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京西重工國際有限公司

BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2339)

REVISION OF EXISTING ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS

REVISION OF EXISTING ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement and the circular of the Company dated 7 November 2019 and 28 November 2019 respectively in relation to, among others, the Parts and Components Supply Agreement entered into between the Company and BWI on 7 November 2019 in respect of the Sales.

The Board anticipates that the existing annual cap of the Sales under the Parts and Components Supply Agreement for the financial year ending 31 December 2021 will not be sufficient to meet the demand of BWI and/or its associates. On 5 November 2021 (after trading hours), the Company entered into the Supplemental Agreement with BWI to revise the existing annual cap for the financial year ending 31 December 2021 from HK\$86.9 million to HK\$127.7 million. Save for the revision of the aforesaid existing annual cap for the financial year ending 31 December 2021, all other terms and conditions of the Parts and Components Supply Agreement shall remain unchanged.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BWI is interested in approximately 52.55% of the issued share capital of the Company and therefore is the controlling shareholder and a connected person of the Company. Accordingly, the transactions contemplated under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement) constitute continuing connected transactions for the Company under the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, the Company has to re-comply with the announcement and independent shareholders' approval requirements (as applicable) before the existing annual cap of the Parts and Components Supply Agreement is exceeded. As the applicable percentage ratios under the Listing Rules regarding the Revised Cap under the Supplemental Agreement are more than 5%, transactions contemplated under the Supplemental Agreement are subject to the reporting, announcement, the Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Revised Cap under the Supplemental Agreement.

Alpha Financial Group Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Revised Cap under the Supplemental Agreement.

A circular containing, among other things, (i) details of the Revised Cap under the Supplemental Agreement; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders on the Revised Cap under the Supplemental Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Revised Cap under the Supplemental Agreement; and (iv) the notice convening the EGM, will be dispatched to the Shareholders on or before 26 November 2021.

REVISION OF EXISTING ANNUAL CAP IN RESPECT OF THE PARTS AND COMPONENTS SUPPLY AGREEMENT

On 7 November 2019, the Company entered into the Parts and Components Supply Agreement with BWI in respect of the Sales for a fixed term of three financial years ending 31 December 2022. The Parts and Components Supply Agreement and the relevant annual caps for the three financial years ending 31 December 2022 were approved, confirmed and ratified by the Independent Shareholders at the extraordinary general meeting of the Company held on 17 December 2019.

The Company anticipates that the existing annual cap for the transactions under the Parts and Components Supply Agreement for the financial year ending 31 December 2021 will not be sufficient to meet the demand of BWI and/or its associates. On 5 November 2021 (after trading hours), the Company entered into the Supplemental Agreement with BWI to revise the existing annual cap for the financial year ending 31 December 2021. Save for the revision of the aforesaid existing annual cap for the financial year ending 31 December 2021, all other terms and conditions of the Parts and Components Supply Agreement shall remain unchanged. For the principal terms and conditions of the Parts and Components Supply Agreement, please refer to the circular of the Company dated 28 November 2019.

The Supplemental Agreement

Date: 5 November 2021

Parties: The Company
BWI

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

Subject matter: The existing annual cap under the Parts and Components Supply Agreement for the financial year ending 31 December 2021 is revised from HK\$86.9 million to HK\$127.7 million.

Save for the Revised Cap, all other terms and conditions of the Parts and Components Supply Agreement shall remain unchanged.

Condition: The Revised Cap under the Supplemental Agreement is subject to approval by the Independent Shareholders.

If the condition cannot be satisfied on or before 31 December 2021 or such other date the parties may agree in writing, the Supplemental Agreement shall not take effect.

Historical transaction amounts

On 7 November 2019, the Company and BWI entered into the Parts and Components Supply Agreement in respect of the Sales for a fixed term of three financial years ending 31 December 2022. The existing cap amount for the transactions contemplated under the Parts and Components Supply Agreement for each of the three financial years ending 31 December 2022 is as follows:

	For the financial year ending 31 December		
	2020	2021	2022
	<i>HKD' million</i>	<i>HKD' million</i>	<i>HKD' million</i>
Existing cap amount for the Sales	23.5	86.9	212.1

The actual amounts of the transactions took place under the Parts and Components Supply Agreement for the financial year ended 31 December 2020 and for the eight months ended 31 August 2021 are as follows:

	For the financial year ended 31 December 2020 HKD' million	For the eight months ended 31 August 2021 HKD' million
Actual amount of the Sales	13.5	69.4

Basis for the proposed Revised Cap

The Revised Cap was determined based on arm's length negotiations between the Company and BWI with reference to, among others:

- (i) the historical transaction amounts: from 1 January 2021 to 31 August 2021, the actual transaction amount for the transactions under the Parts and Components Supply Agreement was approximately HK\$69.4 million, representing approximately 79.9% of the existing annual cap for the year ending 31 December 2021; and
- (ii) the projected increase in sales by BWI and its associates, which will result in a corresponding increase in the Sales, and a buffer to cater for any unexpected increases in demand during the term of the Parts and Components Supply Agreement.

Reasons for and benefits of the revision of the existing annual cap

The Group is principally engaged in the manufacture, sale and trading of automotive parts and components, as well as provision of technical services. The Group has been supplying auto parts and components to BWI and/or its associates in the past.

As the Group received certain new production projects from BWI in 2021, it is expected that the projected increase in the Sales during the financial year ending 31 December 2021 would be higher than the originally estimated amount in 2019. Furthermore, BWI and/or its associates, as the purchaser under the Parts and Components Supply Agreement, has raised its orders from the Company during the eight months ended 31 August 2021 for certain parts and components for existing production projects for the purpose of managing its supply-chain risk arising from the supply-chain disruptions caused by the worldwide outbreak of novel coronavirus (COVID-19). As a result, the Sales during the aforesaid period recorded an unexpected rise.

In view of the above, the Group proposed to revise the existing annual cap of the Parts and Components Supply Agreement for the financial year ending 31 December 2021 from HK\$86.9 million to HK\$127.7 million to meet the demand of BWI and/or its associates. Save for the revision of the existing annual cap for the financial year ending 31 December 2021, all other terms and conditions of the Parts and Components Supply Agreement shall remain unchanged. There is no change to the existing annual cap for the year ending 31 December 2022.

The Directors believe that the entering into of the Supplemental Agreement to revise the relevant annual cap of the Parts and Components Supply Agreement would be beneficial to the Group for the following reasons:

- (i) the Sales under the Revised Cap will be carried out in the normal and ordinary course of business of the Group;
- (ii) the Sales under the Revised Cap will be conducted under arm's length basis, on normal commercial terms, and at competitive prices which are no less favourable to the Group than that of transactions with independent third parties; and
- (iii) the Sales under the Revised Cap will provide a stable stream of revenue for the Group.

Since the applicable ratios under the Listing Rules regarding the Revised Cap under the Supplemental Agreement are more than 5%, transactions contemplated under the Supplemental Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Group is principally engaged in the manufacture, sale and trading of automotive parts and components, as well as provision of technical services. As at the date of this announcement, BWI, through its wholly owned subsidiary, is interested as to approximately 52.55% of the issued share capital of the Company and is the controlling shareholder of the Company. Accordingly, BWI is a connected person of the Company and the transactions between the Group and BWI and/or its associates under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement) constitute continuing connected transactions for the Company under the Listing Rules.

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

At the Board meeting held to approve the Supplemental Agreement and the Revised Cap in relation thereto, Mr. Zhao Jiuliang, Mr. Chen Zhouping and Mr. Li Zhi, by virtue of their connection with BWI, have abstained from voting in respect of the resolution proposed to approve the Supplemental Agreement and the Revised Cap in relation thereto. The remaining Directors present at the Board meeting for approving the Supplemental Agreement and the Revised Cap in relation thereto are of the view that the Revised Cap under the Supplemental Agreement is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

As the applicable percentage ratios under the Listing Rules regarding the Revised Cap under the Supplemental Agreement are more than 5%, transactions contemplated under the Supplemental Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Revised Cap under the Supplemental Agreement. Alpha Financial Group Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Revised Cap under the Supplemental Agreement.

EXTRAORDINARY GENERAL MEETING

An EGM will be convened at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Supplemental Agreement and the Revised Cap in relation thereto. BWI and its associates will abstain from voting for the resolution to be proposed at the EGM to approve the Supplemental Agreement and the Revised Cap in relation thereto on a vote by way of poll. A circular containing, among others, (i) details of the Revised Cap under the Supplemental Agreement; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders on the Revised Cap under the Supplemental Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Revised Cap under the Supplemental Agreement; and (iv) the notice of the EGM will be dispatched to the Shareholders on or before 26 November 2021.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BWI”	BeijingWest Industries Co., Ltd.* (北京京西重工有限公司), a company incorporated in the PRC, a controlling shareholder of the Company
“BWI Group”	BWI and its subsidiaries (other than the Group) from time to time
“Company”	BeijingWest Industries International Limited (京西重工國際有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same 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 to approve the Supplemental Agreement and the Revised Cap in relation thereto, or any adjournment thereof
“Group”	the Company and its subsidiaries
“HKD” or “HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the 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 Revised Cap under the Supplemental Agreement
“Independent Financial Adviser”	Alpha Financial Group Limited, a corporation licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Cap under the Supplemental Agreement
“Independent Shareholders”	the Shareholders other than BWI and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parts and Components Supply Agreement”	the agreement dated 7 November 2019 entered into between the Company and BWI in relation to the supply of auto parts and components by the Group to BWI and/or its associates
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Revised Cap”	The new annual cap for the Sales of HK\$127.7 million for the financial year ending 31 December 2021, as revised by the Supplemental Agreement
“Sales”	The supply of auto parts and components, including automobile controlled and passive suspension products, and prototypes by the Company to BWI and/or its associates pursuant to the Parts and Components Supply Agreement
“Shareholders”	holders of the ordinary shares of HK\$0.1 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental Agreement” The supplemental agreement dated 5 November 2021 entered into between the Company and BWI for the purpose of revising the Parts and Components Supply Agreement

“%” per cent.

* *For identification purpose only*

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

5 November 2021

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