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## **Nexteer Automotive Group Limited**

### **耐世特汽車系統集團有限公司**

*(Incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock Code: 01316)**

#### **ANNOUNCEMENT REVISION OF THE EXISTING ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS BETWEEN THE GROUP AND YUBEI STEERING**

References are made to the announcements of the Company dated 29 December 2015 (as supplemented on 5 January 2016), 19 September 2016 and 23 September 2016 in respect of the continuing connected transactions between the Group and Yubei Steering under the Original Yubei Nomination Letters (as renewed by the Renewed Yubei Nomination Letters) (the “**Yubei Continuing Connected Transactions**”). The annual caps for the Yubei Continuing Connected Transactions for the years ending 31 December 2016, 2017, 2018 and the nine months ending 30 September 2019 are RMB96,798,000, RMB71,167,000, RMB23,239,000, RMB13,247,000, respectively (the “**Existing Annual Caps**”).

In compliance with the Listing Rules, the Company has been monitoring the Yubei Continuing Connected Transactions. The Directors expect that the Existing Annual Caps will not be sufficient for the Group’s requirements. The Board has therefore proposed to revise the Existing Annual Caps (the “**Revised Annual Caps**”).

As the applicable percentage ratios (other than the profit ratio) set out in Rule 14.07 of the Listing Rules in respect of the Revised Annual Caps for the Yubei Continuing Connected Transactions are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the Revised Annual Caps are subject to the reporting and announcement requirements, but are exempt from the circular and shareholders’ approval requirements.

## BACKGROUND

References are made to the announcements of the Company dated 29 December 2015 (as supplemented on 5 January 2016), 19 September 2016 and 23 September 2016 in respect of the Yubei Continuing Connected Transactions.

Pursuant to the Renewed Yubei Nomination Letters, the Group had agreed to acquire from Yubei Steering certain manual and hydraulic rack and pinion gears (“**Spare Parts**”) for a further term of three years from 19 September 2016 to 18 September 2019. The indicative unit price for each type of Spare Parts to be provided by Yubei Steering is set out in the Renewed Yubei Nomination Letters. Such unit price had been determined based on arms’ length negotiations between the parties and with reference to the price offered by independent similar suppliers. During the term of the Renewed Yubei Nomination Letters, quotations will be obtained from independent similar supplier(s) for manual gears of similar quantities and the Company’s internal sourcing council will be responsible for assessing and choosing the supplier offering the most competitive terms and conditions.

## HISTORICAL TRANSACTION FIGURES AND ANNUAL CAPS

The total amount paid by the Group to Yubei Steering in respect of the Yubei Continuing Connected Transactions, together with the relevant annual caps, are as follows:

<b>Period</b>	<b>Total amount paid by the Group to Yubei Steering (RMB)</b>	<b>Annual Caps (RMB)</b>
<b>For the year ended 31 December</b>		
2014	55,360,636	83,900,000
2015	120,807,322	130,000,000
<b>For the nine months ended 30 September</b>		
2016	73,077,710	81,500,000
<b>For the 10 months ended 31 October</b>		
2016	84,460,086	96,798,000 <sup>(1)</sup>

*Note:*

- <sup>(1)</sup> This is the annual cap for the year ending 31 December 2016 and is calculated by adding the annual cap for the nine months ended 30 September 2016 (which was RMB81,500,000) and the annual cap for the three months ending 31 December 2016 (which was RMB15,298,000).

## REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS

In compliance with the Listing Rules, the Company has been monitoring the Yubei Continuing Connected Transactions. The Directors expect that the Existing Annual Caps will not be sufficient for the Group's requirements as there was a significant increase in demand from one of the customers for the Group's products in September and October 2016. The increased demand was due to the Group's enhanced product competitiveness in pricing and quality (when compared to its competitors). The Group therefore intends to source for more Spare Parts from Yubei Steering to ensure the fulfillment of the customer's demand. The Directors expect that such increase in demand will continue through the remaining term of the Renewed Yubei Nomination Letters.

The Board has therefore proposed to revise the Existing Annual Caps with the Revised Annual Caps, details of which are as follows:

<b>Period</b>	<b>Existing Annual Caps (RMB)</b>	<b>Revised Annual Caps (RMB)</b>
<b>For the year ending 31 December</b>		
2016	96,798,000	121,537,000
2017	71,167,000	121,679,000
2018	23,239,000	87,780,000
<b>For the nine months ending 30 September</b>		
2019	13,247,000	61,272,000

As at the date of this announcement, the Company confirms that the Yubei Continuing Connected Transactions have not exceeded the relevant Existing Annual Caps.

In arriving at the Revised Annual Caps, the Directors have considered the following factors:

- i. expected growth in the demand for the Group's CEPS systems and hydraulic rack and pinion gears from the OEM customers based on their expected production volume of the relevant vehicles;
- ii. the indicative prices set out in the Renewed Yubei Nomination Letters; and
- iii. the estimated market demand for relevant vehicles according to an independent third-party industry forecast provider as reference.

The Directors (including the independent non-executive Directors) consider that the Yubei Continuing Connected Transactions are in the ordinary and usual course of business of the Group and on normal commercial terms and the Revised Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE COMPANY AND YUBEI STEERING**

The Group is one of the world's leading steering and driveline suppliers. The main scope of business of the Group includes designing, development, manufacturing and distributing steering and driveline systems and components, primarily for OEMs. The Group's steering system products include electric power steering, hydraulic power steering as well as steering columns and intermediate shafts and the Group's driveline system products include front wheel drive halfshafts, intermediate drive shafts and rear wheel drive halfshafts as well as propeller shaft joints.

Yubei Steering is principally engaged in the development and manufacture of power steering systems (including EPS systems). It focuses on the PRC domestic OEM applications for low-cost brush motor type EPS. It also has a large portfolio of traditional hydraulic steering system components (i.e. rack and pinion gears) which it primarily sells to domestic OEMs in the PRC.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Yubei Steering is indirectly held as to 49.93% by AVIC, one of the Company's substantial shareholders and controlling shareholders. As Yubei Steering is an associate of AVIC, pursuant to Chapter 14A of the Listing Rules, Yubei Steering is regarded as a connected person of the Company and the Yubei Continuing Connected Transactions constitute continuing connected transactions of the Group under the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, the Company is required to re-comply with the reporting and announcement requirements before the relevant Existing Annual Caps is exceeded.

As the applicable percentage ratios (other than the profit ratio) set out in Rule 14.07 of the Listing Rules in respect of the Revised Annual Caps for the Yubei Continuing Connected Transactions are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the Revised Annual Caps are subject to the reporting and announcement requirements, but are exempt from the circular and shareholders' approval requirements. The Yubei Continuing Connected Transactions are also subject to the annual review requirements set out in Rule 14A.55 and Rule 14A.56 of the Listing Rules.

None of the Directors have a material interest in the Yubei Continuing Connected Transactions, nor was any of the Directors required to abstain from voting on the Board resolutions approving the Revised Annual Caps.

## DEFINITIONS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following meaning:

“associate(s)”	shall have the meaning as ascribed to it under Listing Rules
“AVIC”	Aviation Industry Corporation of China* (中國航空工業集團公司), a state-owned limited liability company established in the PRC on 6 November 2008, one of the controlling shareholders of the Company
“Board”	the board of Directors
“CEPS”	an EPS system which integrates the system electronics (motor, controller and sensor) and the assist mechanism with the steering column
“Company”	Nexteer Automotive Group Limited, a company incorporated on 21 August 2012 as an exempted company with limited liability under the laws of the Cayman Islands which is listed on the Stock Exchange (Stock Code: 01316)
“connected person(s)”	shall have the meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EPS”	electric power steering, which uses an electric motor to assist driver steering
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nexteer Suzhou”	Nexteer Automotive (Suzhou) Co., Ltd.* (耐世特汽車系統(蘇州)有限公司), a limited liability company established in the PRC on 24 January 2007, which is an indirect wholly-owned subsidiary of the Company

“OEM”	original equipment manufacturer(s), generally referring to large automotive manufacturers that use OEM components in the production of cars, which is in line with standard industry practice
“Original Yubei Nomination Letters”	the four nomination letters issued by Nexteers Suzhou and accepted by Yubei Steering on 20 September 2013 for a term of three years from 20 September 2013 to 19 September 2016 in respect of the Yubei Continuing Connected Transactions
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Renewed Yubei Nomination Letters”	the four nomination letters issued by Nexteer Suzhou and accepted by Yubei Steering on 19 September 2016 for a term of three years from 19 September 2016 to 18 September 2019 (which may be further renewed for a period of three years by the parties subject to compliance with the Listing Rules) in respect of the Yubei Continuing Connected Transactions
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning as ascribed thereto under the Listing Rules
“Yubei Steering”	Yubei Steering Systems Co., Ltd.* (豫北轉向系統股份有限公司), a limited liability company established in the PRC on 15 March 2007
“%”	per cent

\* denotes an English translation of a Chinese name and is for identification purposes only

By order of the Board  
**Nexteer Automotive Group Limited**  
**Guibin ZHAO**  
*Chairman*

Hong Kong, 28 November 2016

*As of the date of this announcement, the Company’s executive Directors are Mr. Guibin ZHAO, Mr. Michael Paul RICHARDSON and Mr. Yi FAN, the non-executive Directors are Mr. Daen LU and Mr. Xiaobo WANG, and the independent non-executive Directors are Mr. Hing Lun TSANG, Mr. Jianjun LIU and Mr. Kevin Cheng WEI.*