THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, 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, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for 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
DISPOSAL OF SHARES IN A SUBSIDIARY

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

MESSIS 大有融資

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 11 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Disposal is set out on pages 12 to 26 of this circular.

A notice convening the EGM to be held at Empire Grand Room, 1/F., Empire Hotel Hong Kong • Wan Chai, 33 Hennessy Road, Wan Chai, Hong Kong on Thursday, 26 July 2018 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding of the EGM (i.e. at or before 11:00 a.m. on Tuesday, 24 July 2018 (Hong Kong time)) or any adjournment thereof (as the case may be). 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 (as the case may be) should you so wish.

10 July 2018

CONTENTS

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

"Agreement"	the agreement dated 21 June 2018 between the Vendor and the Purchaser in respect of the Disposal;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of directors of the Company;
"BWI"	BeijingWest Industries Co., Ltd.* (北京京西重工有限公司), a company incorporated in the PRC, the holding company of the Purchaser and the controlling shareholder of the Company;
"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, 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 Disposal;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"continuing connected transactions"	has the meaning ascribed to it under the Listing Rules;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"Disposal"	the sale by the Vendor of the Sale Shares to the Purchaser;
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Disposal;
"Group"	the Company and its subsidiaries;
"HK$ or HKD"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;

"Independent Board Committee"	an independent committee of the Company whose members comprising all the independent non-executive Directors to advise the Independent Shareholders on the terms of the Disposal;
"Independent Financial Adviser"	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, and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Disposal;
"Independent Shareholders"	the Shareholders other than BWI and its associates;
"Latest Practicable Date"	9 July 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Purchaser"	BWI Company Limited (京西重工(香港)有限公司), a company incorporated in Hong Kong, and a wholly-owned subsidiary of BWI;
"PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, Macao Special Administrative Region of the People's Republic of China and Taiwan);
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Shares"	51% of the registered capital of the Target Company;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	shareholder(s) of the Company;
"Shougang Group"	Shougang Group Co., Ltd.* (首鋼集團有限公司), the holding company of BWI;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

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

Unless otherwise specified in this circular, translations of RMB into USD are made in this circular, for illustration only, at the rate of RMB6.6393 to USD1.00. No representation is made that any amounts in RMB or USD could have been or could be converted at that rate or at any other rate or at all.

* *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 *(Chairman)*
Mr. Chen Zhouping *(Managing Director)*
Mr. Li Shaofeng
Mr. Thomas P Gold

Non-executive Director:
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

10 July 2018

To: the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION AND NOTICE OF EGM

Reference is made to the announcement of the Company dated 21 June 2018. The purpose of this circular is to provide you with, among other things, (i) further information about the Agreement, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Disposal; and (iv) a notice of the EGM.

THE DISPOSAL

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

The principal terms of the Agreement are set out below:

Subject matter

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

Conditions

Completion will be upon the satisfaction of the following conditions:

(a) the board of directors of the Target Company having approved the transactions contemplated under the Agreement and BWI having waived its pre-emptive right to the Sale Shares;

(b) the parties having obtained their respective approvals for the execution of the Agreement;

(c) Shougang Group and the relevant State-owned Assets Supervision and Administrative Authority having approved the Disposal and completed the relevant procedures in compliance with applicable PRC laws; and

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

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

Consideration

The consideration for the Disposal is RMB132,300,000 (equivalent to approximately USD19,927,000), which was determined after arm's length negotiations between the parties with reference to, among other things, (i) the original investment amount paid by the Vendor for the Sale Shares; (ii) the current operations of the Target Company; and (iii) the business prospects of the Target Company.

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

Completion

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

Information on the Target Company

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

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

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

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

FINANCIAL EFFECTS TO THE GROUP AS A RESULT OF THE DISPOSAL

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

Earnings

The estimated net gain arising from the Disposal is expected to be approximately HK$78,331,000, such gain has been determined by reference to (i) the consideration of the Sale Shares; and (ii) the unaudited net asset value of the Target Company as at 31 May 2018. The actual gain to be recorded by Vendor can only be ascertained when the consolidated net asset value of the Target Company and the incidental transaction costs are determined upon Completion.

Assets and liabilities

Upon Completion, Target Company will cease to be a subsidiary of the Company and its financial results will not be consolidated into the Group's consolidated financial statements. Based on the unaudited financial information of the Target Company as at 31 May 2018 and assuming there are no substantial changes in the assets and liabilities of the Target Company until the date of Completion, upon Completion:

(i) the total assets of the Group is expected to increase due to the inclusion of the proceeds from the Disposal minus the total assets of the Target Company to be deconsolidated from the Group's consolidated financial statements, the transaction costs and adjustments made upon consolidation;

(ii) the total liabilities of the Group is expected to be reduced due to the total liabilities of the Target Company to be deconsolidated from the Group's consolidated financial statements; and

(iii) the net asset value of the Group is expected to increase thereafter.

REASONS FOR THE DISPOSAL

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

In 2016, the Group acquired 30% of the registered capital of the Target Company for RMB52,000,000 and contributed additional capital of RMB74,000,000 to the Target Company. Upon completion of the acquisition and the capital contribution, the Group held a 51% interest in the Target Company. The acquisition was made by the Company at that time with a view to enlarge the products mix of the Group into brake products and expand the Group's market share in automobile parts in the PRC. The Target Company primarily targeted domestic vehicle manufacturers in the PRC for the brake products manufactured by the Target Company.

Since gaining control of the Target Company, owing to changes in market conditions and consumers' demand which were not anticipated by the Directors at the time of the acquisition, the domestic vehicle manufacturers in the PRC have experienced severe competitions from import products from overseas manufacturers and joint venture automobile manufacturers, resulting in certain major customers of the Target Company postponed or reduced their purchases due to unsatisfactory sales performance of certain automobile models. The downturn in the sales has resulted in the Target Company recording operation loss in 2017. The Directors are of the view that the adverse market condition will continue with no sight of recovery in the near future.

As the Target Company is loss-making, the Directors initiated discussions with BWI, the controlling shareholder of the Company, on the proposal of disposing the 51% interests in the Target Company to BWI in May 2018. Given that BWI is interested in 49% of the Target Company and that the sale of the 51% interest of the Target Company to any other purchaser would not be in the interest of BWI, the consideration was finally determined after arm's length negotiation with reference to the Group's original investment costs in the Target Company. The Disposal will serve to streamline the Group's operation and enable the Group to focus on other sectors in the automobile parts and components market that offer a better return on investment.

As the Disposal is carried out after arm's length negotiation and on normal commercial terms, the Directors (including the independent non-executive Directors who have taken advice from the Independent Financial Adviser) are of the view that the Disposal is in the interest of the Company and the Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

There are currently certain transactions between the Target Company and BWI and/or its associates. Such transactions include purchase and sale of parts and components, licensing of technology and provision of technology development services. As BWI is the controlling shareholder of the Company, such transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Such transactions were being entered into to facilitate the transactions between the Target Company and BWI and/or its associates in their ordinary course of business in relation to the production of brake products. A brief summary of such continuing connected transactions is set out below:

(i) Parts and Components Supply Agreement

On 15 April 2016, the Target Company entered into an agreement (the "**Parts and Components Supply Agreement**") with BWI North America pursuant to which the Target Company agreed to sell auto parts and components and brake products to BWI North America subject to the annual caps of RMB3,500,000, RMB4,000,000 and RMB4,500,000 for the years ended 31 December 2016, 2017 and 2018, respectively. For the two years ended 31 December 2016 and 2017, parts and components sold by the Target Company to BWI North America under the Parts and Component Supply Agreement amounted to approximately RMB2,537,000 and RMB1,122,000, respectively.

(ii) Parts and Components Purchase Agreement

On 15 April 2016, the Target Company entered into an agreement (the "**Parts and Components Purchase Agreement**") with BWI pursuant to which the Target Company agreed to purchase auto parts and components from BWI and/or its associates subject to the annual caps of RMB7,000,000, RMB9,000,000 and RMB12,000,000 for the years ended 31 December 2016, 2017 and 2018, respectively. For the two years ended 31 December 2016 and 2017, parts and components purchased by the Target Company from BWI and/or its associates under the Parts and Component Purchase Agreement amounted to approximately RMB3,168,000 and RMB965,000, respectively.

(iii) Technology License Agreement

On 15 April 2016, the Target Company entered into an agreement (the "**Technology License Agreement**") (as amended by a supplemental agreement entered into between the parties on 22 December 2017) with BWI pursuant to which BWI agreed to grant a non-exclusive license to the Target Company for the Target Company to use certain patents, copyrights and technical information for the manufacturing and testing of brake systems. The annual caps for the license fee have been fixed at RMB30,000,000, RMB33,000,000 and RMB36,300,000 for the years ended 31

December 2016, 2017 and 2018, respectively. For the two years ended 31 December 2016 and 2017, license fees paid by the Target Company to BWI under the Technology License Agreement amounted to approximately RMB22,303,000 and RMB1,660,000, respectively.

(iv) Technology Development Agreement

On 15 April 2016, the Target Company entered into an agreement (the "**Technology Development Agreement**") with BWI North America pursuant to which the Target Company agreed to engage BWI North America to carry out product development work for its brake system for application in the vehicles of the Target Company's customers. The annual caps for the services fee have been fixed at RMB60,000,000, RMB66,000,000 and RMB73,000,000 for the years ended 31 December 2016, 2017 and 2018, respectively. For the two years ended 31 December 2016 and 2017, services fee paid by the Target Company to BWI North America under the Technology Development Agreement amounted to approximately RMB55,465,000 and RMB33,785,000, respectively.

As the Group will no longer hold any interest in the Target Company upon Completion, such transactions between the Target Company and BWI and/or its associates will cease to be continuing connected transactions of the Company upon Completion. As the Target Company will no longer be part of the Group upon Completion and that the brake products of the Target Company is distinctively different from the suspension products of the Group, the cessation of such continuing connected transactions will not have any impact or adverse effect on the operation of the Group.

LISTING RULES IMPLICATIONS

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

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

EGM

Set out on pages EGM-1 to EGM-2 is a notice convening the EGM to be held at Empire Grand Room, 1/F., Empire Hotel Hong Kong • Wan Chai, 33 Hennessy Road, Wan Chai, Hong Kong on Thursday, 26 July 2018 at 11:00 a.m. at which resolutions will be proposed to consider and, if thought fit, approve the Agreement and the transaction contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of 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. Voting on the proposed resolutions at the EGM will be taken by poll.

BWI is the controlling shareholder of the Company and is interested in 301,842,572 Shares, representing approximately 52.55% of the issued Share capital of the Company. The Purchaser is a subsidiary of BWI. Accordingly, BWI is deemed to be interested in the Agreement and the transaction contemplated thereunder and BWI and its associates will abstain from voting for the resolutions to be proposed at the EGM.

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

The Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Disposal. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATIONS

Your attention is drawn to the letter of recommendation from the Independent Board Committee to the Independent Shareholders set out on page 11 of this circular on the Independent Board Committee's recommendation to the Independent Shareholders on the terms of the Disposal.

Your attention is also drawn to the letter from the Independent Financial Adviser on pages 12 to 26 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Disposal.

The Board (including the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) considers that the terms of the Disposal are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Disposal.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

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

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the Disposal.

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)

10 July 2018

To: the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 10 July 2018 (the "**Circular**"), of which this letter forms part. Unless specific otherwise, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the members of the Independent Board Committee to advise you to whether, in our opinion, the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned. Messis Capital Limited (the "**Independent Financial Adviser**") has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 12 to 26 of the Circular. Your attention is also drawn to the "Letter from the Board" of the Circular and the additional information set out in the appendices to the Circular.

Having considered the terms of the Disposal and the advice from the Independent Financial Adviser, we consider that the terms of the Disposal are fair and reasonable as far as the Independent Shareholders are concerned and the terms of the Disposal are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Disposal.

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 Messis Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committee and the Independent Shareholders in respect of the Disposal.

MESSIS 大有融資

10 July 2018

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

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF SHARES IN A SUBSIDIARY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, 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 10 July 2018 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

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

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but are less than 75%, the Disposal constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. As the Purchaser is a wholly-owned subsidiary of BWI, and BWI is the controlling shareholder of the Company, the Purchaser is a connected person of the Company. Thus, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to the approval by the Independent Shareholders.

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

The Independent Board Committee (comprising all 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. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships with or interests in the Company and 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 or any other parties that could reasonably be regarded as relevant to our independence. During the last two years, we were appointed as an independent financial adviser to the independent board committee and independent shareholders of the Company for one occasion, details of which are set out in the circular of the Company dated 28 November 2016. We were also appointed to act as the independent financial adviser of Shougang Concord International Enterprises Company Limited (stock code: 697), a connected person of the Company, for one occasion as detailed in its circular dated 18 November 2016. Moreover, we were appointed as an independent financial adviser for Shougang Concord Grand (Group) Limited (stock code: 730), another connected person of the Company, for two occasions as detailed in its announcements dated 8 June 2018 and 13 June 2018. 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, or (iii) any core connected person of the Company or BWI within 2 years prior to 22 June 2018, 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 recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

The 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 Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 therein or the document misleading.

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 Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the Agreement and the transaction contemplated thereunder.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Agreement and the transaction 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

The Company was incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the design, research and development, manufacturing, sales and marketing of automobile controlled and passive suspension products for premium passenger vehicle manufacturers in Europe, and brake products in the PRC.

Historical financial performance of the Group

Set out below is a summary of the financial information of the Group for each of the two years ended 31 December 2016 and 2017, which is extracted from the Company's annual report for the year ended 31 December 2017 (the "**2017 Annual Report**").

	For the year ended 31 December	
	2016	**2017**
	(audited)	(audited)
	HK$'000	*HK$'000*
Revenue	**4,354,676**	**3,903,650**
– Manufacture and sales of automotive controlled and passive suspension products	2,638,960	2,778,200
– Manufacture and sales of brake products in PRC	1,575,200	948,860
– Provision of technical services – suspension products	119,170	148,710
– Provision of technical services – brake products	21,350	27,880
Gross profit	**926,605**	**747,219**
– Manufacture and sales of automotive controlled and passive suspension products, and provision of technical services in related products	664,520	636,790
– Manufacture and sales of brake products in the PRC, and provision of technical services in related products	262,090	110,430
Profit/(loss) for the year attributable to equity owners of the Company	**107,910**	**(8,572)**

As disclosed in the 2017 Annual Report, the revenue of the Group decreased from approximately HK$4,354.7 million for the year ended 31 December 2016 to approximately HK$3,903.7 million for the year ended 31 December 2017, representing a decrease of approximately 10.4%. Revenue from the manufacturing and sales of automotive controlled and passive suspension products increased by approximately 5.3% from approximately HK$2,639.0 million for the year ended 31 December 2016 to approximately HK$2,778.2 million for the year ended 31 December 2017, which was mainly because some models of suspension products at Luton plant boosted up the revenue and the new plant in the Czech Republic commenced its production and relevant revenue was recorded in the second quarter of year 2017. Despite the increase in revenue from the sales of automotive controlled and passive suspension products, revenue contributed from manufacturing and sales of brake products dropped significantly by approximately 39.8% from approximately HK$1,575.2 million to approximately HK$948.9 million. Such decrease was mainly due to certain major domestic vehicle manufacturers postponed or reduced their procurements of the products from the Group's plant in Shanghai as a result of unsatisfactory sales volume of certain of their automobile models.

Along with the decrease in revenue, the Group recorded a decrease in gross profit of approximately 19.4% to approximately HK$747.2 million for the year ended 31 December 2017. Such decrease was mainly due to (i) decrease in gross profit in automotive controlled and passive suspension products which was mainly attributable to change in products mix and the increase in raw materials price such as steel as well as the commencement stage of the Group's new plant in Czech Republic which dragged down the gross profit margin and (ii) the decrease in gross profit brake products due to decrease in revenue with reasons as mentioned above while these customers were of higher gross profit margin in general.

As a result of the foregoing, the Group recorded net loss of the year attributable to equity owners of the Company of approximately HK$8.6 million for the year ended 31 December 2017 as compared to a profit of approximately HK$107.9 million for the year ended 31 December 2016.

Financial position on the Group

Set out below is the summary of the financial position of the Group as at 31 December 2016 and 2017, which is extracted from the 2017 Annual Report.

	As at 31 December	
	2016	**2017**
	(audited)	(audited)
	HK$'000	*HK$'000*
Non-current assets	613,656	777,160
Current assets	1,840,602	2,038,568
Total assets	**2,454,258**	**2,815,728**
Non-current liabilities	88,123	110,917
Current liabilities	1,441,188	1,691,496
Total liabilities	**1,529,311**	**1,802,413**
Net assets	**924,947**	**1,013,315**

As at 31 December 2017, the Group recorded an increase in total assets from approximately HK$2,454.3 million as at 31 December 2016 to approximately HK$2,815.7 million as at 31 December 2017 which was mainly due to (i) increase in cash and cash equivalents as a result of net cash flow from financing activities and (ii) increase in property, plant and equipment. The total liabilities of the Group also increased from approximately HK$1,529.3 million as at 31 December 2016 to approximately HK$1,802.4 million as at 31 December 2017 which was mainly due to increase in bank borrowings. As a result of the foregoing, the Group's net asset value increased from approximately HK$924.9 million as at 31 December 2016 to approximately HK$1,013.3 million as at 31 December 2017.

2. Information on the Target Company

The Target Company is a limited liability company incorporated in the PRC in 2009 and is currently owned as to 51% by the Group and as to 49% by BWI. The Target Company is principally engaged in the design, research and development, manufacturing, marketing and sale of automobile brake products and the provision of related technical services in the PRC. The Target Company has a production plant in Shanghai, two branches in Liuzhou, one branch in Xiangtan, PRC and an office in Taiwan. The Target Company also holds 51% equity interest in a joint venture in Jintan Economic Development Zone, Jiangsu, PRC which is principally engaged in manufacturing and processing of automobile brake products. As advised by the Directors, this joint venture was newly established in April 2018 and it had minimal operations as at the Latest Practicable Date.

Set out below is the summary of the audited financial information of the Target Company for the two years ended 31 December 2016 and 2017, which was prepared under the China Accounting Standards for Business Enterprises:

	For the year ended 31 December	
	2016	**2017**
	(audited)	(audited)
	RMB'000	*RMB'000*
Revenue	1,377,507	864,932
Operating profit/(loss)	26,786	(53,116)
Net profit/(loss) after tax	31,783	(40,597)

	As at 31 December	
	2016	**2017**
	(audited)	(audited)
	RMB'000	*RMB'000*
Current assets	735,464	576,128
Non-current assets	206,114	203,406
Total assets	**941,578**	**779,534**
Current liabilities	712,236	585,155
Non-current liabilities	6,582	12,216
Total liabilities	**718,818**	**597,371**
Net current (liabilities)/assets	(9,027)	23,228
Net assets	**182,163**	**222,760**

The Target Company recorded a substantial decrease in revenue of approximately 37.2% from approximately RMB1,377.5 million for the year ended 31 December 2016 to approximately RMB864.9 million for the year ended 31 December 2017. As advised by the Directors, the decrease was mainly because of the severe competitions in the PRC vehicle market from import and joint venture products during 2017. Certain major domestic vehicle manufacturers postponed or reduced their procurements of the products from the Target Company due to unsatisfactory sales volume of certain of their automobile models, resulting in a significant decrease in demand for the brake products of the Target Company. The Target Company also recorded an operating loss of approximately RMB53.1 million for the year ended 31 December 2017 as compared to operating profit of approximately RMB26.8 million for the year ended 31 December 2016. Such turnaround from profit to loss was mainly attributable to (i) the decrease in revenue from major customers as mentioned above and (ii) decrease in gross profit margin while these major customers' products were of higher gross profit margin.

Based on the foregoing, the Target Company recorded a loss after tax of approximately RMB40.6 million for the year ended 31 December 2017 as compared to a profit for the year of approximately RMB31.8 million recorded for the year ended 31 December 2016.

As at 31 December 2017, the Target Company recorded decrease in total assets from approximately RMB941.6 million as at 31 December 2016 to approximately RMB779.5 million as at 31 December 2017 which was mainly due to (i) decrease in cash and cash equivalents as a result of net cash outflow from operating activities and (ii) decrease in inventories due to decrease in demand for brake products and thus lower inventory level was kept. The total liabilities of the Target Company also decreased from approximately RMB718.8 million as at 31 December 2016 to approximately RMB597.4 million as at 31 December 2017 which was mainly due to decrease in trade payables. As a result of the foregoing, the Target Company recorded a net current liabilities of approximately RMB9.0 million and net asset of approximately RMB182.2 million as at 31 December 2017 as compared to net current asset of approximately RMB23.2 million and net asset of approximately RMB222.8 million as at 31 December 2016. The unaudited net asset value of the Target Company was approximately RMB156.2 million as at 31 May 2018.

3. REASONS FOR THE DISPOSAL

In 2016, the Group acquired 30% of the registered capital of the Target Company for RMB52.0 million and contributed additional capital of RMB74.0 million to the Target Company. Since then, the Group held a 51% equity interest in the Target Company. As stated in the circular of the Company dated 1 June 2016 in relation to the acquisition of the Target Company, it was the Directors' expectations that the acquisition would be in line with the business strategy of the Group to create better return to the Shareholders and the Group's product offering would be enlarged.

As set out in the Letter from the Board, since gaining control of the Target Company, owing to changes in market conditions and consumers' demand which were not anticipated by the Directors at the time of the said acquisition, the domestic vehicle manufacturers in the PRC have experienced severe competitions from import products from overseas manufacturers and joint venture automobile manufacturers, resulting in certain major customers of the Target Company postponed or reduced their purchases due to unsatisfactory sales performance of certain automobile models. We have obtained and reviewed a list of top five customers of the Target Company for the two years ended 31 December 2017 and noted that the sales to such major customers reduced. The downturn in the sales has caused the Target Company to suffer an operation loss for the year ended 31 December 2017 despite the product offerings of the Group expanded after the Group acquired the Target Company in 2016. Based on the management account of the Target Company for the five months ended 31 May 2018, the Target Company was still at a loss making position. The Directors are of the view that the adverse market condition will continue with no sight of recovery in the near future.

According to the 2017 Annual Report, the Company will evaluate the Group's operation and business structure and properly conduct business optimisation to improve the synergistic effects and growth potential of businesses to keep creating better returns to shareholders. Despite the product offerings of the Group expanded, the Target Company was loss-making and the Directors consider that the benefits brought by the Target Company do not match the Directors' expectations by creating better returns to the Shareholders and the Disposal will serve to streamline the Group's operation and enable the Group to focus on other sectors in the automobile parts and components market that offer a better return on investment.

According to the 2017 Annual Report, the automobile consumption market in the PRC in 2017 was less robust than expected with obvious differentiation in respect of the performance of automobile manufacturers in the market. Certain major customers of the plant of the Group in Shanghai postponed or reduced their purchase due to the poor sales performance of certain automobile models. According to statistics published by China Association of Automobile Manufacturers[1], automobile sales in the PRC in 2017 amounted to approximately 28.9 million units with a growth rate of approximately 3.0% as compared to that in 2016. The growth rate is less robust than that in 2016 of approximately 13.7%. In addition, only approximately 43.9% of the automobiles were sold by domestic vehicle manufacturers while the rests are sold by overseas manufacturers and joint venture automobile manufacturers. Given the recent development in the market, the Directors believe that, the domestic vehicle manufacturers in the PRC were experiencing severe competitions mainly because of import products from overseas manufacturers and joint venture automobile manufacturers.

In addition, on 22 May 2018, the Customs Tariff Commission of the State Council of the PRC published the "Announcement on the Reduction of Import Tariffs on Automotive Vehicles and Parts" (《國務院關稅稅則委員會關於降低汽車整車及零部件進口關稅的公告》) which, among other, would reduce (a) tariff for qualifying vehicles from 20%-25% to 15%; and (b) auto parts tariff rates of 8% - 20% to 6%. Such reduction of tariff has been effective from 1 July 2018. As discussed with the management of the Company, it is expected the tariff cut would further intensify the competitions between (i) the domestic vehicle manufacturers (such as the major customers of the Target Company) and the overseas vehicle manufactures; and (ii) the domestic and overseas auto parts manufacturers. The reduction of import tariffs on vehicles may adversely impact the competitiveness of the domestic vehicle manufacturers (such as the major customers of the Target Company) which in turn would affect the volume of auto parts to be purchased from the Target Company. The reduction of import tariff on auto parts may also weaken the price competitiveness of auto parts domestic manufacturers (including the Target Company) as vehicle manufacturers may turn to purchase imported auto parts.

1 A social organisation founded in 1987 with the approval of the Ministry of Civil Affairs of the PRC which consisting of enterprises and institutions as well as organisations engaged in production and management of automobiles (motorcycles), auto parts and vehicle-related industries founded within the PRC and being one of the permanent and vice president members of the International Organisation of Motor Vehicle Manufacturers

With the implementation of the new policy, the Directors believe that the adverse market condition will continue with no sight of recovery in the near future. According to the management accounts of the Target Company available to us for the five months ended 31 May 2018, we noted that the Target Company was still at a net loss position for the five months ended 31 May 2018.

Having considered that (i) despite the product offering of the Group expanded, the Target Company was in a loss-making position of for the year ended 31 December 2017; (ii) the financial performance of the Target Company shows no sign of recovery with a net loss recorded for the five months ended 31 May 2018; (iii) the recent market condition (in particular following the implantation of the import tariff reductions as set out above) of domestic vehicle manufacturers and auto parts manufacturers is unfavourable; and (iv) the Company aims to keep creating better returns to the Shareholders by evaluating the Group's operation and business structure and properly conduct business optimization, we concur with the view of the Directors that the benefits brought by the Target Company do not match the Directors' initial expectations by creating better returns to the Shareholders and the prospects of the Target Company are uncertain and the Disposal is hence in the interests of the of the Company and the Shareholders as a whole.

4. Principal terms of the Agreement

Set out below is the principal terms of the Agreement:

Date: 21 June 2018

Parties:

(1) the Vendor, a wholly-owned subsidiary of the Company; and

(2) The Purchaser, a company incorporated in Hong Kong and is principally engaged in investment holding. The Purchaser is a wholly-owned subsidiary of BWI, the controlling shareholder of the Company and is a connected person of the Company.

Subject matter

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

Conditions

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

(a) the board of directors of the Target Company having approved the transactions contemplated under the Agreement and BWI having waived its pre-emptive right to the Sale Shares;

(b) the parties having obtained their respective approvals for the execution of the Agreement;

(c) Shougang Group and the relevant State-owned Assets Supervision and Administrative Authority having approved the Disposal and completed the relevant procedures in compliance with applicable PRC laws; and

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

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

Consideration

The consideration for the Disposal is RMB132,300,000 (equivalent to approximately USD19,927,000), which was determined after arm's length negotiations between the parties with reference to, among other things, (i) the original investment amount paid by the Vendor for the Sale Shares; (ii) the current operations of the Target Company; and (iii) the business prospects of the Target Company.

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

4.1 Evaluation on the consideration of the Disposal

To assess the fairness and reasonableness of the consideration of the Disposal, it is a general practice to apply commonly used benchmarks for evaluating the value of companies such as comparing the consideration with the earnings of a company. However, due to the loss-making financial performance of the Target Company for the year ended 31 December 2017, we consider that such analysis is not applicable. Alternatively, we have considered using the book value of the Target Company to compare with the consideration (the "**PB ratio**"). The 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 being engaged in the design, research and development, manufacturing, marketing and sale of automobile brakes products and the provision of related technical services, 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 in the PRC; and (ii) shares are listed on the Stock Exchange. Based on these criteria, we identified 9 comparable companies (the "**Comparables**") and consider the Comparables to be exhaustive for the purpose of drawing a meaningful comparison to the Target Company despite that the businesses, operations and prospects of the Company are not exactly the same as the subject companies of the Comparables. Summarised below is our relevant findings:

Company name (stock code)	Principal business	Market capitalisation[2]	Equity attributable to owners for the preceding financial year[2,3]	P/B ratio[5]
		approximate (i) HK$ (million)	*approximate (ii) HK$ (million)*	*approximate (iii)=(i)/(ii) times*
Xinchen China Power Holdings Limited (1148)	Development, manufacture and sales of automotive engines for passenger vehicles and light duty commercial vehicles	1,012.9	1,089.8	0.93
Nexteer Automotive Group Limited (1316)	Development, manufacturing, and provision of steering and driveline systems.	29,059.7	11,002.8	2.64
Wuling Motors Holdings Limited (305)	Automotive businesses	943.0	940.5	1.00
Zhejiang Prospect Company Limited – H Shares (8273)	Manufacture and sales of universal joints and automotive components for automobiles	90.4	117.0	0.77
Huazhong In –Vehicle Holdings Company Limited (6830)	Manufacture and sales of internal and external decorative and structural automobile parts, moulds and tooling casing and liquid tanks of air-conditioning or heater units and other non-automobile products	2,565.3	987.0	2.60

Company name (stock code)	Principal business	Market capitalisation[2] *approximate (i) HK$ (million)*	Equity attributable to owners for the preceding financial year[2,3] *approximate (ii) HK$ (million)*	P/B ratio[5] *approximate (iii)=(i)/(ii) times*
Zhejiang Shibao Company Limited – H Shares (1057)	Research, development, manufacture and sale of automotive steering products and key spare parts	3,292.5	1,780.0	1.85
China First Capital Group Limited (1269)[6]	Research and development, design, manufacturing and sales of automobile shock-absorbers	20,218.6	3,826.4	5.28
Launch Tech Company Limited (2488)	Provision of products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries	1,474.2	1,309.7	1.13
Minth Group Limited (425)	Design, manufacture and sales of auto trims, decorative parts, body structural parts and other related auto parts, such as roof racks, electric sliding door systems and electric door locks, and among others	38,353.9	14,621.8	2.62
Maximum				2.64
Minimum				0.77
Average				1.69

	Principal business	Consideration	Equity attributable to the Company[5]	P/B ratio[6]
		approximate	*approximate*	*approximate*
		(i) RMB (million)	*(ii) RMB (million)*	*(iii)=(i)/(ii) times*
The Target Company	Design, research and development, manufacturing, marketing and sale of automobile brake products and the provision of related technical services in the PRC.	132.3	92.9	1.42

Note:

(1) The market capitalisations are calculated based on their respective closing prices of the Comparables as stated in the website of the Stock Exchange (www.hkex.com.hk) on 21 June 2018, 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.

(2) The equities attributable to owners of the Comparables for the preceding financial years are extracted from the respective latest annual reports published.

(3) The figures (if applicable) are translated into HK$ at closing exchange rates of approximately RMB1: HK$1.2071 and USD1: HK$7.8456 as at 21 June 2018 as stated in the website of Bloomberg (www.bloomberg.com).

(4) The equity of the Target Company attributable to the Group is calculated based on the unaudited net asset value of the Target Company as at 31 May 2018 times the equity interests held by the Group (i.e. 51%)

(5) The P/B ratio of the consideration is calculated based on the consideration of RMB132,300,000 divided by equity of the Target Company attributable to the Group (i.e. 51%).

(6) The relevant information of China First Capital Group Limited (stock code: 1269) is excluded in our analysis due to the extremities in value.

As illustrated in the above table, the P/B ratios of the Comparables range from approximately 0.77 times to approximately 2.64 times and have an average of approximately 1.69 times (the relevant information of China First Capital Group Limited is excluded in our analysis due to the extremities in value). The P/B ratio of the consideration of the Disposal is approximately 1.42 times, which is within the range of those of the Comparables.

In addition to the above, we have also considered the following factors in assessing the fairness and reasonableness of the consideration:

(i) The Target Company recorded a turnaround from profit making for the year ended 31 December 2016 to loss-making for the year ended 31 December 2017 with reasons as discussed in the section "2. Information on the Target Company" above;

(ii) the financial performance of the Target Company shows no sign of recovery with a net loss recorded for the five months ended 31 May 2018;

(iii) the benefits brought by the Target Company do not match the Directors' expectations as the Target Company was loss making and cannot create better returns to the Shareholders;

(iv) severe competition between the domestic vehicle manufactures and overseas and joint venture vehicle manufacturers and it is expected such competition will further intensify upon implementation of the reduction of import tariffs on automotive vehicles and parts as discussed in the section "3. Reasons for the Disposal" above;

(v) subject to final audit, a gain arising from the Disposal amounting to approximately HK$78.3 million is expected to be realised by the Group;

(vi) the potential financial effect on the Group from the Disposal as discussed below in section headed "5. Potential Financial impact of the Disposal on the Group" below; and

(vii) Upon Completion, the Group will receive addition working capital for the future development into the Group's existing businesses and/or future expansions.

Based on our independent analysis as illustrated above, we concur with the view of the Directors that the benefits brought by the Disposal outweigh the benefits brought by the Target Company and terms of the Agreement are on normal commercial terms and the bases in determining the consideration is fair and reasonable so far as the Independent Shareholders are concerned.

5. Potential financial effects to the Group as a result of the Disposal

Effect on net asset value

The equity attributable to the equity holders of the Company as at 31 December 2017 was approximately HK$892.3 million. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the value of the Target Company will be derecognised from the consolidated statement of financial position of the Group. Given that the Group is expected to record a gain from the Disposal is approximately HK$78.3 million, it is expected that the net asset value of the Group will be enhanced upon the Completion.

Effect on earnings

The expected gain from the Disposal of approximately HK$78.3 million would have an immediate positive impact on the earnings of the Group. Moreover, given the recent loss-making position of the Target Company, the Group's profitability is expected to be improved upon Completion should the financial results of the Target Group are to be derecognised from the Group's financial statement upon Completion.

Effect on working capital

The net current assets of the Group as at 31 December 2017 amounted to approximately HK$347.1 million. As the consideration of the Disposal will be fully settled in cash, the working capital position of the Group will improve upon Completion. Moreover, as the Target Company was in a net current liabilities position as at 31 December 2017, it is expected that the financial position of the Group will be enhanced upon Completion.

Based on the above, we are of the view that the Disposal will not have any material adverse effect on the Group's earnings, net assets and working capital immediately upon Completion. It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon the Completion.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, although the Disposal is not conducted in the ordinary and usual course of the business of the Group, we consider that (i) the entering into the Agreement is in the interests of the Company and the Shareholders as a whole, and (ii) the terms of the Agreement and the transaction contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Agreement and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Vincent Cheung
Managing Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Messis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The published audited financial statements of the Group for each of the three years ended 31 December 2015, 2016 and 2017 were set out in the Company's annual reports for the each of three years ended 31 December 2015, 2016 and 2017, which can be accessed on the website of the Stock Exchange (www.hkexnews.hk), and the website of the Company (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 31 December 2015:
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0419/LTN20160419347.pdf

Annual report of the Company for the year ended 31 December 2016:
http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0412/LTN20170412498.pdf

Annual report of the Company for the year ended 31 December 2017:
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0409/LTN20180409935.pdf

2. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest audited financial statements of the Group were made up.

3. WORKING CAPITAL

Taking into account of the completion of the Disposal and the financial resources available to the Group, including the internally generated funds, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

4. INDEBTEDNESS

Borrowings

As at the close of business on 31 May 2018, being the latest practicable date for the purposes of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had total outstanding borrowings and payables of approximately HK$458.39 million, and details of which are set out below:

	HK$ million
Unsecured and due within one year:	
Bank borrowings *(Note)*	457.93
Unsecured and due after one year:	
Loan from a holding company	0.46
Total borrowings and payables	458.39

Note: Certain bank borrowings of the Group of HK$229.36 million out of the HK$457.93 million were supported by a letter of comfort issued by Shougang Group.

For the purpose of the indebtedness statement as at 31 May 2018, foreign currency amounts have been translated into HK$ at the applicable exchange rates as at 31 May 2018 as adopted by the Company's management, which are as follows:

USD1=HK$7.8435
Euro1= HK$9.1742
RMB1=HK$1.224
Polish Zloty1=HK$2.1230

Save as disclosed above and otherwise mentioned in this circular, none of the members of the Group had, at the close of business on 31 May 2018, 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 31 May 2018, the Group had no material contingent liabilities.

Pledge of assets

As of 31 May 2018, there were no assets of the Group being pledged.

5. FINANCIAL AND TRADING PROSPECT OF THE REMAINING GROUP

The Group is involved in the manufacture and sale of automotive parts and components and trading of automotive parts and components in Europe and the PRC.

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

The Group will keep moving forward and aim to maintain a solid and healthy growth and development. Despite the continued pricing pressure from customers and the increase in commodity prices, the Group is capable of maintaining its gross profit margin at a reasonable level. While the global automotive industry is still expected to maintain stable growth, the Group is confident that with new business awarded from previous years, it will be able to maintain a steady growth, and with the commencement of production of these new sales orders, the situation will be improved in the near future.

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

The Group believes that the continuing investment on research and development as well as engineering activities are vitally significant for the Group to maintain and improve its leadership position in the industry. These would contribute greatly to the improvement of the Group's competitiveness over other competitors.

Meanwhile, it keeps evolving in the automotive industry in accordance with changes of requirements from the customers. To keep pace with the customers, the Group will endeavor to collaborate closely with the vehicle manufacturers and develop innovative solutions to better serve its customers.

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

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 Company. 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. DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the Latest Practicable Date, none of the Directors, chief executive of the Company or their respective associates had any interests or short positions in the Shares, options, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

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 Shareholders	Capacity	Number of Shares/ underlying Shares (long position)	As to an approximate percentage of the Company's issued share capital	*Note*
BWI Company Limited	Beneficial owner	301,842,572	52.55%	1
BWI	Interest of controlled corporation	301,842,572	52.55%	1
北京房山國有資產經營有限責任公司 (Beijing Fangshan State-owned Assets Management Co. Ltd.*) ("Beijing Fangshan")	Interest of controlled corporation	301,842,572	52.55%	1
Shougang Group	Interest of controlled corporation	301,842,572	52.55%	1

Note:

* For identification purposes only.

1. BWI Company Limited was a wholly owned subsidiary of BWI. BWI was held as to 55.45% by Shougang Group and as to 44.55% by Beijing Fangshan. The interests held by BWI Company Limited, BWI, Shougang Group and Beijing Fangshan were the same block of shares of the Company.

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. Jiang Yunan, Mr. Chen Zhouping and Mr. Zhang Yaochun are directors of BWI, and Mr. Jiang Yunan and Mr. Chen Zhouping are directors of BWI Company Limited. Save as disclosed, 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 any existing or proposed service agreement with any member of the Group which will not expire or is not determinable within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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:

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
Jiang Yunan	BWI#	Sale of auto parts, machinery and equipment	Director
Chen Zhouping	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.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinion and advice which is included in this circular:

Name	Qualification
Messis Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

Messis Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, reports and/or summary of its opinions (as the case may be) and references to its name in the form and context in which they respectively appear herein.

As at the Latest Practicable Date, Messis Capital Limited was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and Messis Capital Limited did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2017 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. LITIGATION

As at the Latest Practicable Date, the Group had 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 a deconsolidated subsidiary of the Group 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 the Schemes (as defined in the Company's 2014 annual report) and the Group's final restructuring as approved by the Schemes which was completed in January 2014. The Directors understand that the plaintiff is in discussion with the administrator of the Schemes to agree on the portion of secured liabilities in respect of such finance lease obligations to be borne by the Schemes, 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 Schemes under pari passu terms with other creditors of the Schemes. The Directors are of view that the above court judgement 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.

Save as disclosed above, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

Save for the Agreement, the Group has not entered into any contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the date of this circular and are or may be material.

10. GENERAL

(a) The company secretary of the Company is Cheng Chun Shing, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales.

(b) The Company's Registrar and transfer office in Hong Kong is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of principal place of business of the Company at Rooms 1005-06, 10th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong during normal business hours of the Company, from the date of this circular up to and including 26 July 2018:

(a) the annual reports of the Company for the financial years ended 31 December 2015, 2016 and 2017;

(b) the written consent referred to in the section headed "Qualification and Consent of Expert" in this appendix;

(c) the articles of association of the Company;

(d) the Agreement; and

(e) 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 IS HEREBY GIVEN THAT an extraordinary general meeting (the "**Meeting**") of BeijingWest Industries International Limited (the "**Company"**) will be held at Empire Grand Room, 1/F., Empire Hotel Hong Kong • Wan Chai, 33 Hennessy Road, Wan Chai, Hong Kong on 26 July 2018 (Thursday) at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTION

1. "**THAT**

(a) the agreement dated 21 June 2018 (the "**Agreement**") entered into between Billion Million (HK) Limited (the "**Vendor**"), a wholly-owned subsidiary of the Company, and BWI Company Limited (the "**Purchaser**"), a copy of which is tabled at the meeting and marked "A" and initialed by the chairman of the meeting for identification purpose, pursuant to which the Vendor has conditionally agreed to sell 51% of the registered capital in BWI (Shanghai) Co., Ltd. to the Purchaser for a consideration of RMB132,300,000 (the "**Disposal**") 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 acts or things and to sign all such documents deemed necessary by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Agreement."

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

10 July 2018

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting convened by this notice shall be entitled to appoint one or more proxies to attend and vote in his stead in accordance with the articles of association of the Company. A proxy need not be a member of the Company but must be present in person to represent the member.

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 an 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 thereof, must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting (i.e. at or before 11:00 a.m. on Tuesday, 24 July 2018 (Hong Kong time)) 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 any adjournment 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. As at the date of this notice, the board of directors of the Company comprises Mr. Jiang Yunan (Chairman), Mr. Chen Zhouping (Managing Director), Mr. Li Shaofeng (Executive Director), Mr. Thomas P Gold (Executive Director), Mr. Zhang Yaochun (Non-executive Director), Mr. Tam King Ching, Kenny (Independent Non-executive Director), Mr. Leung Kai Cheung (Independent Non-executive Director) and Mr. Yip Kin Man, Raymond (Independent Non-executive Director).