Target Company's traditional brake and other automotive products with advanced electronics to provide greater functionality and convenience options in operating the vehicle and are accordingly higher value-added products) in product line-up, which will also help increase "contents per vehicle".

Enhance research and development capabilities to maintain technology leadership in the industry

The Company believes that the market position of the Target Company as an automobile brake products supplier is largely based on the strength of its technological capabilities, including its ongoing access to the advanced technologies developed by BWI through licenses granted to the Target Company. The Company also believes that the Target Company is a technologically advanced automobile brake products supplier that combines a broad customer base with a leading position in key active passenger safety technologies. The Target Company intends to continue to provide technologically advanced products by regularly updating and enhancing its product lines and introducing new products. Furthermore, the Target Company plans to continue to expand its research and development center and recruit talented research and development personnel, as well as provide continuous training programs to its employees. It is expected that the Target Company will continue to make significant investments in its technology and design capabilities in an effort to develop innovative, value-added technologies in all of its market-leading product lines.

Continue to strengthen manufacturing capabilities and expand production capacity

In order to achieve the strategic goal of strengthening its market leadership position in the PRC, the Target Company plans to further increase its manufacturing capabilities and production capacity as market demand grows. Since prudent forward capital expenditure planning is vitally important to ensure delivery reliability in the growing market for automobile brake products in the PRC, the Target Company intends to continue expanding and upgrading the production capacity of each of the three existing manufacturing facilities across the PRC. This is in line with the Target Company's general strategy of establishing its manufacturing facilities in close proximity to its major customers to reduce its logistics costs and delivery time which thereby enables it to respond more efficiently and effectively to customer orders and positions it to capture additional market share in the fast-growing PRC auto parts market.

As the Target Company expands its production capacity, the Target Company manages the necessary procurement of materials and arrangement of skilled labor according to detailed product development and labor deployment plans which are drawn up in line with its expansion plans. In conjunction with the expansion of production capacity, the Target Company also intends to improve production and operation efficiency by, among other things, implementing advanced management systems designed to improve performance, such as increased automation in production lines.

Focus on operating efficiency

With ongoing cost reduction efforts taking place at global automobile manufacturers as well as annual downward adjustment of product price, the Company believes that lower cost and high product quality would secure new orders and help maintain desired profit margin. To meet customers' continuing demand for high quality and low cost products, the Target Company intends to continue implementing initiatives to reduce cost through simplification and centralization of logistics and procurement processes.

BUSINESS MODEL

The business model of the Target Company's automobile brake components and systems is illustrated in the following diagram:

Pursue business opportunities------Design, research and development------Product order and production----After-sales services and warranty

Pursue business opportunities

Generally business opportunities arise when existing or potential customers commence new vehicle programs or redesign existing vehicles and invite the Target Company to submit quotations regarding brake components and systems for such project. Biddings are conducted on either an open basis, in which all suppliers are able to submit bids, or on a closed basis, in which only certain designated suppliers may participate. From time to time, automobile manufacturers may select the Target Company as their supplier of choice for a particular product without engaging in a formal bidding process. This is more typical for long-term customers who are already familiar with the products of the Target Company and would like to avoid additional time and expenses associated with switching to new suppliers. The typical lead time between the award of the supply contract and commencement of mass production provides the Target Company's management with prediction as to expected forward demand for the applicable auto parts from the time when supply contract is entered into. Right after the Target Company receives standards and specific requirements from customers in relation to new project, the Target Company will evaluate and assess feasibility and profitability of the project and decide whether to pursue the new business. If the Target Company decides to pursue the opportunity, then it will collect relevant information and prepare product offering. The Target Company will then evaluate several factors such as timing, volume, production costs, required investments and payment terms. The Target Company will then propose a quotation which is supposed to be competitive in the auto parts market upon considering these factors. For the pricing policy of the Target Company, please refer to the paragraph headed "Customers – pricing and credit policy" in this section. Upon the Completion, the Board will be in charge of price quotation approval, and save as obtaining prior consent or instruction from the Board, the Target Company will not be allowed to seek external consultation regarding the approval. The Target Company then submits to the customers the price quotation and supporting document demonstrating its capability to be a competent supplier.

Design, research and development

After being invited to participate in the customer's new vehicle model project, the Target Company starts project design, research and development which are tailored to the specific requirements of the customer. It may take up to three years before the product can be put into mass production. The Target Company relies on information regarding the vehicle program, especially technical specifications, and creates various component and system designs based on such information. Before a prototype is finally approved and produced, it undergoes various validation and testing process. After commencement of production, customers sometimes may request further improvement or adjustment of existing product, the Target Company will conduct such additional design, research and development.

Product order and production

The product is ready for mass production after successfully going through the whole validation and verification processes and being approved by customers against the development procedures. The Target Company and customers enter into an agreement outlining terms including order method, packing, delivery, payment method, annual estimation of purchase volume and pricing arrangement. Usually, the agreement also sets out the product price subject to adjustment every year and the Target Company will be able to obtain recurring orders during the vehicle life cycle under the agreement. Customers submit to the Target Company purchase orders which lay out purchase price, volume, specific service and warranty required as well as specific product line and product number. Then the Target Company procures raw materials and arranges labor resources for production based on the prototype.

After-sale services and warranty

The Target Company provides after-sales services to customers during the warranty period starting after product delivery. The warranty period varies for each product and is generally limited to three years or 60,000 kilometers. The warranty period provided by the Target Company covers the expiration date of the warranty provided by the customers to end users. During the warranty period, the Target Company guarantees the product conforming with the specifications required by the customers as well as the product's merchantability. The Target Company has in place provisions of warranty expenses for potential product claims made by the customers. During the Track Record Period, the Target Company did not receive any material production liability claims, nor did the Target Company experience any product recalls.

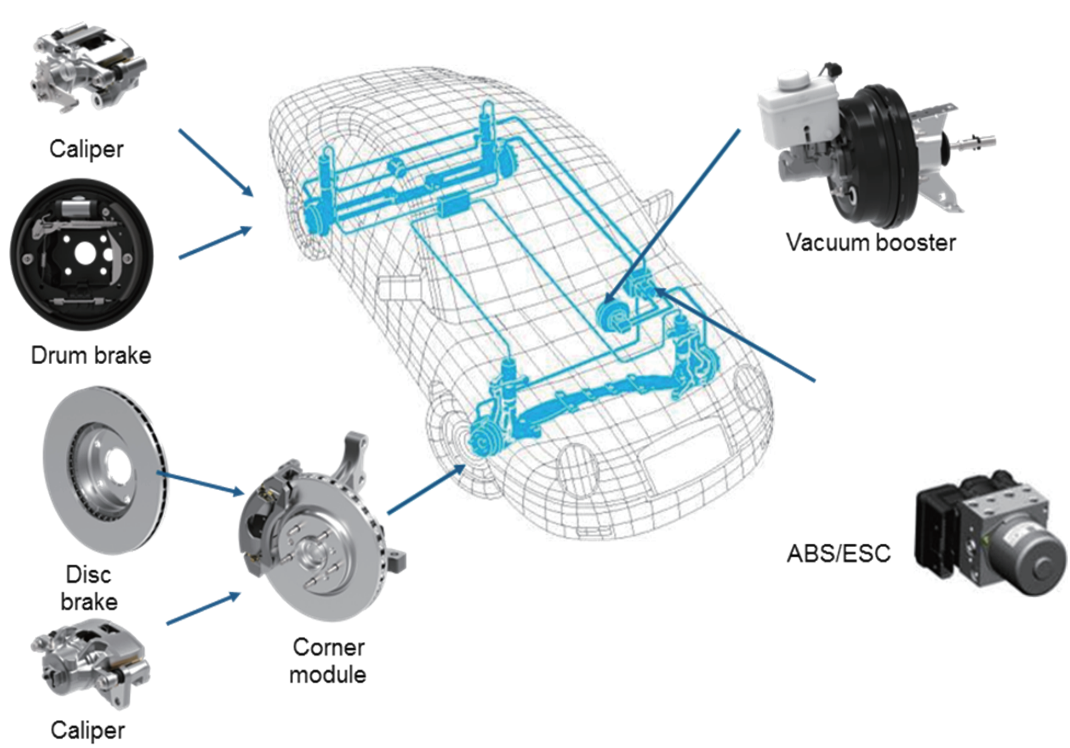
PRODUCTS AND SERVICES

The Target Company principally engages in the design, research and development, manufacturing and sale of a wide variety of automobile brake components and systems and supplies the products to automobile manufacturers on an original equipment manufacture basis. The revenue of the Target Company consists of two major categories: (i) foundation brake; and (ii) controlled brake. The following table sets forth a breakdown of revenue by product category for the years ended December 31, 2013, 2014 and 2015.

	For the Year Ended December 31,					
	2013		2014		2015	
	Revenue		*Revenue*		*Revenue*	
Product category	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Foundation Brake	924,454	68.1	958,772	64.7	846,284	55.7
Controlled Brake	428,625	31.5	513,704	34.6	659,412	43.4
Technical service	4,994	0.4	9,807	0.7	13,137	0.9
Total	1,358,073	100.0%	1,482,283	100.0%	1,518,833	100.0%

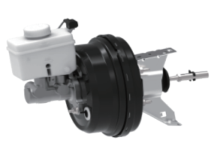
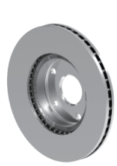
Products

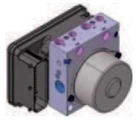
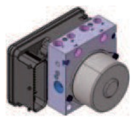
The Target Company has been manufacturing foundation brake and controlled brake product in the PRC since the BWI acquisition in 2009. The following diagram shows key components and systems that the Target Company designs, develops and manufactures:



A vehicle's brake system allows the driver to slow or stop the vehicle and prevents a stationary vehicle from moving. The Target Company supplies a wide range of brake components and systems for a wide range of vehicles, comprising (i) foundation brake, including calipers, drum brakes, disc brakes and vacuum boosters, and (ii) controlled brake, including ABS and ESC and their deviated functions for advanced vehicle performance enhancements. In addition, the Target Company also provides controlled brake related technical services. Some automobile manufacturers prefer to purchase components separately, while others want to purchase a system that is engineered to have all the components work together. Although sales of foundation brake components and systems accounted for a majority of total revenue from brake products during the Track Record Period, the Target Company's sales of controlled brake components and systems, which account for the rest of our total revenue in this product category, has increased substantially during such period. while there are many auto parts manufacturers that can machine and assemble these components, the Target Company is one of a selected few that can provide fully integrated foundation and controlled brake systems as well as engineered components and engineering solutions per customer requirements.

The following table and diagrams describe the principal brake products that the Target Company offers:

	Product	**Description**
	Vacuum booster	Allows a driver to apply greater pressure to a vehicle's brakes with less effort when pressing the brake pedal, as the booster utilizes engine vacuum and atmospheric air pressure to provide greater mechanical input to the master cylinder.
	Caliper	Converts a brake system's hydraulic pressure into mechanical clamp force, which is applied to the brake lining and rotor.
	Drum brake	Operates through the action of hydraulic pistons actuated by a master cylinder, so that pressure applied to the brake pedal of a vehicle forces the brake pads to be pressed against the rotating surface of the drum and causes the vehicle to slow down or stop. Drum brakes are used on back wheels and are a good alternative to disc systems when cost is a priority to OEM.
	Disc Brake	Uses a flat, disk-shaped metal rotor that spins with the wheel. When a driver applies the brake, a caliper squeezes the brake pads against the disc thereby slows or stops the vehicle. Disc brakes are used on both front and back wheels.

	Anti-lock brake system (ABS)	Prevents the wheels of a vehicle from locking during braking, which allows a driver to maintain steering control under heavy braking conditions and shortens the stopping distance of the vehicle. It is critical for the development of smart car.
	Electronic stability control system (ESC)	An extension of anti-lock brake systems, designed to help drivers retain control of their vehicles during high-speed maneuvers or on slippery roads. By monitoring driver intent and actual vehicle motion with steer angle, yaw rate, lateral acceleration and brake pressure sensors, the ESC electronics determine the differences between driver intent and actual vehicle response. If required, the electronics command brake actuation to adjust the brake pressures at the proper wheels and request engine torque adjustments to reduce the understeer or oversteer condition. The ESC system provides improved stability, security, noise reduction and reduces the driver's burden when unexpected road conditions or steering responses occur. It is critical for the development of smart car.

Controlled brake products characterized by ABS and ESC are the fundamental actuator and electronic control system for active safety vehicle control and the foundation for advanced driving assistant system which is a modern trend in global automobile industry and has become a significant business target of major international and domestic automobile manufacturers. Going forward, the Target Company plans devoting most of its efforts, resources into the design, research and development, manufacturing and sales of controlled brakes in order to keep pace with the trend of automobile industry and obtain more business opportunities as well as maintaining its current leadership position and increasing its market share. In light of the customer base, production capacity, research and development capability and access to advance technologies of BWI, the Company believes that the Target Company is competitive in the production of controlled brake systems compared with its competitors.

The Target Company currently manufactures brake components and systems at facilities in Shanghai and Liuzhou.

Product life cycle

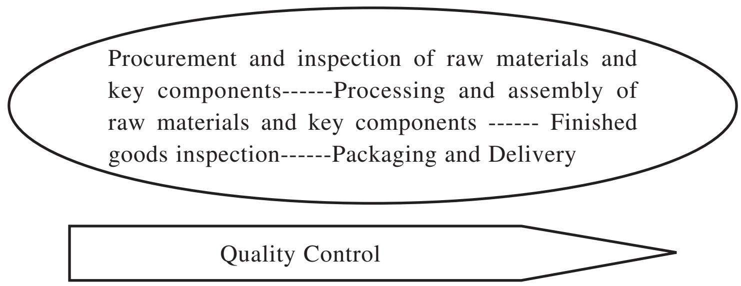
The products' life cycles, based on the experience of the Target Company, is estimated to range from five to seven years, depending on the cycles of the vehicle programs of the customers.

Seasonality

The business of the Target Company is not seasonal in nature.

PRODUCTION PROCESS

The following diagram summarizes the processes involved in the production of brake components and systems:



Procurement and inspection of raw materials and key components

The Target Company procures raw materials, key components and various electronic and mechanical components from various suppliers who typically deliver within agreed lead time after the order has been placed by the Target Company. The Target Company conducts inspection on raw materials and key components delivered before acceptance.

Processing and assembly of raw materials and key components

Raw materials and key components need to be processed before they can be assembled into final product. Such processing procedures include cutting, hardening, grinding, chroming, baking, refining and inspecting. The quality control team monitors the entire processing process to ensure the quality of the products.

Inspection of finished goods, packaging and delivery

Finished goods are inspected by the Target Company's quality control team and then packaged and stored in warehouse or delivered to customers directly.

Unless otherwise agreed under contract, the Target Company is responsible to handle, package and deliver finished goods to customer's designated location at no extra charge. The Target Company generally engages third party commercial carriers for the transportation and maintains cargo insurance with the carriers.

PRODUCTION FACILITIES AND CAPACITY

As of the Latest Practicable Date, the Target Company had three production facilities, two of which are located in Shanghai and one in Liuzhou, with an aggregate GFA of approximately 320,743 sq.ft. The table below sets forth the approximate production volume, production capacity and utilization rate for the years ended December 31, 2013, 2014 and 2015:

	Year ended December 31,								
	2013			2014			2015		
Product Lines	Volume(1)	Capacity(2)	Utilization Rate(3)	Volume	Capacity	Utilization Rate	Volume	Capacity	Utilization Rate
	(million unit)	*(million unit)*		*(million unit)*	*(million unit)*		*(million unit)*	*(million unit)*	
Total	4.2	5.1	82%	5.1	5.5	92%	5.2	5.5	94%

Notes:

(1) The production volume of all types of products are aggregated to arrive at the product volume and capacity.

(2) To calculate production capacity, 5 working days a week and 3 shifts per day are assumed.

(3) The utilization rate is calculated by dividing the annual production volume by the annual production capacity.

Prior to starting a supply relationship, the Target Company generally determines and selects, with input from automobile manufacturer customers, the most efficient manufacturing location considering capacity of a particular production facility, manufacturing costs, proximity to customer's locations and warehousing costs. In order to strengthen the relationship with existing customers and attract new customers, the Target Company established productions facilities in the areas where global and domestic automobile manufacturers operate their businesses.

Annual maintenance at each of the production facility is performed during the non-operating days, and periodic maintenance is performed concurrently with production. During the Track Record Period, none of the production facilities experienced unexpected interruptions that materially affected operations. In order to reduce the risk related to equipment or machinery failure, the Target Company follows a comprehensive maintenance and loss prevention program including production facilities regular inspection and repair, spare parts and machineries reservation.

QUALITY CONTROL

Raw materials and key components quality control

The Target Company conducts sample testing on raw materials and key component as soon as they are delivered by suppliers to ensure that they meet the requisite standards and requirements. The raw materials and components that fail to pass the test are to be returned to the suppliers. The Target Company also carries out onsite evaluations at the premises of major suppliers assessing their production facilities and management to confirm the source of supply. Investigation and improvement plan may be followed once quality issues are spotted. Sometimes, the Target Company requires the suppliers to submit production and capacity reports for reference before placing purchase orders.

Production quality control

Maintaining high quality consistency of the products is critical to the Target Company's reputation and success, which enables the Target Company to attract and retain key customers. The Target Company has adopted rigorous quality control system to monitor and control each stage of production from the initial project planning and design, product process and inspection, customer complaints and feedback to production continuous improvement. The Target Company has a quality control team comprising a number of engineers, technicians and other supporting staff who receive regular training and generally possess relevant knowledge and experiences of quality control. The Target Company also utilizes a variety of measurement equipments to carry out quality control procedures. In honor of the Target Company's quick response to customers' complaints, the Target Company received 25 awards from customers over the past few years.

Both of the Target Company's production facilities in Shanghai have attained ISO/TS 16949 certificate which is an international standard for quality control and has been recognized by many automobile manufacturers. The facility located in Liuzhou will be certified as well. The Target Company needs to accept a review of its entire production process in order to obtain ISO/TS 16949 certificate and an annual review in order to remain good standing by a IATF-certified third party auditor. The certificate is valid for three years. During the Track Record Period, the Target Company has not received any product quality complaints.

At the testing lab in Shanghai, the Target Company performs regular validation tests including product performance testing, environmental testing, reliability testing, shock and vibration testing, torque endurance testing and pressure resistance testing.

Finished goods quality control

The quality control team conducts sample testing on finished products before they are packaged and delivered to customers. Qualified products will be identified with a barcode for tracking purpose and delivered with a certificate.

INVENTORY CONTROL

The Target Company closely monitors inventory level to meet production requirements and to minimize waste on inventory and avoid obsolete inventory. In order to facilitate prompt and reliable delivery of products and efficient management of finished goods, the Target Company employs SAP system which determines the volume of raw materials and key components that should be procured conforming to customers' orders and allows the Target Company to place orders electronically. SAP system enables the Target Company to monitor the movement of materials in and out of storage facility and to physically count the items at regular intervals. In addition to facilitate effective administrative and financial management and communication between both suppliers and customers, by providing the most up-to-date data, SAP system also helps the Target Company identify potential problems and make necessary adjustments in a timely manner.

As of December 31, 2013, 2014 and 2015, the Target Company maintained an inventory of finished goods of approximately RMB24.6 million, RMB26.6 million and RMB44.5 million, respectively. The average number of inventory turnover days was 24.9, 24.3 and 28.8 days, respectively, for the corresponding periods. During the Track Record Period, the Target Company has not experienced any material write-downs of inventory or made any material provisions for inventory obsolescence.

AWARDS AND RECOGNITIONS

The Target Company has received several awards and recognitions from various customers. These awards and recognitions evidenced the high quality of its products and its strong research and development capabilities. The details of major awards are set out below:

Year	Award/Recognition	Issuing Authority
2014	Excellent Supplier Award	Customer H
2014	Advanced Supplier Award	Customer J
2014	OES Business Improvement Award	Customer A
2014	Strategic Supply Award & Quality Contribution Award	Customer C
2015	Best Cooperation Award	Customer H
2015	OES Business Improvement Award	Customer A
2015	Excellent Supplier Award	Customer J
2015	Excellent Supplier Award	Customer C
2015	Best Supplier Award	Customer F

CUSTOMERS, SALES AND MARKETING

Customers

The Target Company sells products primarily to the PRC operations of global leading automobile manufacturers as well as domestic prestigious automobile manufacturers. Though as of December 31, 2015, the Target Company supplied to more than 30 customers, it derived a substantial portion of revenue from a small number of customers. For the years ended December 31, 2013, 2014 and 2015, sales to the five largest customers amounted to approximately RMB1,124,6 million, RMB1,234,6 million and RMB1,156,5 million, respectively, representing approximately 82.8%, 83.3% and 76.1%, respectively. Sales to the single largest customer accounted for approximately 68.4%, 59.0% and 38.6% for the years ended December 31, 2013, 2014 and 2015, respectively. During the Track Record Period, none of the directors or directors' associates or shareholders of the Target Company who, to the best knowledge of the Directors, owning more than 5% of the issued share capital had any interest in any of the five largest customers. As of the Latest Practicable Date, taking into account of the payment histories of the five largest customers, the directors were not aware of any material issues with respect to such customers' financial conditions.

The Company expects that the Target Company will be able to retain major customers for the foreseeable future due to forward supply relationships currently in place for vehicle models as well as their strong historical and ongoing relationships. Due to the highly customized and model-specific nature of the automobile brake components and systems supplied to the major customers and the significant amount of lead time required for the development and pre-production planning processes for such customized auto parts, the Target Company's supply relationships with respect to particular vehicle models typically extend forward for the duration of the vehicle model's life cycle.

Sales and Marketing

As of December 31, 2015, the Target Company maintains a sales department in Shanghai which comprises of 15 employees, many of which possess engineering background. In addition to introducing and promoting the products to automobile manufacturers, the sales staff is also responsible for developing and managing customer relationships and exploring potential business in the automobile brake components and systems industry. In addition, the sales staff is responsible for responding to customer requests during the product development stage including design revisions, quotation and terms of sales.

The Target Company also plans to attract new automobile manufacturer customers by promoting its products through various media platforms, such as participating in automobile trade shows and publishing articles that highlight its products and technologies. From time to time, the Target Company invites automobile manufacturers' representatives for a tour in its production facility and for production presentations. Moreover, the Target Company will continue observing industry trends to better understand and grasp market demands and development and leverage its strategic value of geographic presence to obtain new customers.

COMPETITION

The auto parts industry in the PRC is highly competitive. Automobile manufacturers rigorously evaluate their suppliers based on a diverse set of criteria such as quality, cost competitiveness, product performance, reliability and timeliness of delivery, technology, flexibility of operations, customer service and overall management capability. The Company believes that the Target Company competes effectively with other leading auto parts suppliers in the PRC market, which include the PRC operations of global auto parts suppliers as well as domestic auto parts manufacturers on all of these criteria. For example, the Target Company generally follows manufacturing practices designed to improve efficiency and quality, including one-piece flow machining and assembly, and schedules deliveries from production facilities and manages inventory so that the Target Company can efficiently and reliably deliver quality products to customers in a timely manner.

A primary cause of the intense competition is the price competition among auto parts makers. In order to stay competitive, automobile brake components and systems manufacturers tend to operate at high production volumes so as to maintain lower average production costs. The barrier to enter into auto parts industry exists, including strong product development capabilities, established long-term relationships with automobile manufacturer customers and suppliers, intellectual property rights, technologies and industry know-how, experiences and substantial initial capital investment, which helps the Target Company to maintain its current market position to a large extend.

INTELLECTUAL PROPERTY RIGHTS

The patents that the Target Company owns are generally related to product design, manufacturing process and product testing and are applicable to a wide range of the Target Company's brake products.

In addition to the intellectual property rights the Target Company owns, during the Track Record Period, the Target Company also has access to BWI's extensive technology portfolio and was entitled to use a broad range of patents, trademarks, technological know-how and trade secrets of BWI under a non-exclusive license agreement. Under the non-exclusive license agreement, the Target Company is entitled to use trademarks such as "BWI Group" and "京西重工", and a variety of patents.

The Target Company is not aware of any claims of infringement or other challenges regarding patent ownership interests and the right to use the intellectual property rights. Generally, the Target Company owns the intellectual property rights that are invented in the process of the Target Company's independent research and development. While the ownership of any intellectual property rights that are invented jointly with automobile manufacturer customers during their project development are subject to agreement between the parties.

RESEARCH AND DEVELOPMENT

The Target Company believes that the continued research and development as well as engineering activities are critical to maintaining and improving its leadership position in the PRC auto parts industry and will also distinguish the Target Company from its competitors as it seeks additional business with existing and new customers. The Target Company's research and development activities primarily focus on: (i) development of new products that have not been commercialized; (ii) improvement of existing products through core product development process; (iii) research and development for own technology upgrading; and (iv) assisting strategic suppliers to upgrade their production technologies.

The Target Company maintains its technical center in Shanghai, other than participating in the activities mentioned above, the technical center also provides support to the technical services related to the brake products, carries out laboratory testing on project design validation and prototype analysis and final product approval. As of December 31, 2015, the research and development team comprises 139 engineers.

For the years ended December 31, 2013, 2014 and 2015, the Target Company's total expenditure on research and development accounted for approximately RMB122.4 million, RMB109.1 million and RMB104.2 million, respectively, representing approximately 9.0%, 7.4% and 6.9%, respectively, of the total revenue during the Track Record Period.

EMPLOYEES

As of December 31, 2015, the Target Company had 852 full-time employees. The following table provides a breakdown of the employees by function as of December 31, 2015:

Employees	As of December 31, 2015
Production	635
Management and Administrative	63
Sales and Marketing	15
Research and Development	139
Total	852

ENVIRONMENTAL MATTERS

The Target Company's operation is subject to current environmental laws relating to emissions to land, air and water and waste production for its production facilities in the PRC. The cost related to compliance with environmental laws amounted to RMB1.1 million, RMB1.3 million and RMB1.3 million for the years ended December 31, 2013, 2014 and 2015, respectively. The Target Company has implemented procedures to identify and has familiarized itself with the applicable legal requirements relating to environment protection, including waste water, wastes, emission and consumption of resources. The Target Company has adopted various hazardous material control programs and chemical material assessment procedures and believes that it is dedicated to protecting human health, natural resources and the global environment.

To the best knowledge of the Directors, the Target Company has obtained all necessary permits under applicable environmental protection laws in operation for its production facilities in the PRC.

To reduce the overall environmental risk faced by the technical and production centre, the Target Company has adopted environmental policies in connection with environmental protection, such as formulating policies for handling waste fluids, hazardous materials, lead-acid battery and high risk wastes. Industrial waste water being produced during the production is transported by pipeline to factory sewage treatment plant supervised by external service provider and directed to the municipal sewage system and wastewater parameters are tested from time to time in laboratories for compliance of environment permits. Industrial waste is collected into appropriate containers and stored temporarily in designated areas before disposal and is then removed by specialist in waste treatment. Air pollution within facilities is generally caused by manufacturing procedures such as painting. In accordance to relevant permits in relation to air pollutions, the production centre should measure the emission on regular basis and the results are to be tested by environmental agencies.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

As advised by legal adviser as to PRC laws, Jingtian & Gongcheng, the Target Company has been in compliance with applicable laws, rules and regulations in the PRC, which are material to business operation during the Track Record Period. And as of the Latest Practicable Date, the Target Company is not involved in any material litigation, arbitration or other legal proceedings, whether current or pending or threatened against it or any of the directors that could have a material adverse effect on business, financial condition or results of operations of the Target Company.

Health, work safety and social

The Target Company emphasizes the health and safety of its employees and it is committed to providing a safe and healthy working environment for the benefit of its staff. It has adopted human resources policies which provide the health and safety initiatives that include the following:

– identifying and communicating health and safety initiatives;

– monitoring trends in statistics for occupational injuries or illness;

– complying with health and safety regulations; and

– promoting incident reduction through investigation, assessments, corrective actions and proactive intervention.

The Target Company confirms and, to the best knowledge and information of the Director, the Target Company has been in compliance with applicable social, health and work safety laws and regulations in all material respects.

The EHS (Environment, Health and Safety) department of the Target Company is responsible for recording and handling work accidents and implementing policies regarding work safety and occupational health issues as well as maintaining relevant compliance records. The Target Company considers its workplace to be a safe environment. The Target Company has maintained insurance policies to cover work-related accidents. During the Track Record Period, the Target Company did not encounter any material safety accident.

Non-compliance

During the Track Record Period, the Target Company has complied with the laws and regulations applicable to it in all material respects.

PROPERTIES INTERESTS

As of the Latest Practicable Date, the Target Company does not own any property in the PRC.

As of the Latest Practicable Date, the Target Company leased four properties in the PRC, among which two are located in Shanghai, one is located in Liuzhou and another one is sited in Daqing, which are used as production center, technical center, testing center and office. Following is a summary of the leased properties:

No.	Location	GFA (sq.ft.)	Occupied by	Existing Usage	Lease Expiry Date
1	328 Huajing Road, Free Trade Zone, Shanghai, PRC	122,100	Target Company	Production facility and warehousing	March 31, 2018
2	68 Debao Road, Building A and basement of Building B, Shanghai, PRC	169,355	Target Company	Production facility, warehousing, sales department and R&D center	March 4, 2017
3	2 Shuiwan Road, Liudong factory building B-2, ground floor, Liudong New District, Liuzhou City, Guangxi Province, PRC	29,288	Target Company	Production facility, warehousing and office	August 1, 2016
4	Xiangrong Community Committee, Lamadian Town, Ranghu District Daqing City, Heilongjiang Province, PRC	7,411,111	Target Company	Vehicle testing and office	October 10, 2016

During the Track Record Period, the Target Company did not experience any difficulty or failure in renewing the lease agreements. As of the Latest Practicable Date, the Target Company has not been subject to any material claims arising from or in connection with any defect in the leasehold interest in respect of any of the leased properties.

The business of the Target Company is subject to a number of risks, which may adversely affect the operation and results of the Target Company.

The business of the Target Company relies on the performance and continued growth of the automobile industry, particularly in the PRC

As the Target Company relies on passenger vehicle manufacturers as customers or potential customers of its products, its financial performance largely depends on the continued growth of the automobile industry. The automobile industry has been increasingly characterised by the launching of new car models on a frequent basis, continuous technological advancement, evolving industry standards and changing customer needs and preferences, all of which indicate a trend of shorter product life cycles. Overall market demand for cars may also be affected by factors such as global and regional economic and market conditions, personal disposal income and interest rate levels, fuel price, seasonality of sales of automobiles, government policies and measures on emission control and automobile consumption and purchases. These factors, which are beyond the Target Company's control, may affect the annual production of automobiles by passenger vehicle manufacturers, increase the manufacturing and distribution cost of automobiles, and/or result in downward pressure on the selling prices of automobiles, which, in each case, may in turn result in downward pressure on the selling prices of the Target Company's products or otherwise adversely affect its sales and profitability.

Economic downturn in the PRC may have a material and adverse effect on the business, financial condition and results of operations of the Target Company

The Target Company's business is directly related to the automotive sales and production industry in the PRC, which are highly cyclical and depend on, among other things, general economic conditions and consumer spending in the PRC.

PRC's economy has experienced a slow down in 2015 and the target GDP growth rate has been adjusted downward by the PRC Government. A slowdown in the PRC economic growth rate could affect employment levels, reduction in disposable income and reduced consumer spending. Reduced consumer spending could lead to less purchase of vehicles and would negatively affect automotive production volumes and the demand for the Target Company's products. A prolonged downturn in the PRC economy may have a material adverse effect on the Target Company's business.

The automobile brake products industry is highly competitive, and there is no guarantee that the Target Company will be able to continue to compete successfully

The automobile brake products industry is highly competitive and there is no assurance that the Target Company's products will be able to compete successfully with those of its competitors. To the extent that the Target Company's competitors gain a competitive advantage in terms of pricing, product quality, brand name recognition and financial and technical resources, the market share and profitability of the Target Company may be adversely affected. In addition, some of the Target Company's competitors are companies, or divisions or operating units of companies, which have greater financial and other resources than the Target Company. The Target Company's business may also be adversely affected by competitors benefiting from affiliate relationships with passenger vehicle manufacturers or having other resources that the Target Company does not possess.

Furthermore, if the Target Company is unable to accurately anticipate developments, produce similar products at a lower cost, or adapt more quickly to new technologies or evolving customer requirements, the Target Company's products may not be able to compete successfully with that of its competitors and the Target Company's ability to secure new business from its customers may be materially and adversely affected. As a result, the sales and profitability of the Target Company's products, as well as its business, results of operations and financial condition may be materially affected.

The Target Company may not be able to cope with market trends, which could have a material adverse effect on its business, results of operation and prospects

The future success of the Target Company depends on its ability to develop its technology for application in its products that are favoured by the market. The Target Company's product development efforts are driven in part by its customers' changing needs and requirements, which depends heavily on its ability to identify technological and market trends and to develop. Development and manufacturing of new products requires substantial capital investment (including expenditures on new technology and manufacturing equipment and facilities, employment of skilled engineers for development of new design, technologies and technical knowhow required for new products), innovation, skilled and experienced research and development engineers and accurate anticipation of technological and market trends. There is no assurance that the Target Company will be able to successfully develop, manufacture and market new products which are favoured by the market. Any failure to develop products that satisfy the needs of the Target Company's customers, or any delay in responding to changes in customers' demands, could have a material adverse effect on the business and results of operations of the Target Company. If the new products developed by the Target Company do not receive the anticipated acceptance by the market, the Target Company may not be able to recover its substantial capital investment, and it may lose its competitiveness in the market. The business, results of operations and prospects of the Target Company may be materially adversely affected.

The business of the Target Company relies on the performance and continued growth of its passenger vehicle manufacturer customers

As the Target Company's customers are mainly passenger vehicle manufacturers, its financial performance largely depends on their growth. Sales of the Target Company's products to a particular passenger vehicle manufacturer are influenced by the sales performance of particular vehicle models to which the Target Company provides brake products and services. In particular, the relevant passenger vehicle manufacturer's ability to anticipate changes in consumer tastes, preferences and requirements, its capability to design and manufacture vehicles to meet such consumer tastes, preferences and requirements, its sales and marketing capabilities, its after-sales services, and its competitiveness as compared with other passenger vehicle manufacturers in the market, may affect the sales performance of particular vehicle models. Poor sales performance of any particular passenger vehicle manufacturer and/or particular vehicle model to which the Target Company provides automobile brake products and services may adversely affect the sales of the Target Company.

The Target Company also has no or limited control on, among other factors, the expected market responses and demands of any particular vehicle model (which can be affected by the passenger vehicle manufacturer's ability to respond to changing customer tastes or preference in a timely manner), the popularity of the vehicle brand, the development process and rollout plans of the vehicle model. There is also no assurance that the Target Company's customers will proceed with the commercial production of any particular new vehicle model with brakes developed by the Target Company, or will place purchase orders with the Target Company for commercial production thereof. If the sales of any particular products supplied or developed by the Target Company cannot achieve the intended result, the sales of such products to the Target Company's customers may be adversely affected, which may in turn materially and adversely affect the overall financial results of the Target Company.

Escalating pricing pressures, cost reductions initiated by passenger vehicle manufacturers and the ability of passenger vehicle manufacturers to re-source or cancel vehicle programs may result in lower than anticipated margins or losses

Pricing pressure in the automotive products industry has been substantial and is likely to continue. Cost-cutting initiatives adopted by passenger vehicle manufacturers can create downward pressure on the pricing of the Target Company's products. Passenger vehicle manufacturers also have significant leverage over their suppliers, including the Target Company, because the automobile parts industry:

- is highly competitive;
- serves a limited number of customers; and
- has a high fixed cost base.

Based on these factors, the Target Company's customers enjoy significant leverage in price negotiations and are often able to negotiate favourable pricing terms. Accordingly, as a Tier 1 supplier, the Target Company is subject to continued pressure from passenger vehicle manufacturers to reduce the price of its products. It is possible that pricing pressures beyond the Target Company's expectations will intensify as passenger vehicle manufacturers continue to pursue cost-cutting initiatives. If the Target Company is unable to implement cost reduction measures in the future to offset price reductions, its margins and profitability may be materially and adversely affected.

Problems with product quality and defects could result in a loss of customers and sales and increased warranty and product liability claims, which could adversely affect the business and performance of the Target Company

The Target Company's products form an integral part of passenger vehicles, and their quality directly impacts the overall safety and performance quality of the vehicles. While the Target Company is committed to manufacturing high-quality products which meet the stringent requirements of its customers, its products may contain undetected errors or defects or otherwise fail to perform as expected. Such errors or defects could cause the Target Company to incur significant repair, replacement or re-design costs, divert the attention of the Target Company's technical personnel from new product development efforts and significantly affect its customer relations and business reputation. If the Target Company delivers products with errors or defects or if there is a perception that the Target Company's products contain errors or defects, the credibility and the market acceptance and sales of the Target Company's products could be harmed.

The Target Company also faces an inherent business risk of exposure to warranty claims and product liability actions in the event that its products fail to perform as expected and, in the case of product liability actions, such product failure results in bodily injury and/or property damage and the Target Company may be subject to:

- increased costs such as warranty expense, costs associated with customer support;
- legal expenses to defend against warranty and product liability claims;
- delays, cancellations or rescheduling of orders for its products;
- increased product returns or discounts; and
- damage to the Target Company's reputation.

The occurrence of any of the foregoing could negatively affect the business, results of operations and financial condition of the Target Company.

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June 1, 2016

The Directors

BeijingWest Industries International Limited

Dear Sirs,

We set out below our report on the financial information of BWI (Shanghai) Co., Ltd. (the "**Target Company**") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended December 31, 2013, 2014 and 2015 (the "**Relevant Periods**"), and the statements of financial position of the Target Company as at December 31, 2013, 2014 and 2015, together with the notes thereto (the "**Financial Information**"), for inclusion in the circular of BeijingWest Industries International Limited dated June 1, 2016 (the "**Circular**") in connection with the proposed acquisition of the Target Company.

The Target Company was established as a company with limited liability on June 26, 2009 in the People's Republic of China (the "**PRC**"). The Target Company is principally engaged in the production and sale of automotive parts and components. The statutory accounts of the Target Company for the years ended December 31, 2013, 2014 and 2015 were prepared under PRC accounting standards and were audited by Ernst & Young Hua Ming LLP.

For the purpose of this report, the directors of the Target Company (the "**Directors**") have prepared the financial statements of the Target Company (the "**Underlying Financial Statements**") 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**"). The Underlying Financial Statements for each of the years ended December 31, 2013, 2014 and 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the HKICPA.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Company as at December 31, 2013, 2014 and 2015 and of the financial performance and cash flows of the Target Company for each of the Relevant Periods.

I. FINANCIAL INFORMATION

(A) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,		
	Section II	**2013**	**2014**	**2015**
	Notes	*RMB*	*RMB*	*RMB*
REVENUE	5	1,358,072,938	1,482,283,190	1,518,832,982
Cost of sales		(1,134,240,434)	(1,256,050,007)	(1,295,190,093)
Gross profit		223,832,504	226,233,183	223,642,889
Other income and gains	5	10,593,220	14,620,988	12,775,343
Selling and distribution expenses		(9,846,662)	(12,233,190)	(13,452,347)
Administrative expenses		(69,895,001)	(71,475,711)	(73,191,260)
Research and development expenses		(122,355,311)	(109,105,261)	(104,206,751)
Other expenses		(2,433,323)	(984,894)	(2,369,427)
Finance costs	7	(14,938,617)	(14,847,061)	(12,649,233)
PROFIT BEFORE TAX	6	14,956,810	32,208,054	30,549,214
Income tax expense	9	(2,459,046)	(1,942,418)	(1,981,505)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		12,497,764	30,265,636	28,567,709
Earnings per share attributable to equity owner:				
Basic and diluted	10	N/A	N/A	N/A

(B) STATEMENT OF FINANCIAL POSITION

	Section II Notes	As at December 31, 2013 RMB	2014 RMB	2015 RMB
NON-CURRENT ASSETS				
Property, plant and equipment	11	217,190,118	203,924,716	183,294,415
Other intangible assets		3,724,000	3,329,415	2,812,000
Deferred tax assets	20	6,951,111	6,976,890	7,658,921
Total non-current assets		227,865,229	214,231,021	193,765,336
CURRENT ASSETS				
Inventories	12	79,679,725	87,541,102	117,197,127
Trade and bills receivables	13	314,660,897	400,363,295	468,191,895
Prepayments, deposits and other receivables	14	12,664,882	16,125,088	13,771,571
Cash and cash equivalents	15	74,785,040	84,070,147	158,893,302
Total current assets		481,790,544	588,099,632	758,053,895
CURRENT LIABILITIES				
Trade and bills payables	16	273,335,916	339,745,897	409,533,700
Other payables and accruals	17	40,342,794	44,640,079	141,982,599
Tax payable		63,708	1,952,993	675,681
Interest-bearing bank borrowings	18	240,000,000	240,000,000	240,000,000
Provision	19	10,160,518	10,773,211	11,041,069
Total current liabilities		563,902,936	637,112,180	803,233,049
NET CURRENT LIABILITIES		82,112,392	49,012,548	45,179,154
TOTAL ASSETS LESS CURRENT LIABILITIES		145,752,837	165,218,473	148,586,182
Net assets		145,752,837	165,218,473	148,586,182
EQUITY				
Issued capital	21	80,000,000	80,000,000	80,000,000
Reserves	22	65,752,837	85,218,473	68,586,182
Total equity		145,752,837	165,218,473	148,586,182

(C) STATEMENT OF CHANGES IN EQUITY

	Issued capital *RMB*	Capital reserve *RMB*	Retained profit *RMB*	Total *RMB*
At January 1, 2013	80,000,000	40,000,000	66,275,364	186,275,364
Total comprehensive income for the year	–	–	12,497,764	12,497,764
Final dividend declared	–	–	(53,020,291)	(53,020,291)
At December 31, 2013 and January 1, 2014	80,000,000	40,000,000*	25,752,837*	145,752,837
Total comprehensive income for the year	–	–	30,265,636	30,265,636
Final dividend declared	–	–	(10,800,000)	(10,800,000)
At December 31, 2014 and January 1, 2015	80,000,000	40,000,000*	45,218,473*	165,218,473
Total comprehensive income for the year	–	–	28,567,709	28,567,709
Final dividend declared	–	–	(45,200,000)	(45,200,000)
At December 31, 2015	80,000,000	40,000,000*	28,586,182*	148,586,182

* These reserve accounts comprise the reserve of RMB65,752,837, RMB85,218,473 and RMB68,586,182 in the statements of financial position of the Target Company as at December 31, 2013, 2014 and 2015.

(D) STATEMENT OF CASH FLOWS

	Section II	Year ended December 31, 2013	2014	2015
	Notes	*RMB*	*RMB*	*RMB*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		14,956,810	32,208,054	30,549,214
Adjustments for:				
Loss/(Gain) on disposal of items of property, plant and equipment		2,282,601	(1,252,136)	(772,312)
Depreciation	11	37,136,513	43,875,690	41,624,062
Amortisation of other intangible assets		456,000	394,585	517,415
Impairment/(reversal of impairment) of trade and bills receivables	13	1,226,790	(1,482,104)	4,411,485
Provision against obsolete inventories	12	102,154	245,100	790,246
Provision for warranties, net	19	1,713,334	3,913,563	4,797,703
Finance costs		14,938,617	14,847,061	12,649,233
		72,812,819	92,749,813	94,567,046
Increase in inventories		(5,092,158)	(8,106,477)	(30,446,271)
Increase in trade and bills receivables		(71,198,481)	(84,220,294)	(72,240,082)
Decrease in prepayments		391,558	1,643,349	1,004,597
Decrease/(increase) in deposits and other receivables		821,880	(5,057,500)	2,354,305
(Decrease)/increase in trade and bills payables		(19,050,616)	65,914,549	69,613,094
Increase in other payables		2,654,958	846,325	46,402,535
(Decrease)/increase in provision for product warranties		(3,036,828)	612,693	267,858
Cash generated from operations		(21,696,868)	64,382,458	111,523,082
Income tax paid		–	(78,912)	(3,940,848)
Net cash flows (used in)/from operating activities		(21,696,868)	64,303,546	107,582,234

	Year ended December 31, 2013 RMB	2014 RMB	2015 RMB
Net cash flows (used in)/from operating activities	(21,696,868)	64,303,546	107,582,234
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment	597,236	4,316,652	1,968,874
Purchases of items of property, plant and equipment	(22,180,202)	(33,674,805)	(22,190,323)
Net cash flows used in investing activities	(21,582,966)	(29,358,153)	(20,221,449)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans	240,000,000	240,000,000	410,000,000
Repayment of bank loans	(240,000,000)	(240,000,000)	(410,000,000)
Interest paid	(14,975,434)	(14,804,693)	(12,768,177)
Dividend paid	(53,020,291)	(10,800,000)	–
Net cash flows used in financing activities	(67,995,725)	(25,604,693)	(12,768,177)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(111,275,559)	9,340,700	74,592,608
Cash and cash equivalents at beginning of year	186,088,351	74,785,040	84,070,147
Effect of foreign exchange rate changes, net	(27,752)	(55,593)	230,547
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	74,785,040	84,070,147	158,893,302
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	74,785,040	84,070,147	158,893,302

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company was established as a company with limited liability on June 26, 2009. The registered office of the Target Company is located at No.328 Jinghua Road, Pilot Free Trade Zone, Shanghai, the PRC.

During the Relevant Periods, the Target Company was involved in the following principal activities:

– manufacture and sale of automobile parts and components

– provision of technical services

In the opinion of the directors, the holding company of the Target Company is BeijingWest Industries Co., Ltd. and the ultimate holding company is Shougang Corporation, both are state-owned enterprises established in the PRC.

2.1 BASIS OF PREPARATION

The Financial Information has 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. All HKFRSs effective for the accounting period commencing from January 1, 2015, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention and is presented in Renminbi ("**RMB**").

The Target Company had net current liabilities of approximately RMB45 million as at December 31, 2015, and has capital and operating lease commitments due in the foreseeable future of approximately RMB39 million. However, the Financial Information has been prepared under the going concern basis, because subsequent to December 31, 2015 and up to the date of this report, the Target Company has renewed its outstanding bank loans aggregating to RMB140 million as at December 31, 2015 to maturity dates of more than 1 year after December 31, 2015, such that the Target Company shall have adequate working capital to meet its liabilities as and when they fall due in the foreseeable future.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Target Company has adopted the following revised standards for the accounting period commencing from January 1, 2015, and has early adopted in preparation of Financial Information throughout the Relevant Periods.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no material impact on the Target Company.

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Target Company.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Target Company as the Target Company does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosure*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Target Company as the Target Company does not receive any management services from entities other than related parties.

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Target Company as the Target Company is not a joint arrangement and the Target Company did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Target Company as the Target Company does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Target Company as there were no acquisition of investment properties during the Relevant Periods and so this amendment is not applicable.

In addition, the Target Company has adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) throughout the Relevant Periods. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial information.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after January 1, 2016
2 Effective for annual periods beginning on or after January 1, 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after January 1, 2016 and therefore is not applicable to the Target Company
4 No mandatory effective date yet determined but is available for adoption

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. It is expected that the Target Company will adopt HKFRS 9 from January 1, 2018. The Target Company is currently assessing the impact of the standard.

The 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 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 not expected to have any impact on the financial position or performance of the Target Company upon adoption on January 1, 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Target Company.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to January 1, 2018. It is expected that the Target Company will adopt HKFRS 15 on January 1, 2018 and it is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. It is expected that the Target Company will adopt the amendments from January 1, 2016. The amendments are not expected to have any significant impact on the Target Company's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Target Company upon adoption on January 1, 2016 as the Target Company has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Target Company; (ii) has significant influence over the Target Company; or (iii) is a member of the key management personnel of the Target Company or of a holding company of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Target Company are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Target Company are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third party entity and the other entity is an associate of the third party entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms or 5 years, whichever is shorter
Machinery and equipment	10%
Computer equipment and others	33.33%
Motor vehicles	20%
Special tools	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Target Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Target Company, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payment cannot be allocated reliably between the land and building elements, the entire lease payments are included in the land and building as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred assets to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

Impairment of financial assets

The Target Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade and bills payables, other payables and bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Target Company on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, based on the value of service provided; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in RMB, which is the Target Company's functional and presentation currency. Each entity in the Target Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Company are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Company'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 Target Company'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 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 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. Further details of which are set out in note 11 to this section.

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 Target Company's management determines the estimated useful lives and related depreciation charges for the Target Company'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. Further details of which are set out in note 11 to this section.

Impairment of non-financial assets (other than goodwill)

The Target Company assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. The 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. The Target Company assessed that indications of impairment for non-financial assets did not exist during each of the Relevant Periods.

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. Further details of which are set out in note 20 to this section.

Impairment of trade and bills receivables

The policy for impairment of trade and bills receivables of the Target Company is based on the evaluation of collectability and the ageing analysis of trade and bills receivables and on the judgement of the management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the customers. Management reassesses the estimation at the end of the reporting period. Further details of which are set out in note 13 to this section.

Provision against obsolete inventories

Management reviews the condition of inventories of the Target Company at the end of the reporting period and makes provision against obsolete and slow-moving inventory items identified that are no longer suitable for use or sale. Management estimates the net realisable value for such inventories based primarily on the latest sales invoice prices and current market conditions. Management reassesses the estimation at the end of the reporting period. Further details of which are set out in note 12 to this section.

Provision for warranties

Provision for product warranties granted by the Target Company is recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. Further details of which are set out in note 19 to this section.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Target Company's operating activities are attributable to a single operating segment, focusing on the manufacture and sale of automotive parts and components. Therefore, no analysis by operating segment is presented.

Products and services

(a) Revenue from customers

	2013	2014	2015
	RMB	*RMB*	*RMB*
Product revenue	1,353,078,575	1,472,475,774	1,505,695,989
Technical services income	4,994,363	9,807,416	13,136,993
	1,358,072,938	1,482,283,190	1,518,832,982

Geographical information

(a) Revenue from customers

	2013	2014	2015
	RMB	*RMB*	*RMB*
Mainland China	1,347,604,802	1,463,625,343	1,504,691,365
United States of America	6,741,040	17,099,891	12,391,979
Taiwan	3,257,284	1,308,362	1,292,212
Other countries	469,812	249,594	457,426
	1,358,072,938	1,482,283,190	1,518,832,982

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

(b) *Non-current assets*

	2013	2014	2015
	RMB	*RMB*	*RMB*
Mainland China	220,914,118	207,254,131	186,106,415

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

Information about a major customer

During the Relevant Periods, the revenue generated from a single customer of the Target Company individually accounted for more than 10% of the Target Company's total revenue is as follows:

	2013	2014	2015
	RMB	*RMB*	*RMB*
Customer A	929,236,251	874,152,298	585,575,865

5. **REVENUE, OTHER INCOME AND GAINS**

Revenue, which is also the Target Company's turnover, 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 Target Company's revenue, other income and gains is as follows:

	2013	2014	2015
	RMB	*RMB*	*RMB*
Revenue			
Sale of goods	1,353,078,575	1,472,475,774	1,505,695,989
Technical services income	4,994,363	9,807,416	13,136,993
	1,358,072,938	1,482,283,190	1,518,832,982
Other income			
Profit from sale of scrap materials	2,544,890	3,303,399	6,091,197
Bank interest income	347,249	238,988	350,331
Governmental subsidy	6,446,774	7,182,983	4,892,719
	9,338,913	10,725,370	11,334,247
Gains			
Gain on disposal of items of property, plant and equipment	–	1,252,136	772,312
Foreign exchange differences	632,958	504,926	–
Others	621,349	2,138,556	668,784
	1,254,307	3,895,618	1,441,096
	10,593,220	14,620,988	12,775,343

6. PROFIT BEFORE TAX

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

	Notes	2013 RMB	2014 RMB	2015 RMB
Cost of inventories sold		1,134,240,434	1,256,050,007	1,295,190,093
Depreciation	11	37,136,513	43,875,690	41,624,062
Minimum lease payments under operating leases		14,535,493	14,703,601	15,883,401
Auditors' remuneration		380,000	380,000	481,088
Employee benefit expense (including directors' remuneration *(note 8)*):				
Wages, salaries and benefits		101,093,237	112,979,964	129,671,371
Research and development costs		122,355,311	109,105,261	104,206,751
Less: Staff costs included as research and development costs		(21,669,415)	(22,234,321)	(24,908,768)
Research and development costs, net of staff costs		100,685,896	86,870,940	79,297,983
Loss/(Gain) on disposal of items of property, plant and equipment		2,282,601	(1,252,136)	(772,312)
Impairment/(reversal of impairment) of trade and bills receivables, net*	13	1,226,790	(1,482,104)	4,411,485
Provision against obsolete inventories**	12	102,154	245,100	790,246
Provision for warranties, net	19	1,713,334	3,913,563	4,797,703
Foreign exchange differences, net		(632,958)	(504,926)	1,554,377

* The impairment amounts of items of property, plant and equipment, trade and bills receivables and other receivables are included in "Administrative expenses" in the consolidated statement of profit or loss.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2013 RMB	2014 RMB	2015 RMB
Interest on bank loans	14,938,617	14,847,061	12,649,233

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Director's and chief executive remuneration for the year, disclosed pursuant to the Listing Rules, 383(1)(a), (b), (c), and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2013 RMB	2014 RMB	2015 RMB
Salaries, allowances and benefits in kind	815,678	860,839	898,508
Performance related bonuses	93,284	97,032	118,824
Pension scheme	71,821	74,628	80,594
	980,783	1,032,499	1,097,926

An analysis of the directors' and chief executive's remuneration, on a named basis, is as follows:

	2013	**2014**	**2015**
	RMB	*RMB*	*RMB*
Salaries, allowances and benefits in kind:			
Executive directors:			
Mr. Jiang Yunan (appointed on September 16, 2014)	–	–	–
Mr. Zhang Yaochun	–	–	–
Mr. Lee Alan (appointed on September 16, 2014)	–	–	–
Mr. Beres John	–	–	–
Mr. Fang Jianyi (resigned on September 16, 2014)	–	–	–
Mr. Wang Zhong (resigned on September 16, 2014)	–	–	–
	–	–	–
Chief executive:			
Mr. Wang Jin	815,678	860,839	898,508
Performance related bonuses:			
Executive directors:			
Mr. Jiang Yunan (appointed on September 16, 2014)	–	–	–
Mr. Zhang Yaochun	–	–	–
Mr. Lee Alan (appointed on September 16, 2014)	–	–	–
Mr. Beres John	–	–	–
Mr. Fang Jianyi (resigned on September 16, 2014)	–	–	–
Mr. Wang Zhong (resigned on September 16, 2014)	–	–	–
	–	–	–
Chief executive:			
Mr. Wang Jin	93,284	97,032	118,824
Pension scheme:			
Executive directors:			
Mr. Jiang Yunan (appointed on September 16, 2014)	–	–	–
Mr. Zhang Yaochun	–	–	–
Mr. Lee Alan (appointed on September 16, 2014)	–	–	–
Mr. Beres John	–	–	–
Mr. Fang Jianyi (resigned on September 16, 2014)	–	–	–
Mr. Wang Zhong (resigned on September 16, 2014)	–	–	–
	–	–	–
Chief executive:			
Mr. Wang Jin	71,821	74,628	80,594
	980,783	1,032,499	1,097,926

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

The five highest paid employees during the Relevant Periods included the chief executive and did not have any directors of the Target Company, and details of their remuneration other than the chief executive are as follows:

	2013	2014	2015
	RMB	*RMB*	*RMB*
Salaries, allowances and benefits in kind	2,345,779	2,365,049	2,654,633
Performance related bonuses	351,926	316,242	349,728
Pension scheme	269,548	298,512	300,581
	2,967,253	2,979,803	3,304,942

The remuneration of these highest paid employees (other than the chief executive) fell within the following bands:

	Number of employees		
	2013	2014	2015
Nil to HK$1,000,000	2	2	2
HK$1,000,001-HK$2,000,000	2	2	2
	4	4	4

9. INCOME TAX

	2013	2014	2015
	RMB	*RMB*	*RMB*
Current	4,697,787	1,968,197	2,663,536
Deferred *(note 20)*	(2,238,741)	(25,779)	(682,031)
Tax charge for the year	2,459,046	1,942,418	1,981,505

Taxes on profits assessable have been calculated at the rates of tax prevailing in Mainland China in which the Target Company operates.

The Target Company applied for "Transitional Preferential Enterprise Income Tax Policy for Newly-established High-tech Enterprises in Special Economic Zones and the Pudong New Area of Shanghai" and got approval from tax bureau on March 29, 2012 that from January 1, 2011 to December 31, 2013, income earned by the Target Company shall be subject to tax at half of the 25% statutory rate.

In accordance with the relevant tax laws in the PRC, the Target Company is subject to a preferential corporate income tax rate of 15% on its taxable income from January 1, 2014 to December 12, 2016.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Target Company is domiciled to the tax expense at the effective tax rates, is as follows:

	2013		2014		2015	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
Profit before tax	14,956,810		32,208,054		30,549,214	
Tax at the statutory tax rate	1,869,601	12.5	4,831,208	15.0	4,582,382	15.0
Additional deduction of research and development expense	(2,727,675)	(18.2)	(3,018,182)	(9.4)	(2,896,967)	(9.5)
Expenses not deductible for tax	132,844	0.9	114,189	0.4	108,234	0.4
Adjustments in respect of tax underprovision of previous year	3,184,276	21.3	15,203	–	187,856	0.6
Tax charge at the effective rate	2,459,046	16.5	1,942,418	6.0	1,981,505	6.5

10. EARNINGS PER SHARE

Information on earning per share is not presented as such information is not meaningful, given that this report is for inclusion in the Circular in connection with the proposed acquisition of the Target Company.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Machinery and equipment	Motor vehicles	Special tools	Computer equipment and others	Construction in progress	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
December 31, 2013							
At December 31, 2012 and January 1, 2013:							
Cost	27,538,498	194,703,095	1,242,739	41,324,800	8,886,603	35,993,480	309,689,215
Accumulated depreciation and impairment	(9,442,518)	(42,738,703)	(265,682)	(16,519,434)	(5,692,812)	–	(74,659,149)
Net carrying amount	18,095,980	151,964,392	977,057	24,805,366	3,193,791	35,993,480	235,030,066
At January 1, 2013, net of accumulated depreciation and impairment	18,095,980	151,964,392	977,057	24,805,366	3,193,791	35,993,480	235,030,066
Additions	–	–	–	–	–	22,176,403	22,176,403
Depreciation provided during the year	(5,603,222)	(20,071,311)	(257,628)	(9,173,074)	(2,031,278)	–	(37,136,513)
Disposals	–	(473,148)	–	(2,406,690)	–	–	(2,879,838)
Transfers	704,145	13,962,121	181,605	31,986,605	74,582	(46,909,058)	–
At December 31, 2013, net of accumulated depreciation and impairment	13,196,903	145,382,054	901,034	45,212,207	1,237,095	11,260,825	217,190,118
At December 31, 2013:							
Cost	28,242,643	207,918,141	1,424,344	70,741,430	8,961,185	11,260,825	328,548,568
Accumulated depreciation and impairment	(15,045,740)	(62,536,087)	(523,310)	(25,529,223)	(7,724,090)	–	(111,358,450)
Net carrying amount	13,196,903	145,382,054	901,034	45,212,207	1,237,095	11,260,825	217,190,118

	Leasehold improvement *RMB*	Machinery and equipment *RMB*	Motor vehicles *RMB*	Special tools *RMB*	Computer equipment and others *RMB*	Construction in progress *RMB*	Total *RMB*
December 31, 2014							
At December 31, 2013 and January 1, 2014:							
Cost	28,242,643	207,918,141	1,424,344	70,741,430	8,961,185	11,260,825	328,548,568
Accumulated depreciation and impairment	(15,045,740)	(62,536,087)	(523,310)	(25,529,223)	(7,724,090)	–	(111,358,450)
Net carrying amount	13,196,903	145,382,054	901,034	45,212,207	1,237,095	11,260,825	217,190,118
At January 1, 2014, net of accumulated depreciation and impairment	13,196,903	145,382,054	901,034	45,212,207	1,237,095	11,260,825	217,190,118
Additions	–	–	–	–	–	33,674,805	33,674,805
Depreciation provided during the year	(5,661,399)	(21,457,684)	(280,528)	(15,851,542)	(624,537)	–	(43,875,690)
Disposals	–	(4,117)	(84,160)	–	(2,976,240)	–	(3,064,517)
Transfers	143,000	12,101,723	122,508	14,607,581	2,454,651	(29,429,463)	–
At December 31, 2014, net of accumulated depreciation and impairment	7,678,504	136,021,976	658,854	43,968,246	90,969	15,506,167	203,924,716
At December 31, 2014:							
Cost	28,385,643	220,015,747	1,389,053	85,349,011	6,894,287	15,506,167	357,539,908
Accumulated depreciation and impairment	(20,707,139)	(83,993,771)	(730,199)	(41,380,765)	(6,803,318)	–	(153,615,192)
Net carrying amount	7,678,504	136,021,976	658,854	43,968,246	90,969	15,506,167	203,924,716

	Leasehold improvement *RMB*	Machinery and equipment *RMB*	Motor vehicles *RMB*	Special tools *RMB*	Computer equipment and others *RMB*	Construction in progress *RMB*	Total *RMB*
December 31, 2015							
At December 31, 2014 and at January 1, 2015:							
Cost	28,385,643	220,015,747	1,389,053	85,349,011	6,894,287	15,506,167	357,539,908
Accumulated depreciation and impairment	(20,707,139)	(83,993,771)	(730,199)	(41,380,765)	(6,803,318)	–	(153,615,192)
Net carrying amount	7,678,504	136,021,976	658,854	43,968,246	90,969	15,506,167	203,924,716
At January 1, 2015, net of accumulated depreciation and impairment	7,678,504	136,021,976	658,854	43,968,246	90,969	15,506,167	203,924,716
Additions	–	–	–	–	–	22,190,323	22,190,323
Depreciation provided during the year	(5,068,950)	(22,664,243)	(267,984)	(13,487,570)	(135,315)	–	(41,624,062)
Disposals	–	(1,190,089)	–	(6,473)	–	–	(1,196,562)
Transfers	135,472	12,582,918	73,145	14,001,198	370,927	(27,163,660)	–
At December 31, 2015, net of accumulated depreciation and impairment	2,745,026	124,750,562	464,015	44,475,401	326,581	10,532,830	183,294,415
At December 31, 2015:							
Cost	28,521,115	229,978,763	1,462,198	99,342,018	7,265,214	10,532,830	377,102,138
Accumulated depreciation and impairment	(25,776,089)	(105,228,201)	(998,183)	(54,866,617)	(6,938,633)	–	(193,807,723)
Net carrying amount	2,745,026	124,750,562	464,015	44,475,401	326,581	10,532,830	183,294,415

The Target Company did not have any fixed assets under finance lease at December 31, 2013, 2014 and 2015.

12. INVENTORIES

	2013	2014	2015
	RMB	*RMB*	*RMB*
Raw materials	48,172,981	53,005,186	62,840,216
Work in progress	5,181,588	7,146,448	10,378,832
Finished goods	24,572,111	26,637,653	44,478,005
Material in transit	2,029,897	1,273,767	812,272
	79,956,577	88,063,054	118,509,325
Provision for impairment	(276,852)	(521,952)	(1,312,198)
	79,679,725	87,541,102	117,197,127

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

	2013	2014	2015
	RMB	*RMB*	*RMB*
At January 1	174,698	276,852	521,952
Provision for impairment losses *(note 6)*	102,154	245,100	790,246
At December 31	276,852	521,952	1,312,198

13. TRADE AND BILLS RECEIVABLES

	2013	2014	2015
	RMB	*RMB*	*RMB*
Trade and bills receivables	322,022,402	406,242,696	478,482,781
Provision for impairment	(7,361,505)	(5,879,401)	(10,290,886)
	314,660,897	400,363,295	468,191,895

The Target Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for the customers. Each customer has a maximum credit limit. The Target Company 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 Target Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. They are stated net of provisions.

An aged analysis of the trade and bills receivables as at the end of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	2013	**2014**	**2015**
	RMB	*RMB*	*RMB*
Within 3 months	312,100,613	398,674,229	464,817,866
3 months to 1 year	2,560,284	1,689,066	3,374,029
	314,660,897	400,363,295	468,191,895

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

	2013	**2014**	**2015**
	RMB	*RMB*	*RMB*
At January 1	6,134,715	7,361,505	5,879,401
Provision/(Reversal of provision) for impairment losses *(note 6)*	1,226,790	(1,482,104)	4,411,485
At December 31	7,361,505	5,879,401	10,290,886

Included in the provision for impairment of trade and bills receivables are provision for individually impaired trade receivables of RMB7,361,505, RMB5,879,401 and RMB10,290,886 with an aggregate carrying amount before provision of RMB7,361,505, RMB5,879,401 and RMB10,290,886 as at December 31, 2013, 2014 and 2015, respectively. The individually impaired trade receivables relate to customers that were in unexpected financial difficulties. The Target Company does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2013	**2014**	**2015**
	RMB	*RMB*	*RMB*
Neither past due nor impaired	312,100,613	398,674,229	464,817,864
Past due but not impaired:			
Less than 6 months past due	–	–	–
	312,100,613	398,674,229	464,817,864

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

Included in the Target Company's trade and bill receivables are amounts due from fellow subsidiaries of RMB589,274, RMB2,204,644 and RMB4,518,080 as at December 31, 2013, 2014 and 2015, respectively, which are repayable on credit terms similar to those offered to the major customers of Target Company.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013	2014	2015
	RMB	*RMB*	*RMB*
Prepayments	4,238,972	2,595,623	1,591,026
Deposits and other receivables	8,425,910	13,529,465	12,180,545
	12,664,882	16,125,088	13,771,571

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

15. CASH AND CASH EQUIVALENTS

	2013	2014	2015
	RMB	*RMB*	*RMB*
Cash on hand	17,095	11,932	26,515
Cash at banks	74,767,945	84,058,215	158,866,787
	74,785,040	84,070,147	158,893,302

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. There was no restricted cash as at December 31, 2013, 2014 and 2015.

The carrying amount of the cash and cash equivalents approximates to their fair value.

16. TRADE AND BILLS PAYABLES

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

	2013	2014	2015
	RMB	*RMB*	*RMB*
Within 3 months	254,695,973	315,284,110	385,059,891
3 to 6 months	12,205,547	19,627,193	17,013,011
6 to 12 months	357,962	2,129,366	2,194,089
Over 12 months	6,076,434	2,705,228	5,266,709
	273,335,916	339,745,897	409,533,700

Included in the Target Company's trade and bill payables are trade payables of RMB556,019, RMB174,956 and RMB105,159 due to fellow subsidiaries and RMB1,072,752, RMB212,209 and RMB566,429 due to the holding company as at December 31, 2013, 2014 and 2015, respectively, which are repayable on the credit terms similar to those offered by the fellow subsidiaries and holding company to their major customers.

The trade payables are non-interest-bearing and are normally settled on 60 to 90 days' terms.

17. OTHER PAYABLES AND ACCRUALS

	2013	2014	2015
	RMB	*RMB*	*RMB*
Other payables	18,807,880	25,141,352	74,865,158
Accruals	19,353,581	18,974,507	20,793,316
Advance from customer	2,181,333	524,220	1,124,125
Dividend payables	–	–	45,200,000
	40,342,794	44,640,079	141,982,599

Included in the Target Company's other payables and accruals are other payables of RMB3,215,087, RMB2,638,790 and RMB32,661,149 due to fellow subsidiaries and RMB6,247,505, RMB8,657,968 and RMB26,073,127 due to the holding company as at December 31, 2013, 2014 and 2015 respectively, and dividend payables of RMB45,200,000 as at December 31, 2015.

Other payables are unsecured, non-interest-bearing and repayable on demand.

18. BANK BORROWINGS

	2013	2014	2015
	RMB	*RMB*	*RMB*
Bank loans, unsecured	240,000,000	240,000,000	240,000,000

At the end of the year 2015, 2014 and 2013, all the bank loans of the Target Company are unsecured， denominated in RMB, repayable within one year, and bear interest at a rate of 6% per annum.

19. PROVISION

	2013	2014	2015
	RMB	*RMB*	*RMB*
Product warranties:			
At January 1	13,197,346	10,160,518	10,773,211
Additional provision, net *(note 6)*	1,713,334	3,913,563	4,797,703
Amounts utilised during the year	(4,750,162)	(3,300,870)	(4,529,845)
At 31 December	10,160,518	10,773,211	11,041,069

The Target Company provides certain years' warranties to its customers on certain products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

20. DEFERRED TAX

The components of deferred tax assets and liabilities and their movements during the year are as follows:

Deferred tax assets/(liabilities):

	Provision for impairment loss	Accrued expenses	Fair value adjustments arising from business combination	Total
	RMB	*RMB*	*RMB*	*RMB*
At January 1, 2013:	788,677	5,671,644	(1,747,951)	4,712,370
Deferred tax credited to the statement of profit or loss during the year	199,342	279,631	817,294	1,296,267
Effect of the change of applicable income tax rate	157,735	1,134,329	(349,590)	942,474
Subtotal *(note 9)*	357,077	1,413,960	467,704	2,238,741
At December 31, 2013 and January 1, 2014	1,145,754	7,085,604	(1,280,247)	6,951,111
Deferred tax (charged)/credited to the statement of profit or loss during the year *(note 9)*	(185,551)	136,990	74,340	25,779
At December 31, 2014 and January 1, 2015	960,203	7,222,594	(1,205,907)	6,976,890
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 9)*	780,259	(284,042)	185,814	682,031
At December 31, 2015	1,740,462	6,938,552	(1,020,093)	7,658,921

21. SHARE CAPITAL

	2013	2014	2015
	RMB	*RMB*	*RMB*
Issued and fully paid:	80,000,000	80,000,000	80,000,000

There is no movement in the Target Company's issued and fully paid capital during the years ended December 31, 2013, 2014 and 2015.

22. RESERVES

	Reserve fund *RMB*	Retained profits *RMB*	Total *RMB*
At January 1, 2013	40,000,000	66,275,364	106,275,364
Profit for the year and total comprehensive income for the year	–	12,497,764	12,497,764
Dividend payables	–	(53,020,291)	(53,020,291)
At December 31, 2013 and January 1, 2014	40,000,000	25,752,837	65,752,837
Profit for the year and total comprehensive income for the year	–	30,265,636	30,265,636
Dividend payables	–	(10,800,000)	(10,800,000)
At December 31, 2014 and January 1, 2015	40,000,000	45,218,473	85,218,473
Profit for the year and total comprehensive income for the year	–	28,567,709	28,567,709
Dividend payables	–	(45,200,000)	(45,200,000)
At December 31, 2015	40,000,000	28,586,182	68,586,182

23. OPERATING LEASE ARRANGEMENTS

As lessee

The Target Company leases certain of its property, plant and equipment under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

At December 31, 2013, 2014 and 2015, the Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013 *RMB*	2014 *RMB*	2015 *RMB*
Within one year	13,076,216	13,440,919	14,689,197
In the second to third years, inclusive	2,634,650	2,695,866	17,521,790
	15,710,866	16,136,785	32,210,987

24. COMMITMENTS

In addition to the operating lease commitments detailed in note 23 above, the Target Company had the following capital commitments at the end of the Relevant Periods:

	2013 *RMB*	2014 *RMB*	2015 *RMB*
Contracted, but not provided for:			
Plant and machinery	12,253,180	9,610,726	24,222,607

25. CONTINGENT LIABILITIES

As at December 31, 2015, the Target Company did not have any significant contingent liabilities.

26. RELATED PARTY TRANSACTIONS

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

Name of the related companies	**Relationship with the Target Company**
BeijingWest Industries Co., Ltd.	immediate holding company
BWI North America Inc.	fellow subsidiary
BWI Poland Technologies Sp. z o.o.	fellow subsidiary
BWI Company Limited S.A.	fellow subsidiary

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Target Company had the following material transactions with related parties during the year:

	2013	**2014**	**2015**
	RMB	*RMB*	*RMB*
Sales of goods to:			
BWI North America Inc.	3,036,966	2,032,791	2,267,267
BWI Poland Technologies Sp. z o.o.	253,692	226,039	64,970
	3,290,658	2,258,830	2,332,237
Purchases of goods from:			
BeijingWest Industries Co., Ltd.	1,098,156	1,880,955	3,774,969
BWI North America Inc.	384,760	1,109,394	873,015
BWI Poland Technologies Sp. z o.o.	95,667	–	–
	1,578,583	2,990,349	4,647,984
License fees paid to:			
BeijingWest Industries Co., Ltd.	22,980,731	29,684,900	24,597,289
BWI Company Limited S.A.	12,391,012	9,257,355	5,867,304
	35,371,743	38,942,255	30,464,593
Purchase of technology development service from:			
BeijingWest Industries Co., Ltd.	3,505,973	3,307,522	3,402,998
BWI North America Inc.	77,108,294	59,250,570	52,693,543
BWI Poland Technologies Sp. z o.o.	–	–	65,863
	80,614,267	62,558,092	56,162,404

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

(b) Balances with related parties

	Notes	2013 RMB	2014 RMB	2015 RMB
Amounts due from fellow subsidiaries	(i)			
BWI North America Inc.		497,916	2,174,645	4,489,696
BWI Poland Technologies Sp. z o.o.		91,358	29,999	28,384
		589,274	2,204,644	4,518,080
Amounts due to fellow subsidiaries	(ii)			
BWI Company Limited S.A.		3,215,087	2,638,790	5,255,931
BWI North America Inc.		554,429	174,956	27,510,377
BWI Poland Technologies Sp. z o.o.		1,590	–	–
		3,771,106	2,813,746	32,766,308
Amounts due to holding company	(iii)			
BeijingWest Industries Co., Ltd.		7,320,257	8,870,177	71,839,556

Notes:

(i) The amounts due from fellow subsidiaries included in the Target Company's current assets, are unsecured, interest-free and without fixed repayment terms.

(ii) The amounts due to fellow subsidiaries included in the Target Company's current liabilities, are unsecured, interest-free and without fixed repayment terms.

(iii) The amount due to holding company included in the Target Company's current liabilities, is unsecured, interest-free and without fixed repayment term.

(c) Compensation of key management personnel of the Target Company

	2013 RMB	2014 RMB	2015 RMB
Short term employee benefits	3,948,036	4,012,302	4,402,868

Further details of directors' emoluments are included in note 8 to the financial statements.

27. FINANCIAL INSTRUMENTS BY CATEGORY

All the financial assets and liabilities of the Target Company as at December 31, 2013, 2014 and 2015 were loans and receivables, and financial liabilities stated at amortised cost, respectively.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Carrying amounts			Fair values		
	2013	2014	2015	2013	2014	2015
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Financial assets						
Trade and bills receivables	314,660,897	400,363,295	468,191,895	314,660,897	400,363,295	468,191,895
Cash and cash equivalents	74,785,040	84,070,147	158,893,302	74,785,040	84,070,147	158,893,302
	389,445,937	484,433,442	627,085,197	389,445,937	484,433,442	627,085,197
Financial liabilities						
Trade and bills payables	273,335,916	339,745,897	409,533,700	273,335,916	339,745,897	409,533,700
Financial liabilities included in other payables and accruals	27,686,333	28,575,026	74,858,617	27,686,333	28,575,026	74,858,617
Bank borrowings	240,000,000	240,000,000	240,000,000	240,000,000	240,000,000	240,000,000
	541,022,249	608,320,923	724,392,317	541,022,249	608,320,923	724,392,317

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

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

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

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

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

	Increase/ (decrease) in foreign exchange rate	**(Decrease)/Increase in profit before tax year ended December 31,**		
		2013	**2014**	**2015**
		RMB	*RMB*	*RMB*
If RMB weakens against USD	10%	(1,098,125)	83,712	(3,458,498)
If RMB strengthens against USD	(10%)	1,098,125	(83,712)	3,458,498
If RMB weakens against EUR	10%	(601,764)	(1,096,692)	(1,700,983)
If RMB strengthens against EUR	(10%)	601,764	1,096,692	1,700,983

Credit risk

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

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

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

Further quantitative data in respect of the Target Company's exposure to credit risk arising from trade and bills receivables are disclosed in note 12 to this section.

Liquidity risk

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

The Target Company's current liabilities exceeded its current assets by RMB82,112,392, RMB49,012,548, RMB45,179,154 as at December 31, 2013, 2014 and 2015, respectively, the management have given careful consideration on the measures currently adopted to monitor the Target Company's liquidity position. The management consider that the Target Company will be able to meet with all of its financial obligations as and when they fall due as further explained in note 2.1 of this section.

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

	Within 1 year *RMB*	1 to 3 years *RMB*	over 3 years *RMB*	Total *RMB*
December 31, 2013				
Trade and bills payables	273,335,916	–	–	273,335,916
Financial liabilities included in other payables and accruals	27,686,333	–	–	27,686,333
Bank borrowings	240,000,000	–	–	240,000,000
	541,022,249	–	–	541,022,249
December 31, 2014				
Trade and bills payables	339,745,897	–	–	339,745,897
Financial liabilities included in other payables and accruals	28,575,026	–	–	28,575,026
Bank borrowings	240,000,000	–	–	240,000,000
	608,320,923	–	–	608,320,923
December 31, 2015				
Trade and bills payables	409,533,700	–	–	409,533,700
Financial liabilities included in other payables and accruals	74,858,617	–	–	74,858,617
Bank borrowings	240,000,000	–	–	240,000,000
	724,392,317	–	–	724,392,317

Capital management

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

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

The Target Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Net debt is calculated as the total of trade and bills payables, financial liabilities included in other payables and accruals, bank borrowings, less cash and cash equivalents. Capital includes equity attributable to owners.

	2013	2014	2015
	RMB	*RMB*	*RMB*
Trade and bills payables	273,335,916	339,745,897	409,533,700
Financial liabilities included in other payables and accruals	27,686,333	28,575,026	74,858,617
Bank borrowings	240,000,000	240,000,000	240,000,000
Less: Cash and cash equivalents	(74,785,040)	(84,070,147)	(158,893,302)
Net debt	466,237,209	524,250,776	565,499,015
Equity	145,752,837	165,218,473	148,586,182
Net debt and equity	611,990,046	689,469,249	714,085,197
Gearing ratio	76%	76%	79%

30. SUBSEQUENT EVENT

There is no material event after December 31, 2015.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to December 31, 2015.

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong

The following discussion and analysis of financial condition and results of operations of the Target Company is based on the financial information set forth in the Accountants' Report attached as Appendix I to this circular. Accordingly, you should read this section in conjunction with the financial statements and accompanying notes of the Target Company prepared in accordance with HKFRS for financial years ended December 31, 2013, 2014 and 2015 included in the Accountants' Report.

OVERVIEW

The Target Company is one of the leading automobile brake products manufacturers in the PRC. The Target Company principally engages in the design, research and development, manufacturing, marketing and sale of automobile brake components and systems and the provision of related technical services in the PRC. The Target Company's automobile brake products have broad applications and are used in sedans to full-size sport utility vehicles.

The Target Company set up its headquarter in Shanghai which supports its production facilities, Research & Development center and a sales department. The Target Company also established a branch in Liuzhou. By virtue of establishing a substantial presence, the Target Company is able to develop and maintain a strong relationship with its key customers in the PRC. The Target Company believes that the close proximity encourages regular communications with its customers, which in turn promotes a more efficient product development process thereby improving customer satisfaction, furthermore, enables the Target Company to identify new business opportunities with existing and new customers.

The Target Company utilizes advanced technologies on its principal products which include automobile foundation brake and controlled brake. For the years ended December 31, 2013, 2014 and 2015, revenues generated from the sales of automobile brake products were approximately RMB1,358 million, RMB1,482 million and RMB1,519 million, respectively.

MAJOR FACTORS AFFECTING RESULTS OF OPERATION OF THE TARGET COMPANY

Results of operation and financial conditions of the Target Company have been, and will continue to be, affected by the factors setting out below:

Continued development of automotive industry

The Target Company achieved revenue of RMB1,358.1 million, RMB1,482.3 million and RMB1,518.8 million for the years ended December 31, 2013, 2014 and 2015, respectively. Such increase was primarily due to the rapid development of the PRC's automotive industry. The Company believes that the results of operation of the Target Company will enjoy continued growth as individual disposable income and brand awareness in the PRC will increase with the development of the PRC's economy.

Product pricing and raw material cost pressures

Downward pricing pressure has been a trend in the auto parts industry and is likely to continue. In order to secure new business, the Target Company would need to offer competitive and attractive price quotation and agree on price annual downward adjustment. Therefore, the Target Company typically commits to substantial effort and resources when an order is received from a customer for the development of a new product in order to maintain a reasonable profit margin notwithstanding the price downward adjustment. If the Target Company is unable to control the costs and expenses in relation to the development and production of such new products, its margins and profitability may be materially and adversely affected.

The costs of raw materials and key components constituted a significant part of the total cost of sales of the Target Company during the Track Record Period. The costs of raw materials and key components accounted for approximately 85.3%, 84.9% and 84.0% of the total cost of sales of the Target Company for the years ended December 31, 2013, 2014 and 2015, respectively. The costs of raw materials and key components are affected by the prices of various commodities. The manufacturing overheads include salary and welfare, utilities costs and maintenance costs. The Target Company procures raw materials through its centralized procurement system which ensures that the Target Company will procure raw materials from a number of suppliers in a cost efficient manner.

RESULTS OF OPERATIONS

The following table sets forth the Target Company's combined statements of profit or loss and other comprehensive income for the periods indicated in absolute amounts as derived from the Accountants' Report on the Target Company in Appendix I to this circular. The accounting policies of the Target Company are materially consistent with those adopted by the Company.

	For the year ended December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,358,073	1,482,283	1,518,833
Cost of sales	(1,134,240)	(1,256,050)	(1,295,190)
Gross profit	223,833	226,233	223,643
Other income and gains	10,593	14,621	12,775
Selling and distribution expenses	(9,847)	(12,233)	(13,452)
Administrative expenses	(69,895)	(71,476)	(73,191)
Research & Development expenses	(122,355)	(109,105)	(104,207)
Other expenses	(2,433)	(985)	(2,369)
Finance costs	(14,939)	(14,847)	(12,649)
Profit before tax	14,957	32,208	30,550
Income tax expenses	(2,459)	(1,942)	(1,982)
Profit and total comprehensive income for the year	12,498	30,266	28,568
Earnings per share attributable to equity owners:			
Basic and diluted	N/A	N/A	N/A

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

Revenue represents income from product sales as well as the provision of related technical services to customers. Product sales represented approximately 99.6%, 99.3%, and 99.1% of total revenue for the years ended December 31, 2013, 2014 and 2015, respectively. The Target Company generated revenues of approximately RMB1,358.1 million, RMB1,482.3 million and RMB1,518.8 million for the years ended December 31, 2013, 2014 and 2015, respectively.

The following table sets forth the Target Company's revenue by product category for the periods indicated, both in terms of actual amounts and as a percentage of total revenue:

	For the year ended December 31,					
Product/service category	**2013**		**2014**		**2015**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Foundation Brake	924,454	68.1	958,772	64.7	846,284	55.7
Controlled Brake	428,625	31.5	513,704	34.6	659,412	43.4
Technical service	4,994	0.4	9,807	0.7	13,137	0.9
Total	1,358,073	100	1,482,283	100	1,518,833	100

The percentage of total revenue contributed by foundation brake products decreased from 68.1% in 2013 to 64.7% in 2014 and further to 55.7% in 2015, while the percentage of total revenue contributed by controlled brake products increased from 31.5% in 2013 to 34.6% in 2014 and further to 43.4% in 2015, such change is primarily because the Target Company has reformed its business type by focusing on development and sales of controlled brake products. Controlled brake products characterized by anti-brake system and electronic stability control system are critical for the development of self-driving smart car which is a modern trend in automobile industry and has became a business target of major international and domestic automobile manufacturers.

Cost of sales

Cost of sales is primarily comprised of costs of raw materials and key components and manufacturing overheads. The following table sets forth a breakdown of the Target Company's cost of sales for the periods indicated, both in terms of actual costs and as a percentage of total cost of sales:

	For the year ended December 31,					
	2013		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Cost of sales:						
Raw materials and key components	967,366	85.3	1,066,991	84.9	1,087,600	84.0
Manufacturing overheads	166,874	14.7	189,059	15.1	207,590	16.0
Total	1,134,240	100	1,256,050	100	1,295,190	100

Cost of sales increased from approximately RMB1,134.2 million in 2013 to approximately RMB1,256.1 million in 2014 and further increased to approximately RMB1,295.2 million in 2015, which are primarily due to overall increase in the costs of raw materials and key components and the cost of manufacturing overheads.

Cost of raw materials and key components represented approximately 85.3%, 84.9% and 84.0% of the total cost of sales for the years ended December 31, 2013, 2014 and 2015, respectively.

Cost of raw material and key components increased from approximately RMB967.4 million for the year ended December 31, 2013 to approximately RMB1,067.0 million for the year ended December 31, 2014, representing an increase of approximately 10.3%. It further increased to approximately RMB1,087.6 million for the year ended December 31, 2015, representing an increase of approximately 1.9%. Such increase was primarily due to the increase in purchase volume of raw materials to meet the increased sales.

Manufacturing overheads represented approximately 14.7%, 15.1% and 16.0% of the total cost of sales for the years ended December 31, 2013, 2014 and 2015, respectively. Manufacturing overheads are mainly comprised of salary and welfare costs, utilities costs, manufacturing supplies, rent, and the depreciation of equipment, tools and facilities.

Manufacturing overheads increased from approximately RMB166.9 million for the year ended December 31, 2013 to approximately RMB189.1 million for the year ended December 31, 2014, representing an increase of approximately 13.3%. Such increase was primarily due to the increase in salary and welfare costs as the labor cost in the PRC continues to rise. Manufacturing overheads increased from approximately RMB189.1 million for the year ended December 31, 2014 to approximately RMB207.6 million for the year ended December 31, 2015, representing an increase of approximately 9.8%. Such increase was primarily due to the increase in salary and welfare costs, utilities costs and indirect material costs.

Gross profit and gross profit margin

Gross profit increased from approximately RMB223.8 million in 2013 to approximately RMB226.2 million in 2014, representing an increase of approximately 1.1%. Gross profit decreased from approximately RMB226.2 million in 2014 to approximately RMB223.6 million in 2015, representing a decrease of approximately 1.1%.

The Target Company's gross profit margin, which represents gross profit as a percentage of revenue of the Target Company, decreased from approximately 16.5% in 2013 to approximately 15.3% in 2014, and further to 14.7% in 2015. Such decrease was primarily due to (i) the Target Company provided competitive price to customers to obtain more business opportunities in order to increase its market shares; and (ii) the increase in manufacturing overheads as a result of the increase in salary and welfare costs, depreciation, utilities costs and indirect materials costs.

Other income and gains

Other income and gains mainly consist of sales of scrap materials, bank interest income, governmental subsidy, gain on disposal of property, plant and equipment and others. The following table sets forth the approximate breakdown of other income and gains for the periods indicated:

	For the year ended December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Sale of scrap materials	2,545	3,303	6,091
Bank interest income	347	239	350
Governmental subsidy	6,447	7,183	4,893
Gain on disposal of property, plant and equipment	–	1,252	772
Foreign exchange differences	633	505	–
Others	621	2,139	669
Total	10,593	14,621	12,775

Selling and distribution expenses

Selling and distribution costs mainly consist of warranty expenses, salary and welfare for sales personnel, travel and entertainment expenses, rental and others. The table below sets forth the components of selling and distribution costs for the periods indicated:

	For the year ended December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Warranty expenses	1,713	3,913	4,798
Salary and welfare for sales personnel	4,920	5,189	5,653
Travel and entertainment expenses	3,020	2,929	2,734
Rental	104	96	94
Others	90	106	173
Total	9,847	12,233	13,452

The warranty expenses of the Target Company were approximately RMB1.7 million, RMB3.9 million and RMB4.8 million for the years ended December 31, 2013, 2014 and 2015, respectively. The increase in warranty expenses was primarily due to the increase of revenue in the corresponding period, which was the base of warranty provisions. Going forward, the Target Company will continue to assess and apply relevant rates to estimate its warranty provision based on the latest warranty claim records and historical data in relation to its products.

Administrative expenses

Administrative expenses mainly consist of salary and welfare for management and administrative personnel, traveling and entertainment expenses, rental, information technology service fees, depreciation of property, plant and equipment, bad debt reserve, license fee and others. The table below sets forth the administrative expenses for the periods indicated:

	For the year ended December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Salary and welfare for management and administrative personnel	14,849	14,758	17,741
Traveling and entertainment expenses	1,797	1,496	1,489
Rental	–	–	338
Information technology service fees	5,422	5,107	5,684
Depreciation of property, plant and equipment	1,722	938	561
License fee	35,372	38,942	30,465
Provision (Reversal of provision) for impairment losses	1,227	(1,482)	4,411
Others	9,506	11,717	12,502
Total	69,895	71,476	73,191

The license fee increased from approximately RMB35.4 million in 2013 to approximately RMB38.9 million in 2014 but decrease to approximately RMB30.5 million in 2015. Such decrease from 2014 to 2015 was because the reliance of product on such license granted to the Target Company decreased in the corresponding period.

Research and development expenses

Research and development expenses mainly consist of salary and welfare for research and development personnel, experimental materials, depreciation of property, plant and equipment, development fee paid to BWI North America.

The research and development expenses of the Target Company was approximately RMB122.4 million, RMB109.1 million and RMB104.2 million for the years ended December 31, 2013, 2014 and 2015. Such decrease was because the development fee paid to North America decreased during the corresponding period and the Target Company engaged more R&D activities by itself.

Other expenses

Other expenses mainly represented exchange loss of the Target Company arising from fluctuation on the exchange rate of foreign currencies, loss on disposal of items of property, plant and equipment, loss on stocktaking, and bank fee.

	For the year ended December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Exchange loss	–	–	1,554
Loss on disposal of item of property, plant and equipment	2,282	–	–
Stocktaking loss	–	854	657
Bank fee	151	121	130
Other	–	10	28
Total	2,433	985	2,369

Finance costs

Finance costs mainly consist of interest paid for short-term bank loans.

	For the year ended December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Interest on short-term bank loans	14,939	14,847	12,649

The interest paid for short-term bank loans decreased from approximately RMB15.0 million in 2013 to approximately RMB14.8 million in 2014, and further to approximately RMB12.6 million in 2015. Such decrease was because the bank interest rate decreased during the corresponding period.

Income tax expenses

Income tax expenses mainly consist of profits tax payable in the PRC. The following table sets forth a breakdown of income tax expense for the periods indicated:

	For the year ended December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current tax	4,698	1,968	2,664
Deferred tax	(2,239)	(26)	(682)
Total	2,459	1,942	1,982

Profit and total comprehensive income for the year

The Target Company's net profit increased from approximately RMB12.5 million in 2013 to approximately RMB30.3 million in 2014. It decreased from approximately RMB30.3 million in 2014 to approximately RMB28.6 million in 2015.

The net profit increased in 2014 was mainly due to (i) increase in product sales in 2014, and (ii) decrease in development fee paid to BWI North America by approximately RMB17 million in 2014. The net profit decreased in 2015 was mainly due to (i) competitive price provided to customers in order to increase the market share; (ii) the increase in manufacturing overheads as a result of the increase in salary and welfare costs, depreciation, utilities costs and indirect material costs for new projects launching; and (iii) the costs in relation to establishment of Liuzhou branch.

YEAR TO YEAR COMPARISONS OF RESULTS OF OPERATIONS

Year ended December 31, 2015 compared to year ended December 31, 2014

Revenue

Revenue increased by approximately 2.5%, from approximately RMB1,482.3 million for the year ended December 31, 2014 to approximately RMB1,518.8 million for the year ended December 31, 2015. It was primarily attributable to the increase in the sales of controlled brake products supplied to new customers and existing customers who launched new vehicle models.

Cost of sales

Cost of sales increased by approximately 3.1%, from approximately RMB1,256.1 million for the year ended December 31, 2014 to approximately RMB1,295.2 million for the year ended December 31, 2015. The increase was primarily attributable to (i) the increase in raw materials and key components costs from approximately RMB1,067.0 million to approximately RMB1,087.6 million as a result of increase in sales; and (ii) the increase in manufacturing overheads from approximately RMB189.1 million to approximately RMB207.6 million primarily as a result of the increase in salary and welfare costs, depreciation, utilities costs and indirect material costs.

Gross profit and gross profit margin

Gross profit decreased by approximately 1.1%, from approximately RMB226.2 million for the year ended December 31, 2014 to approximately RMB223.6 million for the year ended December 31, 2015. The gross profit margin decreased from approximately 15.3% to approximately 14.7% for the corresponding period. The decrease was primarily due to (i) competitive price provided to customers in order to increase the market share; and (ii) the increase in manufacturing overheads as a result of the increase in salary and welfare costs, depreciation, utilities costs and indirect material costs.

Other income and gains

Other income and gains decreased by approximately 12.6%, from approximately RMB14.6 million for the year ended December 31, 2014 to approximately RMB12.8 million for the year ended December 31, 2015. The decrease was primarily attributable to decrease in government subsidy.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 10.0%, from approximately RMB12.2 million for the year ended December 31, 2014 to approximately RMB13.5 million for the year ended December 31, 2015. The increase was primarily attributable to increases in warranty expenses. The increase in warranty expenses was due to the increase in the sales.

Administrative expenses

Administrative expenses increased by approximately 2.4%, from approximately RMB71.5 million for the year ended December 31, 2014 to approximately RMB73.2 million for the year ended December 31, 2015. The increase was mainly attributable to increase in salary and welfare of management and administrative personnel.

Research and development expenses

Research and development expenses of the Target Company decreased by approximately 4.5%, from approximately RMB109.1 million in 2014 to approximately RMB104.2 million in 2015. Such decrease was because the development fee paid to BWI North America decreased during the corresponding period and the Target Company engaged more R&D activities by itself.

Other expenses

Other expenses increased by approximately 140.6%, from approximately RMB1.0 million for the year ended December 31, 2014 to approximately RMB2.4 million for the year ended December 31, 2015, primarily due to exchange loss as a result of RMB's depreciation against US dollar.

Finance costs

Finance costs decreased by approximately 14.8%, from approximately RMB14.8 million for the year ended December 31, 2014 to approximately RMB12.6 million for the year ended December 31, 2015. The decrease was primarily due to the decrease in bank loan interest rate.

Income tax expenses

Income tax expenses increased by approximately 2.1%, from approximately RMB1.9 million for the year ended December 31, 2014 to approximately RMB2.0 million for the year ended December 31, 2015. The income tax expenses remained stable during the corresponding period.

Profit for the year

Profit for the year decreased by approximately 5.6% from approximately RMB30.3 million for the year ended December 31, 2014 to approximately RMB28.6 million for the year ended December 31, 2015.

Year ended December 31, 2014 compared to year ended December 31, 2013

Revenue

Revenue increased by approximately 9.1%, from approximately RMB1,358.1 million for the year ended December 31, 2013 to approximately RMB1,482.3 million for the year ended December 31, 2014. The increase was primarily attributable to the increase in the sales of foundation and controlled brake products supplied to new customers and existing customers who launched new vehicle models.

Cost of sales

Cost of sales increased by approximately 10.7%, from approximately RMB1,134.2 million for the year ended December 31, 2013 to approximately RMB1,256.1 million for the year ended December 31, 2014. The increase was primarily attributable to (i) the increase in raw materials and key components costs from approximately RMB967.4 million to approximately RMB1,067.0 million, which was due to an increase in sales of foundation and controlled brake products; and (ii) the increase in manufacturing overheads from approximately RMB166.9 million to approximately RMB189.1 million as a result of the increase in salary and welfare costs.

Gross profit and gross profit margin

Gross profit increased by approximately 1.1%, from approximately RMB223.8 million for the year ended December 31, 2013 to approximately RMB226.2 million for the year ended December 31, 2014. The gross profit margin decreased from approximately 16.5% for the year ended December 31, 2013 to approximately 15.3% for the year ended December 31, 2014. The decrease was primarily due to (i) competitive price provided to customers to increase the market share; and (ii) the increase in manufacturing overheads as a result of the increase in salary and welfare costs, depreciation, utilities costs and indirect materials costs.

Other income and gains

Other income and gains increased by approximately 38.0%, from approximately RMB10.6 million for the year ended December 31, 2013 to approximately RMB14.6 million for the year ended December 31, 2014. The increase was primarily attributable to (i) gain on disposal of fixed assets in 2014; and (ii) increase in government subsidy.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 24.2%, from approximately RMB9.8 million for the year ended December 31, 2013 to approximately RMB12.2 million for the year ended December 31, 2014. The increase was primarily attributable to the increase in warranty expenses as a result of the increase in the sales of foundation and controlled brake products.

Administrative expenses

Administrative expenses increased by approximately 2.3%, from approximately RMB69.9 million for the year ended December 31, 2013 to approximately RMB71.5 million for the year ended December 31, 2014. The increase was mainly attributable to the increase in license fee.

Research and development expenses

Research and development expenses of the Target Company decreased by approximately 10.8% from approximately RMB122.4 million in 2013 to approximately RMB109.1 million in 2014. Such decrease was because the development fee paid to BWI North America decreased during the corresponding period and the Target Company engaged more R&D activities by itself.

Other expenses

Other expenses decreased by approximately 59.5%, from approximately RMB2.4 million for the year ended December 31, 2013 to approximately RMB1.0 million for the year ended December 31, 2014, primarily due to decrease in the loss on disposal of fixed assets.

Finance costs

Finance costs decreased by approximately 0.6%, from approximately RMB14.9 million for the year ended December 31, 2013 to approximately RMB14.8 million for the year ended December 31, 2014. The decrease was primarily due to decrease in bank loan interest rate.

Income tax expenses

Income tax expenses decreased by approximately 21.0%, from approximately RMB2.5 million for the year ended December 31, 2013 to approximately RMB1.9 million for the year ended December 31, 2014.

Profit for the year

Profit for the year increased by approximately 142.2% from approximately RMB12.5 million for the year ended December 31, 2013 to approximately RMB30.3 million for the year ended December 31, 2014.

DESCRIPTION OF SELECTED COMBINED STATEMENT OF FINANCIAL POSITION ITEMS

Inventories

Inventories are mainly comprised of raw materials, work-in-progress and finished goods. The following table sets forth a summary of the Target Company's inventory balance for the periods indicated:

	As of December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	50,203	54,279	63,652
Work-in-progress	5,182	7,146	10,379
Finished goods	24,572	26,638	44,478
	79,957	88,063	118,509
Provision for impairment	(277)	(522)	(1,312)
Total	79,680	87,541	117,197

The increase in inventory from approximately RMB79.7 million as of December 31, 2013 to approximately RMB87.5 million as of December 31, 2014, primarily due to (i) increase in sales during the corresponding period; and (ii) increase in imported material for customs clearance process. The increase in inventory from approximately RMB87.5 million as of December 31, 2014 to approximately RMB117.2 million as of December 31, 2015, primarily due to (i) increase of finished goods in preparation of increase in sales; and (ii) increase in advanced purchase of raw materials for OES business.

The Target Company monitors the inventories level on a regular basis and makes provision against obsolete and slow-moving inventory items that are no longer suitable for use or sale. The Target Company estimates the net realizable value for such inventories based primarily on the latest sales invoice amount and current market conditions and reassesses the estimation on a regular basis.

The following table sets forth the average turnover days of the Target Company for the periods indicated:

	For the year ended December 31,		
	2013	**2014**	**2015**
Average inventory turnover days *(Note)*	24.9	24.3	28.8

Note: Average inventory turnover days is derived by dividing the average of the opening and closing balances of inventory for the relevant period by cost of sales and multiplying this figure by 365 days with respect to turnover days of inventories for a year.

During the Track Record Period, the average inventory turnover days remained stable ranging from 25 days to 29 days, all of which were within the range which the Target Company aimed. Please refer to the section headed "Business of the Target Company – Inventory control" in this circular.

As of April 30, 2016, approximately 76.0% of the inventories balance as of December 31, 2015 has been utilized.

Trade receivables

The trade receivables mainly represented receivables from the Target Company's customers. During the Track Record Period, credit term generally ranged from 0 to 90 days after invoice date depending on the customers. The creditworthiness of our customers is assessed on their payment history and ability to make repayments. The following table sets forth balances of trade receivables for the periods indicated:

	As of December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	322,023	406,242	478,483
Provision for impairment	(7,362)	(5,879)	(10,291)
Total receivables	314,661	400,363	468,192

The trade receivables increased from approximately RMB314.7 million as of December 31, 2013 to approximately RMB400.4 million as of December 31, 2014, and further increased to approximately RMB468.2 million as of December 31, 2015, primarily due to the increased sales to new customers and existing customers who launched new vehicle models.

The following table sets forth the aging analysis of the Target Company's trade receivables for the periods ended indicated:

	As of December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within three months	312,101	398,674	464,818
Three months to one year	2,560	1,689	3,374
Total	314,661	400,363	468,192

The following table sets forth the average trade receivables turnover days for the periods indicated:

	For the year ended December 31,		
	2013	**2014**	**2015**
Averages trade receivables turnover days *(Note)*	76.0	88.0	104.4

Note: Average trade receivables turnover days for a certain period is derived by dividing the average of the opening and closing balances of trade receivables for the relevant period by sales and multiplying this figure by 365 days with respect to turnover days of trade receivables for a year.

During the Track Record Period, the average trade receivables turnover days remained stable from 76 to 104 days, most of which were within the range of the Target Company's credit term. Although the credit term the Target Company offered was below 90 days, some customers delayed their payment due to their own situation which was accepted by the Target Company upon negotiation with customers.

As of April 30, 2016, approximately 80.0% of the trade receivables outstanding as of December 31, 2015 has been settled.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables primarily consist of deposits and other receivables, which primarily represent the deposits to Customs House for outbound goods, prepayment to suppliers and deposit paid to landlord. The following table sets forth the balances of prepayments, deposits and other receivables for the periods indicated:

	As of December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	4,239	2,596	1,591
Deposits and other receivables	8,426	13,529	12,181
Total	12,665	16,125	13,772

Prepayments, deposits and other receivables increased from approximately RMB12.7 million as of December 31, 2013 to approximately RMB16.1 million as of December 31, 2014, primarily due to increased custom deposit for increasing unbonded goods move out of the Free Trade Zone for subcontract plating processing.

The decrease in prepayments, deposits and other receivables from approximately RMB16.1 million as of December 31, 2014 to approximately RMB13.8 million as of December 31, 2015 was primarily due to decreased custom deposits for unbonded goods move back to the Free Trade Zone after completing plating process.

Trade and bills payables

The trade and bills payables of the Target Company primarily consist of purchases of raw materials and key components. Typically, the Target Company's credit term ranges from 0 to 90 days, but suppliers extend the credit term under certain circumstances.

The trade and bills payables increased from approximately RMB273.3 million as of December 31, 2013 to approximately RMB339.7 million as of December 31, 2014, and further increased to approximately RMB409.5 million as of December 31, 2015, primarily due to increase in sales of products and purchase of raw materials and key components as well as extended payment term granted by suppliers.

The following table sets forth the aging analysis of the trade and bills payables balance of the Target Company for the periods indicated:

	As of December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	254,696	315,285	385,060
3 to 6 months	12,206	19,627	17,013
6 to 12 months	358	2,129	2,194
Over 12 months	6,076	2,705	5,267
Total	273,336	339,746	409,534

The following table sets forth the average trade and bills payables turnover days for the periods indicated:

	For the year ended December 31,		
	2013	**2014**	**2015**
Average trade payables turnover days *(Note)*	92.0	89.1	105.6

Note: Average trade payables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplied by 365 days with respect to turnover days of trade payables for a year.

During the Track Record Period, the average trade and bills payables turnover days remained stable from 92 days to 106 days, which were generally within the range of the Target Company's credit term and a result of extended credit term by negotiation with suppliers. As of April 30, 2016, approximately 99.0% of the trade payables outstanding as of December 31, 2015 had been settled.

Other payables and accruals

The other payables and accruals of the Target Company primarily consist of license fee paid to BWI and development fee paid to BWI North America, payroll payables, value-added tax and other accrual liabilities.

The following table sets forth the balances of other payables balance and accrued charges of the Target Company for the periods indicated:

	As of December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Accruals	19,354	18,975	20,794
Other payables	18,808	25,141	74,865
Advance from customers	2,181	524	1,124
Dividend payables	–	–	45,200
Total	40,343	44,640	141,983

Other payables and accruals increased from approximately RMB40.3 million as of December 31, 2013 to approximately RMB44.6 million as of December 31, 2014, and further increased to approximately RMB142.0 million as of December 31, 2015, primarily due to extended payment terms and increase in dividend payables.

Amounts due from/to Related Parties

(i) Amount due from related parties

As of December 31, 2013, 2014 and 2015, the Target Company had amounts due from BWI North America and BWI Poland Technologies Sp. z o.o. of approximately RMB0.6 million, approximately RMB2.2 million and approximately RMB4.5 million, respectively, representing trade receivables in relation to the sales of goods to BWI North America and BWI Poland Technologies Sp. z o.o.

(ii) Amounts due to Related Parties

As of December 31, 2013, 2014 and 2015, the Target Company had amounts due to BWI North America of approximately RMB0.6 million, approximately RMB0.2 million and approximately RMB27.5 million, respectively, representing trade payables in relation to sales of products and product development fee payable to BWI North America. For further details, please refer to the section headed "Continuing Connected Transactions" in this circular.

As of December 31, 2013, 2014 and 2015, the Target Company had amounts due to BWI Poland Technologies Sp. z o.o. of approximately RMB0.002 million, nil and nil, respectively, representing the trade payables from the purchase of goods.

As of December 31, 2013, 2014 and 2015, the Target Company had amounts due to BWI of approximately RMB7.3 million, approximately RMB8.9 million and approximately RMB71.8 million, respectively, representing sales of products, license fee and dividend payable to BWI.

As of December 31, 2013, 2014 and 2015, the Target Company had amounts due to BWI Company Limited S.A. of approximately RMB3.2 million, approximately RMB2.6 million and approximately RMB5.3 million, respectively, representing license fee payable to BWI Company Limited S.A..

Set out below is a breakdown of the balances of amounts due to/from related parties:

	As of December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from fellow subsidiaries:			
BWI North America Inc.	498	2,175	4,490
BWI Poland Technologies Sp. z o.o.	91	30	28
	589	2,205	4,518

	As of December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to fellow subsidiaries:			
BWI North America Inc.	554	175	27,510
BWI Company Limited S.A.	3,215	2,639	5,256
BWI Poland Technologies Sp. z o.o.	2	–	–
	3,771	2,814	32,766
Amount due to holding companies:			
BeijingWest Industries Co., Ltd.	7,320	8,870	71,840
	7,320	8,870	71,840

Cash flow

The following table sets forth a condensed summary of the combined cash flow statements of the Target Company for the periods indicated:

	For the year ended December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from/used in operating activities	(21,697)	64,304	107,582
Net cash flows used in investing activities	(21,583)	(29,358)	(20,221)
Net cash flows used in financing activities	(67,996)	(25,605)	(12,768)
Net increases/(decreases) in cash and cash equivalents	(111,276)	9,341	74,593
Cash and cash equivalents at beginning of year/period	186,088	74,785	84,070
Effect of foreign exchange rate changes, net	(27)	(56)	230
Cash and cash equivalents at the end of year	74,785	84,070	158,893

Net cash from operating activities

For the year ended December 31, 2015, the net cash of the Target Company generated from operating activities was approximately RMB107.6 million, which was mainly attributable to the cash generated from operations of approximately RMB111.5 million, and partially offset by income tax paid of approximately RMB3.9 million. Operating cash flows before movements in working capital was approximately RMB94.5 million, which was primarily attributable to profit before tax of approximately RMB30.5 million after adjustment for (i) depreciation of property, plant and equipment amounting to approximately RMB41.6 million; (ii) amortization of intangible assets amounting to approximately RMB0.5 million; (iii) gain on disposal of property, plant and equipment amounting to approximately RMB0.8 million; (iv) finance costs amounting to approximately RMB12.6 million; (v) change of allowance for trade and bills receivables amounting to approximately RMB4.4 million; (vi) provision against obsolete inventories amounting to approximately RMB0.8 million; and (vii) provision of warranty amounting to approximately RMB4.8 million. Changes in working capital contributed to a cash inflow of approximately RMB17.0 million, which is primarily due to (i) the increase in trade and bills receivables of approximately RMB72.3 million, decrease in prepayments of approximately RMB1.0 million and decrease in deposits and other receivables of approximately RMB2.4 million; (ii) the increase in trade and bills payables of approximately RMB69.6 million, increase in other payables of approximately RMB46.4 million and increase in provision of warranty of approximately RMB0.3 million; and (iii) the increase in inventories of approximately RMB30.1 million.

For the year ended December 31, 2014, the net cash of the Target Company generated from operating activities was approximately RMB64.3 million, which was mainly attributable to the cash generated from operations of approximately RMB64.4 million, and partially offset by income tax paid of approximately RMB0.1 million. Operating cash flows before movements in working capital was approximately RMB92.7 million, which was primarily attributable to profit before tax of approximately RMB32.2 million after adjustment for (i) depreciation of property, plant and equipment amounting to approximately RMB43.9 million; (ii) amortization of intangible assets amounting to approximately RMB0.4 million; (iii) gain on disposal of property, plant and equipment amounting to approximately RMB1.3 million; (iv) finance costs amounting to approximately RMB14.8 million; (v) change of allowance for trade and bills receivables amounting to approximately RMB1.5 million; (vi) provision against obsolete inventories amounting to approximately RMB0.2 million; and (vii) provision of warranty amounting to approximately RMB3.9 million. Changes in working capital contributed to a cash outflow of approximately RMB28.4 million, which is primarily due to (i) increase in trade and bills receivables of approximately RMB84.1 million, decrease in prepayments of approximately RMB1.6 million and increase in deposits and other receivables of approximately RMB5.1 million; (ii) increase in trade and bills payables of approximately RMB65.9 million, increase in other payables of approximately RMB0.8 million and increase in provision of warranty of approximately RMB0.6 million; and (iii) increase in inventories of approximately RMB8.1 million.

For the year ended December 31, 2013, the net cash of the Target Company used in operating activities was approximately RMB21.7 million, which was mainly attributable to the cash used to operations of approximately RMB21.7 million. Operating cash flows before movements in working capital was approximately RMB72.9 million, which was primarily attributable to profit before tax of approximately RMB15 million after adjustment for (i) depreciation of property, plant and equipment amounting to approximately RMB37.1 million; (ii) amortization of intangible assets amounting to approximately RMB0.5 million; (iii) loss on disposal of property, plant and equipment amounting to approximately RMB2.3 million; (iv) finance costs amounting to approximately RMB15 million; (v) change of allowance for trade and bills receivables amounting to approximately RMB1.2 million; (vi) provision against obsolete inventories amounting to approximately RMB0.1 million; and (vii) provision of warranty amounting to approximately RMB1.7 million. Changes in working capital contributed to a cash outflow of approximately RMB94.6 million, which is primarily due to (i) increase in trade and bills receivables of approximately RMB71.2 million, decrease in prepayment of approximately RMB0.4 million and decrease in deposits and other receivables of approximately RMB0.8 million; (ii) decrease in trade and bills payables of approximately RMB19.1 million, increase in other payables of approximately RMB2.7 million, and decrease in provision of warranty of approximately RMB3.1 million; and (iii) the increase in inventories of approximately RMB5.1 million.

Net cash used in investing activities

For the year ended December 31, 2015, the net cash of the Target Company used in investing activities was approximately RMB20.2 million, primarily consisting of purchases of property, plant and equipment of approximately RMB22.2 million to cater to continued increasing operation and business development, and partially offset by proceeds from disposal of property, plant and equipment of approximately RMB2 million.

For the year ended December 31, 2014, the net cash of the Target Company used in investing activities was approximately RMB29.4 million, primarily consisting of purchases of property, plant and equipment of approximately RMB33.7 million to cater to continued increasing operation and business development, and partially offset by proceeds from disposal of items of property, plant and equipment of approximately RMB4.3 million.

For the year ended December 31, 2013, the net cash of the Target Company used in investing activities was approximately RMB21.6 million, primarily consisting of purchases of property, plant and equipment of approximately RMB22.2 million to cater to continued increasing operation and business development, and partially offset by proceeds from disposal of items of property, plant and equipment of approximately RMB0.6 million.

Net cash used in financing activities

For the year ended December 31, 2015, the net cash flows of the Target Company used in financing activities was approximately RMB12.8 million, attributable to (i) repayment of bank loans in the amount of RMB410 million; (ii) interest paid of approximately RMB12.8 million; and (iii) new borrowings in the amount of approximately RMB410 million raised to support the Target Company's capital expenditure and working capital.

For the year ended December 31, 2014, the net cash flows of the Target Company used in financing activities was approximately RMB25.6 million, attributable to (i) repayment of bank loans in the amount of RMB240 million; (ii) interest paid of approximately RMB14.8 million; and (iii) dividend paid of approximately RMB10.8 million, which is partially offset by new borrowing in the amount of approximately RMB240 million raised to support the Target Company's capital expenditure and working capital.

For the year ended December 31, 2013, the net cash flows of the Target Company used in financing activities was approximately RMB68 million, attributable to (i) repayment of bank loans in the amount of RMB240 million; (ii) interest paid of approximately RMB14.9 million; and (iii) dividend paid of approximately RMB53 million, which is partially offset by new borrowing in the amount of approximately RMB240 million raised to support the Target Company's capital expenditure and working capital.

Given the Target Company's current credit status and availability of current capital, the Directors believe that the Target Company will not encounter any major difficulties in obtaining new bank borrowings. The Target Company plans to fund its future business plans, capital expenditures and related expenses as described in this circular with cash from operating activities and through short-term indebtedness.

NET CURRENT ASSETS AND LIABILITIES

The following table sets forth a summary of the current assets and liabilities balances of the Target Company for the periods indicated:

	As of December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Inventories	79,680	87,541	117,197
Trade receivables	314,661	400,364	468,192
Prepayments, deposits and other receivables	12,665	16,125	13,772
Cash and cash equivalents	74,785	84,070	158,893
Total current assets	481,791	588,100	758,054

	As of December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Trade payables	273,336	339,746	409,534
Other payables and accruals	40,342	44,640	141,982
Bank borrowings	240,000	240,000	240,000
Tax payable	64	1,953	676
Provision	10,161	10,773	11,041
Total current liabilities	563,903	637,112	803,233
Net current liabilities	82,112	49,012	45,179

The Target Company had net current liabilities of approximately RMB82 million, RMB49 million and RMB45 million as of December 31, 2013, 2014 and 2015, respectively. The total current assets were approximately RMB482 million, RMB588 million and RMB758 million as of December 31, 2013, 2014 and 2015, respectively. The increase in current assets was primarily due to increases in (i) inventories; (ii) trade receivables; and (iii) cash and cash equivalents. The total current liabilities were approximately RMB564 million, RMB637 million and RMB803 million as of December 31, 2013, 2014 and 2015, respectively. The increase in total current liabilities from approximately RMB564 million as of December 31, 2013 to approximately RMB637 million as of December 31, 2014 was primarily due to increases in trade payables and tax payables as a result of increase in sales. The increase in total current liabilities from approximately RMB637 million as of December 31, 2014 to approximately RMB803 million as of December 31, 2015 was primarily attributable to (i) increases in trade payables; (ii) increase in other payables and accruals. In order to minimize risks related to net current liabilities, the Target Company has renewed certain bank loans by April 30, 2016.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Historical capital expenditures

The Target Company regularly makes capital expenditures to expand business and increase operating efficiency. The following table sets forth the Target Company's historical capital expenditures balances for the periods indicated:

	As of December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	217,190	203,925	183,294
Total	217,190	203,925	183,294

The capital expenditures incurred during the Track Record Period were primarily related to expenditure on factory space, machinery and equipment and tooling to meet the increased demand.

Capital commitments

The following table sets forth the capital commitments balance of the Target Company in respect of acquisition of plant and machinery for the periods indicated:

	As of December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for	12,253	9,611	24,223
Authorized, but not contracted for	0	0	0
Total	12,253	9,611	24,223

Operating lease arrangements

Operating lease payments represent rentals payable by the Target Company for property, plant and equipment. The Target Company leases property and plant under operating lease arrangements with lease term ranging from 1 year to 5 years. The table below sets forth commitment for future minimum lease payments balance under non-cancellable operating lease agreements for the periods indicated:

	As of December 31,		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	13,076	13,441	14,689
in the second to third years, inclusive	2,635	2,696	17,522
Total	15,711	16,137	32,211

INDEBTEDNESS

As of December 31, 2013, 2014, 2015 and April 30, 2016, the Target Company had total indebtedness of approximately RMB240 million, RMB240 million, RMB285 million and RMB285 million respectively.

The following table set out the indebtedness of the Target Company:

	As of December 31,			As of April 30,
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured and due within one year:				
Bank borrowings	240,000	240,000	240,000	240,000
Amount due to holding company	–	–	45,200	45,200
Total borrowings and payables	240,000	240,000	285,200	285,200

Save as aforesaid or as otherwise disclosed herein, and apart from intra-company liabilities, at the close of business on April 30, 2016, the Target Company did not have any loan capital issued or outstanding or agreed to be issued, term loans, bank overdrafts, liabilities under acceptances or acceptable credits, loans and other similar indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Bank borrowings

The Target Company had bank borrowings of approximately RMB240 million, RMB240 million, RMB240 million, and RMB240 million as of December 31, 2013, 2014, 2015 and April 30, 2016, respectively.

Contingent Liabilities

As of April 30, 2016, the Target Company did not have any contingent liabilities which represent guarantees provided by the Target Company to banks in relation to bank loans obtained by related parties.

Key financial ratios

The table below sets forth a summary of key financial ratios of the Target Company during the Track Record Period:

	For the year ended December 31,		
	2013	**2014**	**2015**
Financial Ratios			
Return on total equity	7.5%	19.5%	18.2%
Return on total assets	1.7%	4.0%	3.3%
Current ratio	85.4%	92.3%	94.4%
Quick ratio	71.3%	78.6%	79.8%
Gearing ratio	76.0%	76.0%	79.0%
Interest coverage ratio	2.0x	3.2x	3.4x

Return on total equity

Return on total equity increased from approximately 7.5% for the year ended December 31, 2013 to approximately 19.5% for the year ended December 31, 2014, which was mainly due to an increase in net profit of approximately RMB17.8 million from approximately RMB12.5 million for the year ended December 31, 2013 to RMB30.3 million for the year ended December 31, 2014, representing an increase of approximately 142.2%. The total equity of the Target Company increased from approximately RMB145.8 million for the year ended December 31, 2013 to approximately RMB165.2 million for the year ended December 31, 2014, representing approximately an increase of 13.4%.

Return on total equity decreased from approximately 19.5% for the year ended December 31, 2014 to approximately 18.2% for the year ended December 31, 2015, which was mainly due to a slightly decrease in net profit of approximately RMB1.7 million from approximately RMB30.3 million for the year ended December 31, 2014 to RMB28.6 million for the year ended December 31, 2015, representing an decrease of approximately 5.6%. The total equity of the Target Company decreased from approximately RMB165.2 million for the year ended December 31, 2014 to approximately RMB148.6 million for the year ended December 31, 2015, representing approximately a decrease of 10.1%.

Return on total assets

Return on total assets increased from approximately 1.7% for the year ended December 31, 2013 to approximately 4.0% for the year ended December 31, 2014, which was mainly due to an increase in net profit of approximately RMB17.8 million from approximately RMB12.5 million for the year ended December 31, 2013 to approximately RMB30.3 million for the year ended December 31, 2014, representing an increase of approximately 142.2%. The total assets of the Target Company increased from approximately RMB709.7 million for the year ended December 31, 2013 to approximately RMB802.3 million for the year ended December 31, 2014, representing an increase of approximately 13.1%.

Return on total assets decreased from approximately 4.0% for the year ended December 31, 2014 to approximately 3.3% for the year ended December 31, 2015, which was mainly due to a slightly decrease in net profit of approximately RMB1.7 million from approximately RMB30.3 million for the year ended December 31, 2014 to approximately RMB28.6 million for the year ended December 31, 2015, representing an decrease of approximately 5.6%. The total assets of the Target Company increased from approximately RMB802.3 million for the year ended December 31, 2014 to approximately RMB951.8 million for the year ended December 31, 2015, representing an increase of approximately 18.6%.

Current ratio

The current ratio increased from approximately 85.4% for the year ended December 31, 2013 to approximately 92.3% for the year ended December 31, 2014, primarily due to an increase in inventories, cash and cash equivalents and trade receivables in 2014. The current liabilities increased by approximately 13.0% as of December 31, 2014 compared with those as of December 31, 2013.

The current ratio increased from approximately 92.3% for the year ended December 31, 2014 to approximately 94.4% for the year ended December 31, 2015, primarily due to an increase in inventories, cash and cash equivalents and trade receivables in 2015. The current liabilities increased by approximately 26.1% for the year ended December 31, 2015 compared with those for the year ended December 31, 2014.

Quick ratio

The quick ratio increased from approximately 71.3% for the year ended December 31, 2013 to approximately 78.6% for the year ended December 31, 2014, primarily due to an increase in cash and cash equivalents and trade receivables of approximately 24.4% for the year ended December 31, 2014 compared to those for the year ended December 31, 2013, whereas the current liabilities was increased approximately 13.0% for the year ended December 31, 2014 compared with those for the year ended December 31, 2013.

The quick ratio increased from approximately 78.6% for the year ended December 31, 2014 to approximately 79.8% for the year ended December 31, 2015, primarily due to an increase in cash and cash equivalents and trade receivables of approximately 29.4% for the year ended December 31, 2015 compared to those for the year ended December 31, 2014, whereas the current liabilities was increased approximately 26.1% for the year ended December 31, 2015 compared with those for the year ended December 31, 2014.

Gearing ratio

The gearing ratio is approximately 76.0% for the year ended December 31, 2013 which is the same as that for the year ended December 31, 2014.

The gearing ratio increased from approximately 76.0% for the year ended December 31, 2014 to approximately 79.0% for the year ended December 31, 2015, primarily due to the increase in the net debt of the Target Company from approximately RMB524 million for the year ended December 31, 2014 to approximately RMB565 million for the year ended December 31, 2015, representing approximately 7.9% increase whereas total equity of the Target Company decreased from approximately RMB165.2 million for the year ended December 31, 2014 to approximately RMB148.6 million for the year ended December 31, 2015, representing approximately 10.1% decrease.

Interest coverage ratio

The interest coverage ratio increased from approximately 2 times for the year ended December 31, 2013 to approximately 3.2 times for the year ended December 31, 2014, primarily due to the increase in the profit before interest and tax from approximately RMB29.9 million for the year ended December 31, 2013 to approximately RMB47.1 million for the year ended December 31, 2014, representing an increase of approximately 57.4% whereas finance costs decreased from approximately RMB14.9 million for the year ended December 31, 2013 to approximately RMB14.8 million for the year ended December 31, 2014, representing an decrease of approximately 0.6%.

The interest coverage ratio increased from approximately 3.2 times for the year ended December 31, 2014 to approximately 3.4 times for the year ended December 31, 2015, primarily due to a slightly decrease in the profit before interest and tax from approximately RMB47.1 million for the year ended December 31, 2014 to approximately RMB43.2 million for the year ended December 31, 2015, representing a decrease of approximately 8.2% whereas finance costs decreased from approximately RMB14.8 million for the year ended December 31, 2014 to approximately RMB12.6 million for the year ended December 31, 015, representing an decrease of approximately 14.8%.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Target Company is exposed to various market risks in the normal course of its business, including foreign currency risk, credit risk and liquidity risk.

Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the relevant periods as below to a reasonably possible change in the United States dollar and Euro, with all other variables held constant, of the Target Company's profit before tax (due to changes in the fair value of monetary assets and liabilities). In the opinion of the directors, as the currency exposures arising from possible changes in other currencies will not have any significant financial impact on the Target Company's equity, the relative sensitivity is not disclosed.

Effects on profit before tax

	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in profit before tax For the year ended December 31, 2013	2014	2015
		RMB'000	*RMB'000*	*RMB'000*
If RMB weakens against USD	10%	(1,098)	84	(3,458)
If RMB strengthens against USD	(10%)	1,098	(84)	3,458
If RMB weakens against EUR	10%	(602)	(1,097)	(1,701)
If RMB strengthens against EUR	(10%)	602	1,097	1,701

Credit risk

The credit risk of the Target Company arises primarily from the outstanding trade and other receivables with customers. The Target Company faces concentration risk arising from major customers. The Target Company's single largest customer contributed to approximately 68.4%, 59.0% and 38.6% of total revenue for the years ended December 31, 2013, 2014 and 2015, respectively. Trade receivables from the largest customer accounted for approximately 40.2%, 26.7% and 21.6% of the total trade receivables of the Target Company for the years ended December 31, 2013, 2014 and 2015, respectively. However, the Target Company is not exposed to substantial credit risk in light of such situation because (i) the Target Company trades only with recognized and creditworthy parties; (ii) the Target Company's policy provides that customer who wish to trade on credit term shall be subject to credit verification procedures; and (iii) the Target Company monitors receivable balances on an ongoing basis.

DIVIDEND

The Target Company declared total dividends of approximately RMB53 million, approximately RMB10.8 million and RMB45.2 million to the shareholders as of December 31, 2013, 2014 and 2015 respectively. As of December 31, 2015, approximately RMB45.2 million of dividend payables has not been paid.

DISTRIBUTABLE RESERVES

As of December 31, 2015, the Target Company had approximately RMB28.6 million distributable reserves available for distribution to its shareholders.

I. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015

Financial information of the Group for the three years ended December 31, 2013, 2014 and 2015 are disclosed on pages 43 to 95 of the annual report of the Company for the year ended December 31, 2013, pages 58 to 138 of the annual report of the Company for the year ended December 31, 2014 and pages 55 to 138 of the annual report of the Company for the year ended December 31, 2015, all of which are published on the website of the Stock Exchange at http://www.hkexnews.hk/, and the website of the Company at http://www.bwi-intl.com.hk/. Quick links to the annual reports of the Company are set out below:

annual report of the Company for the year ended December 31, 2013:
http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0416/LTN20140416951.pdf

annual report of the Company for the year ended December 31, 2014:
http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0421/LTN20150421642.pdf

annual report of the Company for the year ended December 31, 2015:
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0419/LTN20160419347.pdf

II. INDEBTEDNESS

Borrowings

As at the close of business on April 30, 2016, being the latest practicable date for the purposes of ascertaining the indebtedness of the Enlarged Group prior to the printing of the circular, the Enlarged Group had total outstanding borrowings and payables of approximately HK$479.89 million, and details of which are set out below:

	HK$ million
Unsecured and due within one year:	
Amount due to holding companies	140.49
Loan from a holding company	0.44
Bank borrowings	338.96
Total borrowings and payables	479.89

For the purpose of the indebtedness statement as at April 30, 2016, foreign currency amounts have been translated into HK$ at the applicable exchange rates as at April 30, 2016 as adopted by the Company's management, which are as follows:

US$1=HK$7.7572
Euro1= HK$8.8824
RMB1=HK$1.1983

Save as disclosed above and otherwise mentioned in this circular, none of the members of the Enlarged Group had, at the close of business on April 30, 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, any outstanding mortgages, charges, debenture, loan capital issued and outstanding or agreed to be issued, bank loan and overdraft or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantee or other material contingent liabilities.

Contingent liabilities

At the close of business on April 30, 2016, the Enlarged Group had no material contingent liabilities.

Pledge of assets

As of April 30, 2016, there were no assets being pledged.

III. WORKING CAPITAL

After taking into account the Enlarged Group's internal resources, the presently available banking facilities and in the absence of unforeseen circumstances, the Directors are of the opinion that the Enlarged Group will have sufficient working capital to meet its present requirements for the next twelve months from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change to the financial or trading position of the Group since December 31, 2015, being the date to which the latest audited consolidated financial statement of the Company were published.

V. OUTLOOK AND PROSPECTS

During the year ended December 31, 2015, the business of the Group focuses on the design, manufacture and sale and trading of automotive controlled and passive suspension products in Europe.

The automobile industry has been increasingly characterized by the launching of new car models on a more frequent basis, continuous technological advancement, evolving industry standards and changing customer needs and preferences, all of which indicate a trend of shorter product life cycle. Overall market demand for cars may also be affected by factors such as global and regional economic market conditions and fuel price. These factors, which are beyond the Group's control, may affect the annual production of automobiles by passenger vehicle manufacturers, which may in turn affect the sales and profitability of the Group's products.

Although any prospective setback in the global economy growth is a concern to all industrial manufacturers, we are not aware of any observable softening in demand for the Group's products in Europe at the present time. In 2015, demand for new passenger cars was sustained in all major markets and posted growth, sales of the Group has been benefited from the increase in new passenger car registrations in the European region, which enables the Group to sustain a healthy cash position and maintain the gearing ratio at a low level. Even though the Group has been investing more on research and development when compared to prior year, which may adversely affect the profitability in short term, this ensures the Group to be able to cope with the change in technology and enhance its competitiveness in the market.

Based on this trend, the premium vehicle market in Europe is expected to continue growing in the coming years despite the uncertainty in the European economy. We believe that the technical expertise which the Group possesses, the long-term relationship developed with different premium vehicle manufacturers, as well as the understanding on the requirements of the premium vehicle manufacturers will enable us to capture market opportunities and develop controlled and passive suspension products that meet the technical requirements of the premium vehicle manufacturers. This provides a strong platform for the Group's long-term development.

Upon completion of the Transaction, the businesses of the Enlarged Group will comprise of automotive controlled and passive suspension products and brake products. This expanded scope will enable the Enlarged Group to provide a more extensive products mix to its customers, and it is expected that with the expanded products range that the Enlarged Group is capable to offer to its customers, the Enlarged Group will be able to capture new business and expand its market share in the automobile parts market in the PRC.

Going forward, the Company will also evaluate the operations and business structure of the Enlarged Group with a view of improving long-term profitability and shareholders' value, which may include acquisition or streamlining of operations as appropriate. The Company will continue to evaluate potential acquisitions opportunities to strengthen its revenue base and improve its profitability, the Enlarged Group will also enhance and streamline its existing business in order to ensure sustainable future development.

VI. OTHER INFORMATION

(a) Liquidity and Financial Resources

The Group has established a sound cash management system, including a dedicated cash management division for managing liquidity of the Group, and an accountability system under which each operating unit is responsible for its own cash flows. The Group generally finances operations and future plans with liquid funds from cash flows generated internally by operating activities and from banking facilities.

As at December 31, 2015, the Group's cash and cash equivalents were approximately HK$664.10 million, of which: HK$327.17 million were denominated in Euro, HK$25.82 million were denominated in US dollars, HK$284.32 million were denominated in HK dollars and HK$26.8 million were denominated in other currencies.

As at December 31, 2015, the Group's interest-bearing bank borrowings were approximately HK$57.20 million, of which: HK$50.63 million were denominated in US dollars and HK$6.57 million were denominated in Euro. Bank borrowings as at December 31, 2015 and those in corresponding period were charged at variable interest rate.

(b) Exchange Rate Fluctuations

The Group currently does not have a foreign currency hedging policy in respect of foreign assets and liabilities.

The Group's transactions are mainly denominated in the local currencies of the places of operation, which include PLN and GBP. Some transactions would also be denominated in EUR and US$. For the year ended December 31, 2015, the Group did not have any material foreign exchange exposure.

(c) Gearing Ratio

As of December 31, 2015, the Group's gearing ratio (calculated by net debt divided by equity plus net debt; net debt is calculated as the total of trade and bills payables, financial liabilities included in other payables and accruals, bank borrowings, less cash and cash equivalents) was approximately -1.67%.

(d) Employee and Remuneration Policy

As at December 31, 2015, the Group had a total of 745 full-time employees. For the year ended December 31, 2015, costs of employees, excluding Directors' emoluments, amounted to a total of HK$443.67 million. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and current market salary scale. The Group has adopted a mandatory provident fund scheme for retirement benefits of its employees in Hong Kong, and provides its employees in the PRC and other countries with welfare schemes as required by the applicable local laws and regulations.

(e) Material acquisitions by the Group

For the year ended December 31, 2015, the Company has not conducted any material acquisition.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed transaction might have affected the financial information of the Group. The proposed transaction includes (i) the Group acquires 30% of the existing registered capital of BWI (Shanghai) Co., Ltd. (the "**Target Company**") from BeijingWest Industries Co., Ltd. ("**BWI**") at an aggregate consideration of RMB52,000,000, and (ii) the Group contributes additional capital in the amount of RMB74,000,000 to increase the registered capital and capital reserve of the Target Company (the "**Transaction**").

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at December 31, 2015 are prepared based on the audited consolidated statement of financial position of the Group as at December 31, 2015 as extracted from the annual report of the Group for the year ended December 31, 2015, and the audited statement of financial position of the Target Company as at December 31, 2015 as extracted from the accountants' report set out in Appendix I to this circular under the basis as if the Transaction had been completed on December 31, 2015.

The unaudited pro forma financial information of the Enlarged Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position, of the Enlarged Group that would have been attained had the Transaction actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in the Company's 2015 annual report, the accountants' report on the Target Company as set out in Appendix I, the financial information of the Target Company as set out in Appendix II and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

As at December 31, 2015

	The Group As at December 31, 2015		The Target Company As at December 31, 2015	Pro forma combined	Pro forma adjustment		Pro forma Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(a)	*(b)*	*(b)*				
NON-CURRENT ASSETS							
Property, plant and equipment	272,258	183,294	218,908	491,166	–		491,166
Prepaid land lease payments	10,859	–	–	10,859	–		10,859
Other intangible assets	–	2,812	3,358	3,358	–		3,358
Goodwill	6,157	–	–	6,157	–		6,157
Deferred tax assets	29,484	7,659	9,147	38,631	–		38,631
Contract performance deposits	9,263	–	–	9,263	–		9,263
Investment in the Target Company	–	–	–	–	62,104	(c)	–
					88,378	(c)	
					(150,482)	(e)	
Total non-current assets	328,021	193,765	231,413	559,434	–		559,434
CURRENT ASSETS							
Inventories	154,872	117,197	139,968	294,840	–		294,840
Trade receivables	370,782	468,192	559,162	929,944	(34)	(f)	929,910
Prepayments, deposits and other receivables	123,576	13,772	16,448	140,024	–		140,024
Cash and cash equivalents	664,103	158,893	189,766	853,869	(62,104)	(c)	791,765
Total current assets	1,313,333	758,054	905,344	2,218,677	(62,138)		2,156,539
CURRENT LIABILITIES							
Trade payables	368,870	409,534	489,106	857,976	(34)	(f)	857,942
Other payables and accruals	300,753	141,982	169,570	470,323	1,642	(g)	471,965
Tax payable	8,166	676	807	8,973	–		8,973
Bank borrowings	57,201	240,000	286,632	343,833	–		343,833
Defined benefit obligations	829	–	–	829	–		829
Provision	33,112	11,041	13,186	46,298	–		46,298
Total current liabilities	768,931	803,233	959,301	1,728,232	1,608		1,729,840

	The Group As at December 31, 2015		The Target Company As at December 31, 2015	Pro forma combined	Pro forma adjustment		Pro forma Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(a)	*(b)*	*(b)*				
NET CURRENT ASSETS	544,402	(45,179)	(53,957)	490,445	(63,746)		426,699
TOTAL ASSETS LESS CURRENT LIABILITIES	872,423	148,586	177,456	1,049,879	(63,746)		986,133
NON-CURRENT LIABILITIES							
Defined benefit obligations	72,813	–	–	72,813	–		72,813
Deferred tax liabilities	9,325	–	–	9,325	–		9,325
Loan from a holding company	424	–	–	424	–		424
Total non-current liabilities	82,562	–	–	82,562	–		82,562
Net assets	789,861	148,586	177,456	967,317	(63,746)		903,571
EQUITY							
Issued capital	57,655	80,000	95,544	153,199	40,947	(c)	57,655
					(66,881)	(d)	
					(69,610)	(e)	
Reserves	732,206	68,586	81,912	814,118	47,431	(c)	715,657
					(63,378)	(d)	
					(65,965)	(e)	
					(14,907)	(e)	
					(1,642)	(g)	
Non-controlling Interest	–	–	–	–	130,259	(d)	130,259
Total equity	789,861	148,586	177,456	967,317	(63,746)		903,571

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(a) For the preparation of unaudited pro forma consolidated statement of financial position, the amounts are extracted from the annual report of the Company for the year ended December 31, 2015.

(b) The amounts are extracted from the accountants' report of the Target Company as set out in Appendix I to this circular.

(c) The adjustments represent the recognition of (i) consideration of HK$62,104,000 (RMB52 million) paid for the acquisition of 30% equity interest in the Target Company; and (ii) the additional capital contribution of HK$88,378,000 (RMB74 million) into the Target Company, as the investment cost in the Target Company.

The additional capital contribution of HK$88,378,000 (RMB74 million) will increase the registered capital of the Target Company by HK$40,947,000 (RMB34,286,000) to HK$136,491,000 (RMB114,286,000) and the reserves of the Target Company will increase by HK$47,431,000 (RMB39,714,000) to HK$129,343,000 (RMB108,300,000).

(d) The adjustment represents the recognition of non-controlling interest in the issued capital and reserves of the Target Company of HK$66,881,000 and HK$63,378,000 respectively, details as follows:

	The Target Company	**Attributable to non-controlling interest**
	HK$'000	*HK$'000*
	(I)	(I)@49%
Upon completion of the Transaction:		
Issued capital	136,491	66,881
Reserves	129,343	63,378
	265,834	130,259

(e) The adjustment represents the elimination of investment cost in the Target Company against the Target Company's issued capital and reserves attributable to the owner of the Company of HK$69,610,000 and HK$65,965,000 respectively, details as bellows:

	The Target Company	**Attributable to owner of the Company**
	HK$'000	*HK$'000*
	(I)	(I)@51%
Issued capital	136,491	69,610
Reserves	129,343	65,965
	265,834	135,575
Investment cost		150,482
Consolidation difference		14,907

As the Company and the Target Company are under the common control of BWI before and after the date of the Transaction, and that such control is not transitory, merger accounting is adopted in the preparation of the unaudited pro forma consolidated statement of financial position of the Enlarged Group, and the above consolidation difference is dealt with in the merger reserve of the Enlarged Group.

(f) The adjustment represents the eliminations of the intercompany balances between the Target Company and the Group as at December 31, 2015.

(g) The adjustment represents direct expenses incurred for the Transaction including financial adviser fees, legal fees, accountants fees, and other related expenses of approximately HK$1,642,000. The adjustment has no continuing effect to the Enlarged Group but is accrued in the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at December 31, 2015.

(h) The translation between HK$ and RMB had been made at the rate of RMB1 to HK$1.1943. No representation is made that HK$ have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rates or at all.

The following is the text of a report on the Enlarged Group prepared by Ernst & Young for the purpose of incorporation in this circular:

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

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June 1, 2016

To the Directors of BeijingWest Industries International Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of BeijingWest Industries international Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at December 31, 2015, and related notes as set out on pages 140 to 144 of the circular dated June 1, 2016 (the "**Circular**") issued by the Company (the "**Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in the section headed "Introduction" in Section A of appendix IV to the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the effect of the proposed acquisition of the 30% equity interest in BWI (Shanghai) Co., Ltd. (the "**Target Company**") and the contribution of additional capital of RMB74,000,000 to the Target Company (the "**Transaction**") on the Group's financial position as at December 31, 2015 as if the Transaction had taken place at December 31, 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Company's published annual report for the year ended December 31, 2015. Information about the Target Company's financial position has been extracted by the Directors from the Target Company's financial statements for the year ended December 31, 2015 (on which an accountants' report has been published in Appendix I to the Circular).

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the circular is solely to illustrate the impact of the Transaction on unadjusted financial information of the Group as if the Transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

(a) Interests of Directors in the shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, none of the Directors had any interests in the shares or underlying shares of the Company which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules.

As at the Latest Practicable Date, the following Directors had the following interests in the shares and/or underlying shares of Shougang Concord Grand (Group) Limited ("Shougang Grand"), an associated corporation (within the meaning of Part XV of the SFO) of the Company, as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in Shougang Grand			Interests as to % of the issued share capital of Shougang Grand as at the Latest Practicable Date
		Interests in shares	Derivative interests*	Total interests	
Li Shaofeng	Beneficial owner	–	11,000,000	11,000,000	0.41%
Tam King Ching, Kenny	Beneficial owner	–	2,286,000	2,286,000	0.08%
Yip Kin Man, Raymond	Beneficial owner	–	2,286,000	2,286,000	0.08%

* *The interests are unlisted physically settled options.*

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

(b) Interests of Directors in the assets of the Company

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had, since December 31, 2015, being the date of the latest published audited financial statements of the Company, been acquired or disposed of by, or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group.

(c) Interests of Directors in contracts

There is no contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date in which any Director is materially interested in and which is significant to the business of the Group.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, Shareholders (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO, or who was, directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name of Shareholder	**Capacity and nature of interest**	**Number of Shares/ Underlying Shares**	**As to an approximate percentage of the Company's issued share capital**	*Notes*
Shougang Corporation	Interest of controlled corporations	3,018,425,728	52.39%	1
Beijing Fangshan State-owned Assets Management Co., Ltd. ("**Beijing Fangshan**")	Interest of controlled corporations	3,018,425,728	52.39%	1
BWI	Interest of controlled corporations	3,018,425,728	52.39%	1
BWI Company Limited ("**BWI HK**")	Beneficial owner, Interest of a controlled corporation	3,018,425,728	52.39%	1
Success Arrive Limited ("**SAL**")	Beneficial owner	1,462,478,156	25.38%	1
Value Partners Group Limited ("**Value Partners**")	Interest of a controlled corporation	467,660,000	8.11%	2

Notes:

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

2. Value Partners indicated in its disclosure form dated September 4, 2015 (being the latest disclosure form filed up to the Latest Practicable Date) that as at September 1, 2015, 467,660,000 shares of the Company were held by Value Partners Limited. Value Partners Limited was a wholly-owned subsidiary of Value Partners Hong Kong Limited which in turn was wholly owned by Value Partners.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. Han Qing is the deputy general manager of Shougang Corporation. Mr. Han Qing, Mr. Jiang Yunan and Mr. Zhang Yaochun are directors of BWI, and Mr. Jiang Yunan is a director of BWI HK and SAL. Apart from that, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Enlarged Group which does not expire or which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING BUSINESS INTEREST OF DIRECTORS

Pursuant to Rule 8.10 of the Listing Rules, the following Directors have declared interests in the following businesses (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group during the year:

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Han Qing	BWI #	Sale of auto parts, machinery and equipment	Director
Jiang Yunan	BWI #	Sale of auto parts, machinery and equipment	Director
Zhang Yaochun	BWI #	Sale of auto parts, machinery and equipment	Director

Such businesses may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

6. LITIGATION

As of December 31, 2015, the Group has the following outstanding litigation: in December 2010, a court in the PRC had judged that various entities of Group were liable for the repayment of overdue finance lease obligations plus related overdue interest charges in respect of various finance lease agreements entered into between Norstar Automobile Industrial Holding Limited and a plaintiff which was guaranteed by certain entities of the Group. In the opinion of the Directors, the plaintiff's claims shall be dealt with in the manner stipulated under the terms of a scheme which was used to address the indebtedness of the Company and Norstar Automobile Industrial Holding Limited in 2013 and the Group's final restructuring as approved by the scheme which was completed in January 2014. The Directors understand that the plaintiff is in discussion with the administrator of the scheme to agree on the portion of secured liabilities in respect of such finance lease obligations to be borne by the scheme, or the portion of secured liabilities can be determined based on the value of the relevant leased assets to be recovered by the plaintiff. The remaining portion of such finance lease obligations shall be treated as unsecured liabilities which shall be settled by the scheme under pari passu terms with other creditors of the scheme. The relevant leased assets were already derecognised from the Group's financial statements in 2014. The Directors are of view that the above court judgment shall not have any material adverse effect on the Group and no provision was made in respect thereof in the Group's consolidated financial statements for the year ended December 31, 2015.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts have been entered into by the Enlarged Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular and are or may be material:

(a) The agreement for the sale and purchase of shares of BWI Europe Company Limited S.A. dated August 5, 2014 entered into between the Company, Billion Million (HK) Limited, BWI Company Limited and BWI.

(b) The placing agreement dated November 13, 2014 entered into between the Company, VMS Securities Limited and Oriental Patron Securities Limited in respect of the placing of 300,000,000 shares of the Company at the placing price of HK$0.33 per placing share.

(c) Mutual technical services agreement dated November 25, 2014 entered into between the Company and BWI in relation to the mutual provision of technical services.

(d) Parts and components purchase agreement dated November 25, 2014 entered into between the Company and BWI in relation to purchase of auto parts and components from BWI and/or its associates by BWI Europe Company Limited S.A. and its subsidiaries.

(e) Parts and components supply agreement dated November 25, 2014 entered into between the Company and BWI in relation to the supply of auto parts and components by BWI Europe Company Limited S.A. and its subsidiaries to BWI and/or its associates.

(f) Patent license agreement dated November 25, 2014 entered into between BWI and the Company in relation to the license of certain patents to BWI Europe Company Limited S.A. and its subsidiaries.

(g) Technology license agreement dated November 25, 2014 between BWI Poland Technologies sp. z o.o. and BWI North America Inc. as joint licensors and BWI as licensee in relation to the license of certain know hows to BWI.

(h) Trademarks license agreement dated November 25, 2014 between BWI as licensor and the Company as licensee in relation to the licensing of certain trademarks of BWI Group to BWI Europe Company Limited S.A. and its subsidiaries.

(i) The subscription agreement dated April 23, 2015 entered into between the Company and China Review Property Group Limited in respect of subscription of 100,000,000 shares of the Company at the subscription price of HK$0.38 per subscription share.

(j) The placing agreement dated April 24, 2015 entered into between the Company and Oriental Patron Securities Limited in respect of placing of 300,000,000 shares of the Company at the placing price of HK$0.38 per placing share.

(k) The placing agreement dated June 4, 2015 entered into between the Company and UOB Kay Hian (Hong Kong) Limited in respect of placing of 800,000,000 shares of the Company at the placing price of HK$0.50 per placing share.

8. EXPERTS AND CONSENT

The following are the qualifications of the experts who have been named in this circular or have given opinion or letter contained in this circular:

Name	Qualifications
Ernst & Young	Certified public accountants
Messis Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Ernst & Young and Messis Capital Limited have given and have not withdrawn their written consent to the issue of this circular with the inclusion therein of their letters and references to their names, in the form and context in which they are included.

As at the Latest Practicable Date, Ernst & Young and Messis Capital Limited did not have any shareholding in any member of the Enlarged Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any members of the Enlarged Group.

As at the Latest Practicable Date, Ernst & Young and Messis Capital Limited did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since December 31, 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. GENERAL

(a) The company secretary of the Company is Ms. Cheng Man Ching. Ms. Cheng is a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and as associate member of the Hong Kong Institute of Bankers.

(b) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The head office and principal place of business of the Company in Hong Kong is at Rooms 1005-06, 10th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

(d) The share registrar of the Company is Tricor Investor Services Limited.

(e) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Rooms 1005-06, 10th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM;

(a) the memorandum and articles of association of the Company;

(b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

(c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(e) the annual reports of the Company for the nine months period ended December 31, 2013 and for the years ended December 31, 2014 and 2015;

(f) the accountants' report on the Target Company, the text of which is set out in Appendix I to this circular;

(g) the accountants' report in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(h) the material contracts referred to in the section headed "Material Contracts" of this appendix;

(i) the written consents of the experts referred to in the section headed "Experts and Consents" of this appendix;

(j) the Agreement;

(k) the Technology Development Agreement; and

(l) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of BeijingWest Industries International Limited (the "**Company**") will be held at The Residence, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on June 29, 2016 (Wednesday) at 11:50 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the agreement dated April 15, 2016 (the "**Agreement**") entered into between Billion Million (HK) Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, BeijingWest Industries Co., Ltd. and BWI (Shanghai) Co., Ltd. (the "**Target Company**"), a copy of which is tabled at the meeting and marked "A" and initialed by the chairman of the meeting for identification purposes, pursuant to which the Purchaser will acquire 30% of the registered capital of the Target Company for a consideration of RMB52,000,000 and contribute additional capital in the amount of RMB74,000,000 to the Target Company, be and is hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated hereunder."

2. "**THAT**:

(a) the agreement dated April 15, 2016 (the "**Technology Development Agreement**") between BWI (Shanghai) Co., Ltd. (the "**Target Company**") and BWI North America Inc. ("**BWI North America**"), a copy of which is tabled at the meeting and marked "B" and initialed by the chairman of the meeting for identification purpose, pursuant to which the Target Company will from time to time engage BWI North America to carry out brake system product development work for a period of three financial years until December 31, 2018 (as further detailed in the circular of the Company dated June 1, 2016 (the "**Circular**")), be and is hereby approved, confirmed and ratified;

(b) the annual caps under the Technology Development Agreement as set out in the Circular for each of the three financial years ending December 31, 2018 be and are hereby approved and confirmed; and

(c) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated hereunder."

By order of the Board
BeijingWest Industries International Limited
Jiang Yunan
Managing Director

June 1, 2016

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.

3. In order to be valid, the form of proxy in the prescribed form together with a power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).

4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such an event, the form of proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

6. The register of members of the Company will be closed from Monday, June 27, 2016 to Wednesday, June 29, 2016 (both days inclusive) to determine the entitlement to attend and vote at the above meeting. During such period no transfer of shares of the Company will be registered. In order to quality for entitlement to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, June 24, 2016 for registration.