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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: 1316)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS BETWEEN THE GROUP AND ADDWAY

References are made to the announcements of the Company dated 29 December 2015 (as supplemented on 5 January 2016), 19 September 2016, 23 September 2016 and 28 November 2016 in respect of the Yubei Continuing Connected Transactions.

The Board is pleased to announce that Nexteer Suzhou and Addway had entered into the Addway Nomination Letter on 10 September 2018 for a term commencing from the date of the Addway Nomination Letter to 18 September 2019, pursuant to which Nexteer Suzhou agreed to purchase, and Addway agreed to supply, certain manual rack and pinion gears.

As at the date of this announcement, Addway is a wholly-owned subsidiary of Yubei Steering and Yubei Steering is indirectly held as to 49.93% by AVIC, the Company's substantial shareholder and controlling shareholder. As each of Addway and Yubei Steering is an associate of AVIC, pursuant to Chapter 14A of the Listing Rules, Addway is regarded as a connected person of the Company and the Addway Continuing Connected 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 Annual Caps for the Yubei Continuing Connected Transactions and Addway Continuing Connected Transactions (after aggregation) are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the 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.

BACKGROUND

References are made to the announcements of the Company dated 29 December 2015 (as supplemented on 5 January 2016), 19 September 2016, 23 September 2016 and 28 November 2016 in respect of the Yubei Continuing Connected Transactions. The Company was informed that Yubei Steering had transferred the rights to the business dealings with the Group to Yubei Steering's wholly-owned subsidiary, Addway. All future business dealings with Yubei Steering contemplated under the Yubei Continuing Connected Transactions will be transacted with Addway. Save as disclosed above, all other terms in the Yubei Continuing Connected Transactions had remained the same.

The Board is pleased to announce that Nexteer Suzhou and Addway had entered into the Addway Nomination Letter on 10 September 2018 for a term commencing from the date of the Addway Nomination Letter to 18 September 2019, pursuant to which Nexteer Suzhou agreed to purchase, and Addway agreed to supply, certain manual rack and pinion gears. The indicative unit price for the said part to be provided by Addway is set out in the Addway Nomination Letter. Such unit price had been determined based on arm's length negotiations between the parties and with reference to the price offered by independent similar suppliers. During the term of the Addway Nomination Letter, 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.

THE ANNUAL CAPS

Set out below are the existing Annual Caps (as provided in the Company's announcement dated 28 November 2016) for each of the relevant period in respect of the Yubei Continuing Connected Transactions:

Period	Annual Caps (RMB)
For the year ending 31 December 2018	87,780,000
For the nine months ending 30 September 2019	61,272,000

The Directors are of the view that the existing Annual Caps set for the Yubei Continuing Connected Transactions would be sufficient to cover the amount payable by the Group under the Addway Nomination Letter. Accordingly, no changes have been proposed to the existing Annual Caps.

In arriving at its decision, the Directors have considered the following factors:

- (i) the estimated demand (which is expected to decrease due to market conditions) for parts to be purchased by the Group under the Renewed Yubei Nomination Letters for the relevant period;

- (ii) the indicative prices set out in the Addway Nomination Letter and the expected demand (which is expected to be immaterial) for the parts to be purchased by Nexteer Suzhou during the term of the Addway Nomination Letter;
- (iii) the Group's estimated production capacity and volume in response to the forecasted sales demand; and
- (iv) the estimated market demand for relevant vehicles according to an independent third party industry forecast provider as reference.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ADDWAY NOMINATION LETTER

The Company considers that the Addway Continuing Connected Transactions is in the interest of the Group 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 rack and pinion gears required for production use.

The terms of the Addway Nomination Letter 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 Addway Nomination Letter was entered into in the ordinary and usual course of business of the Company;
- (ii) the terms of the Addway Nomination Letter 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 its shareholders as a whole; and
- (iii) the amount of the Annual Caps are fair and reasonable.

INFORMATION ON THE COMPANY AND ADDWAY

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.

Addway is a wholly-owned subsidiary of Yubei Steering and 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 (including rack and pinion gears) which it primarily sells to domestic OEMs in the PRC.

LISTING RULES IMPLICATIONS

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

Pursuant to the Listing Rules, as the nature of the transactions under the Addway Nomination Letter and the Renewed Yubei Nomination Letters is similar, the Addway Continuing Connected Transactions shall be aggregated with the Yubei Continuing Connected Transactions. Save as disclosed above, there are no other transactions which should be aggregated with the Addway Continuing Connected Transactions under Rule 14.22 and Rule 14A.81 of 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 Annual Caps for the Yubei Continuing Connected Transactions and the Addway Continuing Connected Transactions (after aggregation) are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the 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 and the Addway 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 and the Addway Continuing Connected Transactions, nor was any of the Directors required to abstain from voting on the Board resolutions approving the Addway Continuing Connected Transactions (including the Annual Caps).

DEFINITIONS

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

“Addway”	Xinxiang Addway Automotive Technology Co., Ltd.* (新鄉艾迪威汽車科技有限公司), a limited liability company established in the PRC on 31 January 2012 and a wholly-owned subsidiary of Yubei Steering
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“Addway Continuing Connected Transactions”	the continuing connected transactions between the Group and Addway under the Addway Nomination Letter, pursuant to which Nexteer Suzhou agreed to purchase, and Addway agreed to supply, certain manual rack and pinion gears
“Addway Nomination Letter”	the nomination letter issued by Nexteer Suzhou and accepted by Addway on 10 September 2018 for a term commencing from the date of the nomination letter 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 Addway Continuing Connected Transactions
“Annual Caps”	the annual caps for the Yubei Continuing Connected Transactions details of which are set out in the section headed “THE ANNUAL CAPS” in this announcement
“associate(s)”	shall have the meaning as ascribed to it under Listing Rules
“AVIC”	Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司), a state-owned limited liability company established in the PRC on 6 November 2008, the controlling shareholder of the Company
“Board”	the board of Directors
“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: 1316)
“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

“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
“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
“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
“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 Continuing Connected Transactions”	the continuing connected transactions between the Group and Yubei Steering under the Renewed Yubei Nomination Letters, pursuant to which Nexteer Suzhou agreed to purchase, and Yubei Steering agreed to supply, certain manual rack and pinion gears

“Yubei Steering” Yubei Steering Systems (Xinxiang) Co., Ltd.* (豫北轉向系統(新鄉)有限公司, (formerly known as 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
Yi FAN
Executive Director, Joint Company Secretary

Hong Kong, 10 September 2018

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. Shengqun YANG and Mr. Jianxun ZHANG, and the Independent non-Executive Directors are Mr. Jianjun LIU, Mr. Kevin Cheng WEI and Mr. Wing Fat Simon YICK.