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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 RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 19 September 2016, 23 September 2016, 28 November 2016 and 10 September 2018 in respect of the Yubei Continuing Connected Transactions and the Addway Continuing Connected Transactions under the Renewed Yubei Nomination Letters and the Original Addway Nomination Letter, respectively. As previously disclosed, the Renewed Yubei Nomination Letters and the Original Addway Nomination Letter had all expired on 18 September 2019.

The Board is pleased to announce that Nexteer Suzhou and Addway had entered into the Renewed Addway Nomination Letters on 19 September 2019 for a term of three years commencing from 19 September 2019 to 18 September 2022, pursuant to which Nexteer Suzhou agreed to purchase, and Addway agreed to supply, certain manual and hydraulic 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 Renewed Addway 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 Proposed Annual Caps under the Renewed Addway Nomination Letters are more than 0.1% but less than 5%, pursuant to rule 14A.76 of the Listing Rules, the Renewed Addway Transactions are subject to the reporting and announcement requirements, but are exempt from the circular and shareholders' approval requirements. The Renewed Addway Transactions are also subject to the annual review requirements set out in rules 14A.55 and 14A.56 of the Listing Rules.

BACKGROUND

References are made to the announcements of the Company dated 19 September 2016, 23 September 2016, 28 November 2016 and 10 September 2018 in respect of the Yubei Continuing Connected Transactions and the Addway Continuing Connected Transactions under the Renewed Yubei Nomination Letters and the Original Addway Nomination Letter, respectively. As previously disclosed, the Renewed Yubei Nomination Letters and the Original Addway Nomination Letter had all expired on 18 September 2019.

The Board is pleased to announce that Nexteer Suzhou and Addway had entered into the Renewed Addway Nomination Letters on 19 September 2019 for a term of three years commencing from 19 September 2019 to 18 September 2022, pursuant to which Nexteer Suzhou agreed to purchase, and Addway agreed to supply, certain manual and hydraulic rack and pinion gears. The indicative unit price for each type of the rack and pinion gears to be provided by Addway is set out in the Renewed Addway Nomination Letters. Such unit price had been determined based on arm's length negotiations between the parties and with reference to the price offered by similar independent suppliers. During the term of the Renewed Addway Nomination Letters, quotations will be obtained from similar independent 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. Separate purchase orders will be issued from time to time to indicate the quantities required by Nexteer Suzhou for the relevant period during the term of the Renewed Addway Nomination Letters. Nexteer Suzhou will fund the purchase of the rack and pinion gears out of its internal funds.

HISTORICAL TRANSACTION FIGURES AND ANNUAL CAPS FOR THE YUBEI CONTINUING CONNECTED TRANSACTIONS AND THE ADDWAY CONTINUING CONNECTED TRANSACTIONS

The total amount paid by the Group to Yubei Steering (prior to the Transfer of Rights) and Addway under the Renewed Yubei Nomination Letters and the Original Addway Nomination Letter, together with the relevant annual caps, are as follows:

Period	Total amount paid by the Group to Yubei Steering (prior to the Transfer of Rights) and Addway (RMB)	Existing annual caps (RMB)
For the year ended 31 December		
2016	99,300,737	121,537,000
2017	44,652,699	121,679,000
2018	3,986,391	87,780,000
For the eight months ended 31 August 2019	1,174,788	61,272,000⁽¹⁾

Note:

⁽¹⁾ The cap is for the nine months ending 30 September 2019.

THE PROPOSED ANNUAL CAPS FOR THE RENEWED ADDWAY TRANSACTIONS

Having considered the internal estimates and the historical transaction amounts, the Directors have proposed the following annual caps in respect of the Renewed Addway Transactions:

Period	Proposed Annual Caps (RMB)
For the three months ending 31 December 2019	1,427,000
For the year ending 31 December 2020	13,444,000
For the year ending 31 December 2021	26,907,000
For the nine months ending 30 September 2022	<u>21,464,000</u>

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

- (i) the expected 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 Addway Nomination Letters;
- (iii) the Group's estimated production capacity and volume in response to the estimated sales demand;
- (iv) the estimated increase in product mix and lifecycle expectations for the relevant vehicles in the PRC; and
- (v) 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 RENEWED ADDWAY NOMINATION LETTERS

The Company considers that the Renewed Addway Transactions is in the interest of the Group on the basis of: (1) the long-standing and stable business relationship between Yubei Steering (prior to the Transfer of Rights), Addway 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 Renewed Addway 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 Renewed Addway Nomination Letters were entered into in the ordinary and usual course of business of the Company;

- (ii) the terms of the Renewed Addway 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 its shareholders as a whole; and
- (iii) the amount of the Proposed 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 Renewed Addway 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 Proposed Annual Caps under the Renewed Addway Nomination Letters are more than 0.1% but less than 5%, pursuant to rule 14A.76 of the Listing Rules, the Renewed Addway Transactions are subject to the reporting and announcement requirements, but are exempt from the circular and shareholders' approval requirements. The Renewed Addway Transactions are also subject to the annual review requirements set out in rules 14A.55 and 14A.56 of the Listing Rules.

None of the Directors have a material interest in the Renewed Addway Transactions, nor was any of the Directors required to abstain from voting on the Board resolutions approving the Renewed Addway Nomination Letters.

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
“Addway Continuing Connected Transactions”	the continuing connected transactions between the Group and Addway under the Original Addway Nomination Letter, pursuant to which Nexteer Suzhou agreed to purchase, and Addway agreed to supply, certain manual and hydraulic rack and pinion gears
“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
“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: 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
“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 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 in respect of the Addway Continuing Connected Transactions
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Proposed Annual Caps”	the proposed annual caps for the Renewed Addway Transactions
“Renewed Addway Nomination Letters”	the five nomination letters issued by Nexteer Suzhou and accepted by Addway on 19 September 2019 for a term of three years commencing from 19 September 2019 to 18 September 2022 (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 Renewed Addway Transactions
“Renewed Addway Transactions”	the continuing connected transactions between the Group and Addway under the Renewed Addway Nomination Letters, pursuant to which Nexteer Suzhou agreed to purchase, and Addway agreed to supply, certain manual and hydraulic rack and pinion gears
“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 commencing from 19 September 2016 to 18 September 2019 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
“Transfer of Rights”	the transfer of rights to the business dealings with the Group from Yubei Steering to Addway as disclosed in the announcement of the Company dated 10 September 2018, pursuant to which all business dealings with Yubei Steering contemplated under the Yubei Continuing Connected Transactions would be transacted with Addway
“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 and hydraulic 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, Company Secretary

Hong Kong, 19 September 2019

As of the date of this announcement, the Company’s Executive Directors are Mr. Guibin ZHAO (Chief Executive Officer and Vice Chairman), Mr. Michael Paul RICHARDSON and Mr. Yi FAN, the non-Executive Directors are Mr. Jian WANG (Chairman), Mr. Jianxun ZHANG and Mr. Ping LIU, and the Independent non-Executive Directors are Mr. Jianjun LIU, Mr. Kevin Cheng WEI and Mr. Wing Fat Simon YICK.