

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 CONTINUING CONNECTED TRANSACTIONS

Reference is made to the prospectus of the Company dated 24 September 2013 (“**Prospectus**”) in relation to the continuing connected transactions between the Group and Yubei Steering under the Yubei Nomination Letters (the “**Yubei Transactions**”). As disclosed in the Prospectus, the Yubei Nomination Letters will end on 19 September 2016 and the annual caps will expire on 31 December 2015. The Group intends to commence discussion and negotiation with Yubei Steering to enter into new nomination letters in or around August 2016. As the annual cap for the Yubei Transactions for the year ending 31 December 2015 has been exceeded, the Group is proposing to set a revised annual cap for the year ending 31 December 2015 and a new annual cap for the nine months ending 30 September 2016 (collectively, the “**New Annual Caps**”).

As at the date of this announcement, Yubei Steering is indirectly held as to 49.93% by AVIC, one of the Company’s 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 Transactions constitute continuing connected transactions of the Group under the Listing Rules.

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

BACKGROUND

Reference is made to the Prospectus in relation to the Yubei Transactions. As disclosed in the Prospectus, the Yubei Nomination Letters will end on 19 September 2016 and the annual caps will expire on 31 December 2015. The Group intends to commence discussion and negotiation with Yubei Steering to enter into new nomination letters in or around August 2016. As the annual cap for the Yubei Transactions for the year ending 31 December 2015 has been exceeded, the Group is proposing to set a revised annual cap for the year ending 31 December 2015 and a new annual cap for the nine months ending 30 September 2016.

HISTORICAL TRANSACTION FIGURES AND PROPOSED CAPS OF THE YUBEI TRANSACTIONS

The total amount paid by the Group to Yubei Steering under the Yubei Nomination Letters, together with the relevant annual caps, are as follows:

	Total amount paid by the Group to Yubei Steering at year end (RMB)	Existing annual cap amounts (RMB)
For the year ended 31 December		
2013	5,018,175	11,700,000
2014	55,360,636	83,900,000
For the nine months ended 30 September		
2015	74,109,269	86,100,000

THE NEW ANNUAL CAPS

Having considered the internal estimates and the historical transaction amounts, the Directors have proposed the following New Annual Caps:

Period	New Annual Caps (RMB)
For the year ending 31 December 2015	130,000,000
For the nine months ending 30 September 2016	81,500,000

In arriving at the New Annual Caps for the Yubei Transactions, 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 Yubei Nomination Letters; (iii) the estimated growth in the Group's production capacity and volume in response to the increase in sales demand; and (iv) the estimated market demand for relevant vehicles according to an independent third-party industry forecast provider as reference.

At the time of preparing the Prospectus, the Group had not commenced the production of the parts for SGMW. In arriving at the annual caps for each of the years ended 31 December 2013, 2014 and 2015, the Board had factored in the anticipated growth in demand from SGMW. However, the demand from SGMW has continued to grow aggressively over the years. For each of the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015, the revenue of the Group from sale of the parts to SGMW was RMB21,131,005, RMB610,943,497 and RMB1,004,340,624, respectively. The aggressive growth in demand from SGMW has eventually led to the annual cap for the year ending 2015 being exceeded. As a result of the foregoing, the Directors are proposing a revised annual cap of RMB130,000,000 for the year ending 31 December 2015.

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 distribution of 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 manufacturing 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.

REASONS FOR AND BENEFITS OF THE YUBEI TRANSACTIONS

The Company considers it is in the interest of the Group to continue the Yubei Transactions on the basis of (1) the long-standing and stable business relationship between Yubei Steering and the Group; and (2) the mutual understanding of the business needs and capabilities to supply certain manual and hydraulic rack and pinion gears required for production use.

The terms of the Yubei Nomination Letters were negotiated by the parties based on arm's length negotiations. The Directors (including the independent non-executive Directors) are of the view that:

- i. the Yubei Nomination Letters were entered into in the ordinary and usual course of business of the Company;
- ii. the terms of the Yubei Nomination Letters are on normal commercial terms (or terms no less favourable to the Company than terms available from independent third parties) which are fair and reasonable and in the interests of the Company and the shareholders as a whole; and
- iii. the amount of the New Annual Caps are fair and reasonable.

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 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 Transactions constitute continuing connected transactions of the Group under the Listing Rules.

As the applicable percentage ratios (other than the profit ratio) set out in Rule 14.07 of the Listing Rules in respect of the New Annual Caps under the Yubei Nomination Letters are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the Yubei Transactions are subject to the reporting, and announcement requirements, but are exempt from the circular and shareholders' approval requirements. The Yubei 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 Transactions, nor was any of the Directors required to abstain from voting on the board resolution approving the New Annual Caps under the Articles of Association of the Company.

DEFINITIONS

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

“associate(s)”	shall have the meaning as ascribed to it under the 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 of the Company
“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 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
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SGMW”	SAIC-GM-Wuling Automobile, a limited liability company incorporated in PRC and a joint venture amongst SAIC Motor, General Motors, and Liuzhou Wuling Motors Co Ltd
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto under the Listing Rules
“Yubei Nomination Letters”	the four nomination letters issued by Nexteer Suzhou and accepted by Yubei Steering on 20 September 2013 for a term of three years commencing from the 20 September 2013 to 19 September 2016 in respect of the Yubei Transactions

“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, 29 December 2015

As at 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.