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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**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

References are made to the prospectus of the Company dated 24 September 2013 (“**Prospectus**”), and the announcement of the Company dated 29 December 2015 (as supplemented by the supplemental announcement of the Company dated 5 January 2016) (collectively, the “**Announcements**”) in relation to the continuing connected transactions between the Group and Yubei Steering (“**Original Yubei Transactions**”) under the Original Yubei Nomination Letters which will expire on 19 September 2016.

The Board is pleased to announce that the Group and Yubei Steering had entered into the Renewed Yubei Nomination Letters on 19 September 2016 for a further term of three years from 19 September 2016 to 18 September 2019 (“**Renewed Yubei Transactions**”).

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 Renewed 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 Proposed Annual Caps under the Renewed Yubei Nomination Letters are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the Renewed Yubei Transactions are subject to the reporting, and announcement requirements, but are exempt from the circular and shareholders’ approval requirements. The Renewed 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

References are made to the Prospectus, and the Announcements in relation to the Original Yubei Transactions. As previously disclosed, the Original Yubei Nomination Letters will expire on 19 September 2016.

The Board is pleased to announce that the Group and Yubei Steering had entered into the Renewed Yubei Nomination Letters on 19 September 2016 for a term of three years from 19 September 2016 to 18 September 2019.

## HISTORICAL TRANSACTION FIGURES AND ANNUAL CAPS FOR THE ORIGINAL YUBEI TRANSACTIONS

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

	<b>Total amount paid by the Group to Yubei Steering at year end (RMB)</b>	<b>Existing annual cap amounts (RMB)</b>
<b>For the year ended 31 December</b>		
2013	5,018,175	11,700,000
2014	55,360,636	83,900,000
2015	120,807,322	130,000,000
<b>For the eight months ended 31 August</b>		
2016	<u>67,593,397</u>	<u>81,500,000<sup>(1)</sup></u>

*Note:*

<sup>(1)</sup> The annual cap is for the nine months ending 30 September 2016.

## THE PROPOSED ANNUAL CAPS FOR THE RENEWED YUBEI TRANSACTIONS

Having considered the internal estimates and the historical transaction amounts, the Directors have proposed the following annual caps (“**Proposed Annual Caps**”) in respect of the Renewed Yubei Transactions:

<b>Period</b>	<b>Annual caps (RMB)</b>
For the three months ending 31 December 2016	15,298,000
For the year ending 31 December 2017	71,167,000
For the year ending 31 December 2018	<u>23,239,000</u>

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

- (i) 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 Yubei Nomination Letters; and
- (iii) the estimated market demand for relevant vehicles according to an independent third-party industry forecast provider as reference.

## **INFORMATION ABOUT 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 RENEWED YUBEI TRANSACTIONS**

The Company considers that the Renewed Yubei 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 and hydraulic rack and pinion gears required for production use.

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

- i. the Renewed Yubei Nomination Letters were entered into in the ordinary and usual course of business of the Company;
- ii. the terms of the Renewed 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 amounts of the annual caps are fair and reasonable.

## LISTING RULES IMPLICATION

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 Renewed 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 Proposed Annual Caps under the Renewed Yubei Nomination Letters are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the Renewed Yubei Transactions are subject to the reporting, and announcement requirements, but are exempt from the circular and shareholders' approval requirements. The Renewed 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 Renewed Yubei Transactions, nor was any of the Directors required to abstain from voting on the Board resolution approving the Renewed Yubei Nomination Letters.

## 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 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 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 Original Yubei Transactions
“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

“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 Renewed 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, 19 September 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.*