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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)

NON-EXERCISE OF PRE-EMPTIVE RIGHT OF FIRST REFUSAL

BACKGROUND

Reference is made to the prospectus of Nexteer Automotive Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated September 24, 2013 (the “**Prospectus**”). Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Prospectus.

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)) (“**Yubei Steering**”) is indirectly held as to 49.93% by AVIC, one of the Company’s controlling shareholders (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). As disclosed in the Prospectus, Yubei Steering is principally engaged in the development and manufacturing of power steering systems (the “**Business**”). A non-competition undertaking dated June 15, 2013 (the “**Non-competition Undertaking**”) was given by AVIC, AVIC Auto, PCM China and Nexteer Hong Kong (collectively the “**Controlling Shareholders**”) in favor of the Company, pursuant to which the Controlling Shareholders had granted to the Company, among other things, a pre-emptive right of first refusal to acquire the Business on terms to be negotiated between the Company and AVIC if AVIC intends to transfer, sell, lease, license or by any other means transfer or grant the right to use the Business to a third party.

On August 21, 2020, Yubei Steering notified the Company in writing that AVIC has approved the transfer of the 24.93% equity interest in Yubei Steering at a base price of RMB196,697,700, and would publicly list such equity and transfer it through the Beijing Equity Exchange. Pursuant to the Non-competition Undertaking, the Company can exercise the pre-emptive right of first refusal to acquire such interest.

Further, according to the Non-competition Undertaking, the decision on whether the pre-emptive right of first refusal is to be exercised by the Company shall be made by the independent non-executive directors of the Company (the “**INEDs**”). As of August 31, 2020, having taken into account the principal factors and considerations set out below, the INEDs had resolved that the Company would not exercise the pre-emptive right of first refusal to acquire the 24.93% equity interest in Yubei Steering at the proposed transaction price.

The directors of the Company confirm that all the required procedures set out in the Non-competition Undertaking relating to the decision on whether or not to exercise the pre-emptive right of first refusal have been complied with by the Company.

REASONS FOR THE NON-EXERCISE OF PRE-EMPTIVE RIGHT OF FIRST REFUSAL

The following are the principal factors and considerations taken into account by the INEDs in reaching its decision:

- (i) Management's determination that Yubei Steering's current business strategy does not appear to be aligned with the Company's long-term strategy for profitable growth as the Company is focused on systems integration, aligned with the current industry megatrends of electrification, software as a product and Advanced Driver Assist Systems (ADAS) technologies; and
- (ii) Management's determination that continued investments in its internal research and development activities, which principally focus on increasing capabilities and competencies in electrical hardware, software, and motion control algorithms, are currently the best use of its limited capital resources to achieve long-term growth and return for its customers and shareholders, versus the purchase of the 24.93% equity interest in Yubei Steering at the proposed transaction price.

Accordingly, the Company will issue a written reply to inform Yubei Steering and AVIC's subsidiary, Xinhang Electromechanical Technology Co., Ltd., of the Company's decision not to exercise the pre-emptive right of first refusal at the proposed transaction price.

GENERAL

The non-exercise of the pre-emptive right of first refusal by the Company as disclosed in this announcement does not constitute a non-exercise of an option under Rule 14A.06(27) of the Listing Rules since the terms of the possible acquisition (assuming the Company decides to exercise the pre-emptive right of first refusal) are subject to further negotiation between the parties.

* 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, September 8, 2020

As of the date of this announcement, the Company's Executive Directors are Mr. Guibin ZHAO (Chief Executive Officer and Vice Chairman), Mr. Robin Zane MILAVEC 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.