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

If you have sold or transferred all your shares in **BeijingWest Industries International Limited**, you should at once hand this circular and the accompanying 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 onward transmission to the purchaser or transferee.

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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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A letter from the Independent Board Committee including its recommendations to the Independent Shareholders is set out on page 12 of this circular, and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Revised Cap under the Supplemental Agreement is set out on pages 13 to 24 of this circular.

A notice convening the EGM of BeijingWest Industries International Limited to be held at 10:00 a.m. on Thursday, 9 December 2021 at Function rooms no. 1 and 2, The Executive Centre, Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong is set out on pages 30 to 31 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of BeijingWest Industries International Limited, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable but in any event not less than 48 hours before the time appointed for holding of the EGM (i.e. at or before 10:00 a.m. on Tuesday, 7 December 2021 (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

In view of the ongoing COVID-19 pandemic, the Company will take certain precautionary measures at the venue of the EGM to ensure the safety of attendees, including (but not limited to) compulsory body temperature check and compulsory wearing of face mask for each attendee. In addition, no refreshments will be served at the meeting. The Company reserves the right to deny admission to the meeting venue if any person does not comply with the precautionary measures to be taken at the meeting or such person is subject to any HKSAR Government prescribed quarantine. The Company also encourage the Shareholders to consider appointing the chairman of the meeting as its/his/her proxy to vote on the relevant resolution at the EGM as an alternative to attending the meeting in person.

23 November 2021

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DEFINITIONS

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

“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 (as the case may be)
“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, 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 SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Revised Cap under the Supplemental Agreement

DEFINITIONS

“Independent Shareholders”	the Shareholders other than BWI and its associates
“Latest Practicable Date”	19 November 2021, being the latest practicable date for the purpose of ascertaining certain information contained herein prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“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
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Sales”	The supply of auto parts and components, including automobile controlled and passive suspension products, and prototypes by the Group to BWI and/or its associates pursuant to the Parts and Components Supply Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.10 each in the share 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*

LETTER FROM THE BOARD



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. Zhao Jiuliang (*Chairman*)

Mr. Chen Zhouping (*Managing Director*)

Non-executive Director:

Mr. Li Zhi

Independent Non-executive Directors:

Mr. Tam King Ching, Kenny

Mr. Yip Kin Man, Raymond

Mr. Chan Pat Lam

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Principal Place of Business in Hong Kong:

Rooms 1005-06, 10th Floor

Harcourt House

39 Gloucester Road

Wanchai

Hong Kong

23 November 2021

To the Shareholders

Dear Sir or Madam,

**REVISION OF EXISTING ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 5 November 2021 in relation to the Supplemental Agreement entered into between the Company and BWI on 5 November 2021 in respect of the revision of the existing annual cap of the Parts and Components Supply Agreement for the financial year ending 31 December 2021.

LETTER FROM THE BOARD

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.

As at the Latest Practicable Date, BWI is interested in approximately 52.55% of the issued share capital of the Company, it is the controlling shareholder and a connected person of the Company. Accordingly, the 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.

The purpose of this circular is to provide you with information in respect of, 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.

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 forthwith determine and shall not take effect.

LETTER FROM THE BOARD

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	For the eight
	year ended	months ended
	31 December 2020	31 August 2021
	<i>HKD' million</i>	<i>HKD' million</i>
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 and the estimated orders to be placed by BWI and its associates multiplied by the estimated prices in accordance with the terms of the Parts and Component Supply Agreement, which will result in a corresponding increase in the Sales, and a buffer of 5% to cater for any unexpected increases in demand and fluctuations in exchange rates during the term of the Parts and Components Supply Agreement.

LETTER FROM THE BOARD

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 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. A buffer of 5% has been built in to cater for any changes in regional economic market conditions, fuel price and end customers' expectations on future economic situation and fluctuations in exchange rates. The buffer is being put in place to mitigate the burden of the Group to bear additional costs and also the time constraint to conduct any further revision to the relevant annual cap if the cap is exceeded for reasons beyond the control of the Company. 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. The Group has discussed with BWI and its associates about the estimated orders to be placed by BWI and its associates and the estimated prices in accordance with the terms of the Parts and Components Supply Agreement in order to assess the continuing connected transactions contemplated under the Parts and Components Supply Agreement for the year ending 31 December 2022. It is concluded that no change to the existing annual cap is needed for the year ending 31 December 2022 for the time being.

Although the supply of auto parts and components under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement) will engage certain production schedules of the Group which may be allocated to the production of products for independent third party customers, the arrangement for the supply of auto parts and components will continue as the overall capacity of the Group is sufficient to meet the demand of both BWI Group and the independent third party customers. The Supplemental Agreement was entered into to facilitate the continued supply of auto parts and components from the Group to BWI and/or its associates.

LETTER FROM THE BOARD

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.

PRICING POLICY

The Group will continue to follow the pricing policies for the Parts and Components Supply Agreement as stated in the announcement and the circular of the Company dated 7 November 2019 and 28 November 2019 respectively when conducting the transactions contemplated under the Revised Cap. The aforementioned policies are set out below for ease of reference.

The basis of determining the prices for the Sales is in accordance with the cost plus approach as the products are unique and tailor-made and there does not exist a prevailing market price for such products. The terms of the Parts and Components Supply Agreement were concluded after arm's length negotiations and were based on normal commercial terms in the parties' ordinary course of business. The margins for the Sales depend on the products and size of orders and was generally between approximately 5% to 20% which is determined based on (i) the level of value-added services and technical standards; and (ii) to the extent that the prices can satisfy the tax authorities of the countries of both the buying and selling sides that neither country is being cheated of tax revenue. The Company may supply parts and components with margin over 20%, if required, after taken into the aforesaid bases.

LETTER FROM THE BOARD

As the products to be sold to BWI and/or its associates are unique and tailor made, the Group will evaluate and assess the scope of the relevant order and prepare a detailed cost calculation by reference to cost of materials, products and labours, quotes of the Group to other independent third party customers and the level of profit margin of competitors of the Group in the market (if available) to ensure that the margins are set within the range or no less favourable to the margins of the other products, taken into account of the same percentage of completion level of the products, of the Group supplied to independent third party customers.

In addition, in order to ensure the margins for the supply of the auto parts and components under the Parts and Components Supply Agreement are within range or no less favourable to the margins of the other products of the Group, taken into account the quality and specifications of the product and order of comparable quantities, the Group's pricing policies for continuing connected transactions will be followed in that the margin of the product for a particular order will be compared against the historical margins of other products supplied by the Group to independent third party customers for the prior financial year (of which will be updated annually) before finalisation of the relevant quotation. The Group considers that such historical margins in the prior year provide a reasonably recent and relevant reference for the Group to set its pricing for the supply of the parts and components under the Parts and Components Supply Agreement. The finance departments of the subsidiaries of the Company will verify that the margins charged for the supply of auto parts and components under the Parts and Components Supply Agreement are in compliance with the terms of the agreement and the local tax reporting regulations and that the transactions are fair and reasonable.

As such, the Directors are of the view that the margins charged for the supply of the auto parts and components to be paid by BWI under the Parts and Components Supply Agreement, the methodology of which for determining the margins for the supply of the auto parts and components was endorsed by the relevant tax authorities, are fair and reasonable.

INTERNAL CONTROL MEASURES

The Company has adopted the following internal control measures to ensure that the continuing connected transactions are and will be conducted in accordance with the pricing policies and the terms of the Parts and Components Supply Agreement and in compliance with the Listing Rules:

- 1) the finance departments of the subsidiaries of the Company will verify that the margins charged for the supply of auto parts and components under the Parts and Components Supply Agreement are in compliance with the terms of the agreement and the local tax reporting regulations and that the transactions are fair and reasonable;

LETTER FROM THE BOARD

- 2) the finance department of the Company will review and monitor the continuing connected transactions between the Group and BWI on a regular basis to ensure that the pricing mechanism and the annual caps are in compliance with the terms of the Parts and Components Supply Agreement. If the actual transaction amount reaches certain threshold of the proposed annual caps of the relevant continuing connected transactions (i.e. 25% in the first quarter, 50% in the second quarter or 75% in the third quarter), or if the finance departments of the subsidiaries of the Company expect that the relevant business operations will expand and may use up a substantial part of the annual caps in short run, the matter shall promptly be escalated to the Board. The Board will assess if there is need to revise the existing annual caps, and if so, revise the annual caps in accordance with the relevant internal procedures of the Company and re-comply with the requirements under the Listing Rules. If it is contemplated that the relevant annual cap will be exceeded as a result of entering into any continuing connection transaction, such transaction will not be entered into until the Company has complied with the relevant requirements under the Listing Rules;
- 3) the Board will continue to periodically review the Company's internal control systems, including internal control measures on continuing connected transactions, and their effectiveness; and
- 4) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the continuing connected transactions and the relevant annual cap in accordance with the requirements 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 Latest Practicable Date, 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 Latest Practicable Date, BWI is held as to 55.45% by Shougang Group Co., Ltd. (首鋼集團有限公司) ("Shougang Group") 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) ("Beijing Fangshan"). Shougang Group is a state-owned enterprise established in the PRC on 13 May 1981 which is supervised by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會). Beijing Fangshan is a state-owned enterprise established in the PRC on 8 January 2008 which is supervised by the State-owned Assets Supervision and Administration Commission of the People's Government of the Fangshan District of Beijing Municipality (北京市房山區人民政府國有資產監督管理委員會). As set out in the website of Shougang Group, its business sectors include the iron and steel industry, provision of urban comprehensive service, provision of financial service, development of high-end industry comprehensive service park in Beijing, development and construction of co-development demonstration zone in Caofeidian, Hebei Province with local government

LETTER FROM THE BOARD

departments, development of international tourist city in Qinhuangdao, Hebei Province, as well as certain international businesses, including investment holdings, iron ore mining, financial services, management of private funds as well as management and operations of car parking assets etc. According to the information as disclosed in the National Enterprise Credit Information Publicity System, Beijing Fangshan is principally engaged in the sale of machinery and equipment as well as building materials, project investment, investment management, and sports project management.

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.

The 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.

EGM

The Company will convene the EGM at 10:00 a.m. on Thursday, 9 December 2021 at Function rooms no. 1 and 2, The Executive Centre, Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong to consider and if thought fit, approve the Supplemental Agreement and the Revised Cap in relation thereto. A notice of the EGM is set out on pages 30 to 31 of this circular. In accordance with the requirements of the Listing Rules, all votes to be taken at the EGM will be by poll.

As BWI is a party to the Supplemental Agreement, BWI and its associate(s) will be required to abstain from voting in the resolution to be proposed at the EGM to approve the Supplemental Agreement and the Revised Cap in relation thereto. As at Latest Practicable Date, BWI and its associate control or are entitled to control over the entire voting right in respect of 301,842,572 Shares, representing approximately 52.55% of the issued share capital of the Company. Thus, a total of 301,842,572 Shares (representing approximately 52.55% of the issued share capital of the Company) shall abstain from voting at the EGM.

LETTER FROM THE BOARD

A form of proxy for the EGM is enclosed herewith. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the EGM (i.e. at or before 10:00 a.m. on Tuesday, 7 December 2021 (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.

RECORD DATE

The record date (being the last date of registration of any transfer of Shares given there will be no closure of register of members) for determining the entitlement to attend and vote at the EGM is Friday, 3 December 2021. In order to qualify for the entitlement to attend and vote at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 3 December 2021 for registration.

RECOMMENDATIONS

On the basis of the information set out in this circular, the Directors (including the independent non-executive Directors) consider the Revised Cap under the Supplemental Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution proposed at the EGM.

FURTHER INFORMATION

Your attention is drawn to the other sections and appendix in this circular. You should consider carefully all the information set out in the circular before making a decision about the Supplemental Agreement and the Revised Cap in relation thereto.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendations, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the Revised Cap under the Supplemental Agreement.



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)

23 November 2021

To the Independent Shareholders

Dear Sir or Madam,

REVISION OF EXISTING ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 23 November 2021 (the “Circular”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the Revised Cap under the Supplemental Agreement is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Alpha Financial Group Limited as set out on pages 13 to 24 of the Circular and the letter from the Board as set out on pages 3 to 11 of the Circular.

Having considered the Revised Cap under the Supplemental Agreement, the situation of the Company, the factors and reasons considered by Alpha Financial Group Limited and its opinion as stated in its letter of advice, we consider that the Sales under the Revised Cap of the Supplemental Agreement are being carried out on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of which are fair and reasonable so far as the Independent Shareholders are concerned and the transactions are in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution proposed to approve the Supplemental Agreement and the Revised Cap in relation thereto.

Yours faithfully,

For and on behalf of

The Independent Board Committee of

BeijingWest Industries International Limited

Mr. Tam King Ching, Kenny

Mr. Yip Kin Man, Raymond

Mr. Chan Pat Lam

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the full text of a letter from Alpha Financial Group Limited, the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in the Circular.



Alpha Financial Group Limited

Room A, 17/F
Fortune House
61 Connaught Road Central
Central, Hong Kong

23 November 2021

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

Dear Sir/Madam,

REVISION OF EXISTING ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the revision of existing annual caps for continuing connected transactions, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular issued by the Company to the Shareholders dated 23 November 2021 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Alpha Financial Group Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to (i) give our recommendations as to whether the Revised Cap under the Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned; (ii) give our recommendations as to whether the Revised Cap under the Supplemental Agreement are in the interests of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Letter from the Board, 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 to meet the demand of BWI and/or its associates as 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.

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 RULE IMPLICATION

As at the Last Practicable Date, BWI, through its wholly owned subsidiary, 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.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Tam King Ching, Kenny, Mr. Yip Kin Man, Raymond and Mr. Chan Pat Lam, has been established to advise the Independent Shareholders on the Revised Cap under the Supplemental Agreement. We, Alpha Financial Group Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years, there have been no engagements between the Company and Alpha Financial Group Limited. As at the Latest Practicable Date, apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, there were no relationship or interests between (a) Alpha Financial Group Limited; and (b) the Company or any other parties that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Cap under the Supplemental Agreement as detailed in this circular.

BASIS OF ADVICE

In formulating our advice and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the management of the Company (the “Management”). We have assumed that all information, representations and opinions contained or referred to in the Circular which have been provided by the Company, the Directors and the Management, and for which they are solely and wholly responsible, were true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration in respect of the Revised Cap under the Supplemental Agreement, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS CONSIDERED

In arriving at our advice in relation to the Revised Cap under the Supplemental Agreement, we have taken into consideration the following factors:

1. Information on the parties

Information of the Group

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

Historical financial performance of the Group

Set out below are the highlights of the audited financial information of the Group for each of the two years ended 31 December 2019 and 2020 as extracted from the Company's annual report for the year ended 31 December 2020 (the "2020 Annual Report") and unaudited financial information of the Group for the six months ended 30 June 2020 and 2021 as extracted from the Company's interim report for the six months ended 30 June 2021 (the "2021 Interim Report"):

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the six months ended 30 June 2020	For the six months ended 30 June 2021
	<i>Approximate HK\$'000</i>	<i>Approximate HK\$'000</i>	<i>Approximate HK\$'000 (unaudited)</i>	<i>Approximate HK\$'000 (unaudited)</i>
Revenue	2,654,586	2,311,984	985,035	1,319,769
Gross profit	552,185	382,851	171,241	219,838
Profit/(loss) for the year/period attributable to owners of the Company	4,889	(51,544)	(44,582)	12,658

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December		As at 30 June
	2019	2020	2021
	<i>Approximate</i>	<i>Approximate</i>	<i>Approximate</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>
Current assets	1,058,747	1,203,346	1,113,497
Non-current assets	885,189	1,043,941	1,277,314
Total assets	1,943,936	2,247,287	2,390,811
Net current asset	427,076	341,697	373,609
Total liabilities	980,537	1,313,586	1,443,415
Equity attributable to owners of the Company	963,399	933,701	947,396

For the year ended 31 December 2020, the Group recorded revenue of HK\$2,122.23 million from manufacture and sales of suspension products. While for the year ended 31 December 2019, the Group recorded revenue of HK\$2,469.38 million from manufacture and sales of suspension products. The decrease in revenue for the year ended 31 December 2020 was mainly due to the disruption and temporary suspension of the operations of the Group's plants in the UK, Poland and the Czech Republic. In addition, the major customers of the Group are well-known European automobile manufacturers. They were also negatively affected by the worldwide outbreak of COVID-19 which then affected the sales of suspension products. The loss for the period attributable to owners of the Company approximate to HK\$51.54 million was mainly due to the decrease in revenue and gross profit as affected by the worldwide outbreak of COVID-19.

For the six months ended 30 June 2021, the Group recorded revenue of HK\$1,246.53 million from manufacture and sales of suspension products. While for the period ended 30 June 2020, the Group recorded revenue of HK\$909.64 million from manufacture and sales of suspension products. The increase in revenue for the period ended 30 June 2021 was mainly due to the COVID-19-related temporary suspension for the plants of the Group in 2020 where the plants returned to normal operations in the first half of 2021, partially offset by the shortage of semiconductors in the automotive industry which forced many automobile manufacturers announcing to cut production. For the six months ended 30 June 2021, profit for the period attributable to owners of the Company approximate to HK\$12.66 million, which was mainly due to the non-recurrence of the COVID-19-related temporary suspension for the plants of the Group in the first half of 2021.

The Group was operating in a net cash inflow position for the year ended 31 December 2020, in which net cash generate from operating activities amounted to HK\$157.27 million. As at 31 December 2020, the Group maintained cash and cash equivalents of HK\$424.11 million.

The Group was operating in a net cash outflow position for the six months ended 30 June 2021, in which net cash used in operating activities amounted to HK\$30.44 million. As at 30 June 2021, the Group maintained cash and cash equivalents of HK\$295.95 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Information of BWI Group

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 Latest Practicable Date, BWI is held as to 55.45% by Shougang Group Co., Ltd. (首鋼集團有限公司) (“Shougang Group”) 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) (“Beijing Fangshan”). Shougang Group is a state-owned enterprise established in the PRC on 13 May 1981 which is supervised by the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會). Beijing Fangshan is a state-owned enterprise established in the PRC on 8 January 2008 which is supervised by the State-owned Assets Supervision and Administration Commission of the People’s Government of the Fangshan District of Beijing Municipality (北京市房山區人民政府國有資產監督管理委員會). As set out in the website of Shougang Group, its business sectors include the iron and steel industry, provision of urban comprehensive service, provision of financial service, development of high-end industry comprehensive service park in Beijing, development and construction of co-development demonstration zone in Caofeidian, Hebei Province with local government departments, development of international tourist city in Qinhuangdao, Hebei Province, as well as certain international businesses, including investment holdings, iron ore mining, financial services, management of private funds as well as management and operations of car parking assets etc.. According to the information as disclosed in the National Enterprise Credit Information Publicity System, Beijing Fangshan is principally engaged in the sale of machinery and equipment as well as building materials, project investment, investment management, and sports project management.

2. Background of the Parts and Components Supply Agreement

Reference is made to the circular of the Company dated 28 November 2019 (the “Previous Circular”). The Board announced that on 7 November 2019, the Company entered into, among others, the Parts and Components Supply Agreement with BWI. Pursuant to which the parties to the Parts and Components Supply Agreement, the Group will supply auto parts and components, including automobile controlled and passive suspension products, and prototypes to BWI and/or its associates (the “Sales”) for a fixed term of three financial years ending 31 December 2022, subject to the relevant existing annual caps. The transactions contemplated under the Parts and Components Supply Agreement were approved by the then independent shareholders of the Company at the extraordinary general meeting of the Company held on 17 December 2019.

As set out in the Previous Circular, the Directors believe that the Parts and Components Supply Agreement would be beneficial to the Group for the following reasons:

- (i) the Sales will be carried out in the normal and ordinary course of business of the Group;
- (ii) the Sales 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 will provide a stable stream of revenue for the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For further details of the Parts and Components Supply Agreement, please refer to the Previous Circular.

3. Background and reasons for entering into the Supplemental Agreement

As set out in the Letter from the Board, 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 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.

Principal terms of the Supplemental Agreement

Date:	5 November 2021
Parties:	The Company BWI, 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 (the “Revised Cap”). 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 forthwith determine and shall not take effect.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, 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 continue to provide a stable stream of revenue for the Group.

4. The Revised Cap under the Supplemental Agreement

Historical transaction amounts

The actual amounts of the transactions took place under the Parts and Components Supply Agreement for the 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 HK\$' million	For the eight months ended 31 August 2021 HK\$' million
Actual amount of the Sales	13.5	69.4

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 and the Revised Cap for the transactions contemplated under the Parts and Components Supply Agreement (as amended by the Supplemental 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>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Existing cap amount	23.5	86.9	212.1
Revised Cap	Unchanged	127.7	Unchanged

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assessment of the Revised Cap

The Revised Cap for the Sales pursuant to the Supplemental Agreement for the year ending 31 December 2021 is HK\$127.7 million, which represented an increase of approximately 47.0% from the existing cap amount for the year ending 31 December 2021. As set out in the Letter from the Board, the Revised Cap have been determined based on (i) the actual amount of the Sales for the eight months ended 31 August 2021; and (ii) the projected increase in sales by BWI and its associates and the estimated orders to be placed by BWI and its associates multiplied by the estimated prices in accordance with the terms of the Parts and Components Supply Agreement, which will result in a corresponding increase in the Sales and a buffer of 5% to cater for any unexpected increases in demand and fluctuations in exchange rates for the year ending 31 December 2021.

In assessing the reasonableness of the Revised Cap, we have reviewed the relevant information provided by the Company and have discussed with the Management on the bases and assumptions of determining the Revised Cap and formed our opinion below.

We have reviewed the calculation of the Revised Cap and understood the Revised Cap was arrived at based on the factors mentioned above. According to the Management, as the Group received certain new production projects from BWI in 2021, it is expected that the projected increase in the Sales would be higher than the projected increase originally estimated 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 COVID-19, as advised by the management of the Company. Based on the information provided by the Group, the actual amount of the Sales for the eight months ended 31 August 2021 already amounted to approximately 79.9% of the existing cap amount for the Sales for the year ending 31 December 2021.

As discussed above, as (i) the Group received certain new production projects from BWI in 2021; and (ii) BWI has raised its orders 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 COVID-19, it is expected that the Sales will exceed the existing cap amount of HK\$86.9 million for the year ending 31 December 2021. We have further discussed with the Management and came to understand that the Revised Cap has taken into account of the expected transaction amounts between BWI and its associates and that of the Group's on supplying parts and components, based on the estimated demand from each individual plant of BWI and its associates of various parts and components from the Group for the period concerned.

Based on our review, we noted that according to pricing policy for the transactions contemplated under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement), the margins for the supply of products to BWI and/or its associates are set within the range of or no less favourable than the margins in respect of the other products supplied to independent customers for the prior financial year, which was unchanged from the Parts and Components Supply Agreement that was approved by the then independent shareholders of the Company at the extraordinary general meeting of the Company held on 17 December 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, the basis of determining the prices for the Sales is in accordance with the cost plus approach as the products are unique and tailor-made and there does not exist a prevailing market price of such products for comparison. In accessing the pricing terms under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement), we obtained (i) samples of purchase orders entered into between the Group as supplier, and other independent customers and also BWI and/or its associates as customers, where we noted the prices for the Sales to BWI and/or its associates reflected a comparable gross profit margin as compared to the prices to independent customers; and (ii) samples of the internal pricing approval of the Group for the Sales to BWI and/or its associates, where we noted that the prices for the Sales took into consideration of various factors, including production cost, logistics cost, with a reasonable gross profit margin. In addition, according to the information provided by the Company, the margins for the auto parts and components generally range from approximately 3% to 44% for the Sales during the eight months ended 31 August 2021, which was, in accordance with terms under the Parts and Components Supply Agreement, no less favourable than the margins in respect of other products supplied to the independent customers for the year ended 31 December 2020, whereas the payment terms are also generally no less favourable than those offered to independent customers.

As advised by the Management, such margins are also verified by the finance departments of the subsidiaries of the Company to ensure the compliance with the terms of the Parts and Components Supply Agreement (as amended by the Supplemental Agreement) and the local tax reporting regulations. The Management also advised that, in addition to the annual review by the independent non-executive Directors and confirmation by the auditors of the Company, the finance department of the Company also reviews and monitors the continuing connected transactions between the Group and BWI and/or its associates on a regular basis to ensure that the pricing mechanism and the annual caps are in compliance with the terms stipulated therein.

Further, we noted from the calculation of the Revised Cap that the Company has also included a buffer of 5% in the Revised Cap to cater for any unexpected increases in demand and fluctuations in exchange rates during the term of the Parts and Components Supply Agreement (as amended by the Supplemental Agreement). In respect of the buffer, we understand that (i) the transaction amounts rely on the overall market demand for cars, which may be affected by factors such as regional economic market conditions, fuel price and end customers' expectations on future economy situation and fluctuations in exchange rates, which are beyond the Group's control; and (ii) it may mitigate the burden of the Group to bear additional costs and also the time constraint to conduct any further revision of the relevant annual cap for the year ending 31 December 2021. As advised by the Management, the Sales are subject to foreign exchange differences arising from various currencies such as United States Dollar, Great British Pound Sterling, Euro and Polish Zloty, which some of them experienced fluctuations to a certain degree against HKD over the year ending 31 December 2021. In addition, it will be impracticable for the Company to further revise the Revised Cap should the need arise as it is approaching the end of the year ending 31 December 2021. Therefore, we consider such buffer of 5%, which was in line with the buffer as previously approved under existing annual cap of the Parts and Components Supply Agreement, to be acceptable for the purpose of determining the Revised Cap.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Although the supply of auto parts and components under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement) will engage certain production schedules of the Group which may be allocated to the production of products for independent third party customers, the management of the Company are of the view that the arrangement for the supply of auto parts and components will continue as the overall capacity of the Group is sufficient to meet the demand of both BWI Group and the independent third party customers. The Supplemental Agreement was entered into to facilitate the continued supply of auto parts and components from the Group to BWI and/or its associates.

Further, based on our discussion with the Management, we understand that the Parts and Components Supply Agreement (as amended by the Supplemental Agreement) would be beneficial to the Group as (i) the Sales will continue to be carried out in the normal and ordinary course of business of the Group; (ii) the Sales will continue to 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 will continue to provide a stable stream of revenue for the Group.

Taking into account the foregoing, we consider that the Revised Cap in respect of the transactions under the Supplemental Agreement are fair and reasonable so far as the Company and the Independent Shareholders concerned.

5. Annual review of the continuing connected transactions

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the value of the Sales must be restricted by the Revised Cap for the period concerned under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement); (ii) the terms of the transactions contemplated under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the transactions contemplated under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement) must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the transactions contemplated under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement) (i) has not been approved by the Board; (ii) was not, in all material respects, in accordance with the pricing policies of the Group; (iii) was not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) has exceeded the Revised Cap. In the event that the total amount of the transactions contemplated under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement) is anticipated to exceed the Revised Cap, or that there is any proposed material amendment to the terms of the transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction. Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the transactions contemplated under the Parts and Components Supply Agreement (as amended by the Supplemental Agreement) and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Further, we have reviewed the 2020 Annual Report and note that the independent non-executive Directors and the auditors have confirmed that the transactions contemplated under the Parts and Components Supply Agreement are, among others, on normal commercial terms and in accordance with the pricing policies of the Group.

RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, we are of the opinion that the Revised Cap under the Supplemental Agreement is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Supplemental Agreement and the Revised Cap in relation thereto.

Yours faithfully,
For and on behalf of
Alpha Financial Group Limited
Cheng Chi Ming, Andrew
Managing Director

Yours faithfully,
For and on behalf of
Alpha Financial Group Limited
Irene Ho
Vice President

Mr. Cheng Chi Ming, Andrew is the Managing Director of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheng has over 18 years of experience in the corporate finance industry in Hong Kong.

Ms. Irene Ho is the Vice President of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Ms. Ho has over 7 years of experience in the corporate finance industry in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS**(a) Interests of Directors in the shares, underlying shares and debentures of the Company**

As at the Latest Practicable Date, none of the Directors or chief executives of the Company, or their respective associates had any personal, family, corporate and other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Listing Rules.

(b) Interests of Directors in the assets of the Company

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had, since 31 December 2020, being the date of the latest published audited financial statements of the Company were made up, been 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.

(c) Interests of Directors in contracts

There is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested in and which is significant to the business of the Group.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, Shareholders (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of SFO, or who was, directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name of shareholders	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the issued share capital of the Company	Note
BWI Company Limited (“BWI HK”)	Beneficial owner	301,842,572	52.55%	1
BWI	Interests 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”)	Interests of controlled corporation	301,842,572	52.55%	1
首鋼集團有限公司(Shougang Group Co., Ltd.*) (“Shougang Group”)	Interests of controlled corporation	301,842,572	52.55%	1

* For identification purpose only

Note:

1. BWI HK 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 HK, 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. Zhao Jiuliang, Mr. Chen Zhouping and Mr. Li Zhi are directors of BWI and BWI HK. Apart from that, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

5. COMPETING BUSINESS INTEREST OF DIRECTORS

Pursuant to Rule 8.10 of the Listing Rules, the following Directors have declared interests in the following businesses (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group:

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	<i>Note</i>
Zhao Jiuliang	BWI	Sale of auto parts, machinery and equipment	Director	1
Chen Zhouping	BWI	Sale of auto parts, machinery and equipment	Director	1
Li Zhi	BWI	Sale of auto parts, machinery and equipment	Director	1

Note:

1. The relevant information is disclosed on a group basis. The businesses of such entity may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

6. MATERIAL ADVERSE CHANGE

Save as disclosed in the Company's announcement dated 20 August 2021, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Company were made up.

7. EXPERT AND CONSENT

The following are the qualifications of the expert who has been named in this circular or has given opinion or letter contained in this circular:

Name	Qualifications
Alpha Financial Group Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Alpha Financial Group Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 23 November 2021 and references to its name in the form and context in which they respectively appear herein.

As at the Latest Practicable Date, Alpha Financial Group 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 Alpha Financial Group Limited did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2020 (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. 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 54, 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.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bwi-intl.com.hk) from the date of this circular up to and including the date of the EGM:

- (a) the letter of recommendations from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (b) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;
- (c) the written consent of the expert referred to in the section headed "Expert and Consent" of this appendix;
- (d) the Supplemental Agreement; and
- (e) the Parts and Components Supply Agreement.

NOTICE OF EGM



京西重工國際有限公司

BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2339)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of BeijingWest Industries International Limited (the “Company”) will be held at Function rooms no. 1 and 2, The Executive Centre, Level 35, Two Pacific Place, No. 88 Queensway, Admiralty, Hong Kong on Thursday, 9 December 2021 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the supplemental agreement dated 5 November 2021 (the “Supplemental Agreement”) entered into between the Company and BeijingWest Industries Co., Ltd. (“BWI”), a controlling shareholder and a connected person of the Company, a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, (as further detailed in the circular of the Company dated 23 November 2021 (the “Circular”)), be and is hereby approved, confirmed and ratified;
- (b) the Revised Cap under the Supplemental Agreement as set out in the Circular for the financial year ending 31 December 2021 be and is hereby approved and confirmed; and
- (c) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents, including under seal of the Company, where applicable, and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effect to the Supplemental Agreement.”

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

23 November 2021

NOTICE OF EGM

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him/her 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 any officer, attorney or other person duly authorised to sign the same.
3. In order to be valid, the form of proxy in the prescribed form together with a power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the meeting (i.e. at or before 10:00 a.m. on Tuesday, 7 December 2021 (Hong Kong time)) or any adjournment thereof (as the case may be).
4. The record date (being the last date of registration of any transfer of Shares given there will be no closure of register of members) for determining the entitlement to attend and vote at the meeting is Friday, 3 December 2021. In order to qualify for the entitlement to attend and vote at the meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 3 December 2021 for registration.
5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such an event, the form of proxy shall be deemed to be revoked.
6. 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.
7. In case Typhoon Signal No. 8 or above is hoisted, or a Black Rainstorm Warning Signal or "extreme conditions" caused by super typhoons announced by the Government is/are in force in Hong Kong at or at any time after 6:00 a.m. on the date of the meeting, the meeting will be adjourned. The Company will post an announcement on the website of the Company (www.bwi-intl.com.hk) and the HKEXnews website (www.hkexnews.hk) to notify shareholders of the date, time and place of the adjourned meeting.
8. In light of the current outbreak of COVID-19, shareholders may consider appointing the chairman of the above meeting as its/his/her proxy to vote on the resolution, instead of attending the above meeting in person.
9. Due to the ongoing COVID-19 pandemic, the Company will take certain precautionary measures at the venue of the above meeting to ensure the safety of attendees, including (but not limited to) compulsory body temperature check and compulsory wearing of face mask for each attendee. In addition, no refreshments will be served at the meeting. The Company reserves the right to deny admission to the meeting venue if any person does not comply with the precautionary measures to be taken at the meeting or such person is subject to any HKSAR Government prescribed quarantine.