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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 OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2016

HIGHLIGHTS

- Revenue increased by approximately 14.3% to US\$3,842.2 million (year ended December 31, 2015: US\$3,360.5 million)
- Gross profit increased by approximately 21.4% to US\$661.7 million (year ended December 31, 2015: US\$544.9 million)
- Profit attributable to equity holders of the Company increased by approximately 43.5% to US\$294.7 million (year ended December 31, 2015: US\$205.4 million)
- Strong revenue backlog of US\$25.6 billion supporting future years

The Board of Directors (the **Board**) of Nexteer Automotive Group Limited (the **Company**) announces that the consolidated results of the Company and its subsidiaries (collectively **we, us, our** or the **Group**) for the year ended December 31, 2016, together with the comparative figures for 2015, are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2016

		For the year ended December 31,	
		2016	2015
	Notes	US\$'000	US\$'000
Revenue	2	3,842,244	3,360,512
Cost of sales	3	(3,180,579)	(2,815,609)
Gross profit		661,665	544,903
Engineering and product development costs	3	(123,280)	(96,919)
Selling and distribution expenses	3	(15,458)	(11,908)
Administrative expenses	3	(114,470)	(105,497)
Other gains (losses), net	4	7,033	(17,449)
Operating profit		415,490	313,130
Finance income	5	1,407	2,253
Finance costs	5	(31,575)	(33,204)
Finance costs, net		(30,168)	(30,951)
Share of income of a joint venture		684	1,185
Profit before income tax		386,006	283,364
Income tax expense	6	(84,141)	(73,216)
Profit for the year		301,865	210,148
Attributable to:			
Equity holders of the Company		294,723	205,432
Non-controlling interests		7,142	4,716
		301,865	210,148
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in US\$ per share)			
– Basic and diluted	7	US\$ 0.12	US\$ 0.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016

	For the year ended	
	December 31,	
	2016	2015
	US\$'000	US\$'000
Profit for the year	301,865	210,148
Other comprehensive income (loss)		
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gains on defined benefit plans, net of tax	157	901
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences, net of tax	(31,540)	(33,434)
Cash flow hedge, net of tax	890	(834)
	(30,493)	(33,367)
Total comprehensive income for the year	271,372	176,781
Attributable to:		
Equity holders of the Company	266,283	173,207
Non-controlling interests	5,089	3,574
	271,372	176,781

CONSOLIDATED BALANCE SHEET

As at December 31, 2016

		As at December 31,	
		2016	2015
	Note	US\$'000	US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		779,134	685,275
Land use rights		568	634
Intangible assets		449,708	407,671
Deferred income tax assets		9,948	11,083
Other receivables and prepayments		15,869	6,107
Investment in a joint venture		10,586	9,902
		<u>1,265,813</u>	<u>1,120,672</u>
Current assets			
Inventories		261,749	253,942
Trade receivables	9	589,642	569,978
Other receivables and prepayments		90,962	94,523
Derivative financial instruments		–	659
Restricted bank deposits		727	148
Cash and cash equivalents		484,475	416,900
		<u>1,427,555</u>	<u>1,336,150</u>
Total assets		<u>2,693,368</u>	<u>2,456,822</u>

CONSOLIDATED BALANCE SHEET (Continued)
As at December 31, 2016

		As at December 31,	
		2016	2015
	<i>Note</i>	US\$'000	US\$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		32,274	32,231
Other reserves		192,221	255,575
Retained earnings		834,496	539,616
		<u>1,058,991</u>	<u>827,422</u>
Non-controlling interests		<u>32,032</u>	<u>26,943</u>
Total equity		<u>1,091,023</u>	<u>854,365</u>
LIABILITIES			
Non-current liabilities			
Borrowings		488,659	560,539
Retirement benefits and compensations		18,160	17,544
Deferred income tax liabilities		56,704	51,503
Provisions		76,480	65,955
Deferred revenue		92,855	92,416
Other payables and accruals		9,161	7,174
		<u>742,019</u>	<u>795,131</u>
Current liabilities			
Trade payables	10	604,498	558,769
Other payables and accruals		107,362	97,562
Current income tax liabilities		15,349	12,503
Retirement benefits and compensations		3,427	2,949
Derivative financial instruments		–	5,878
Provisions		29,295	23,771
Deferred revenue		24,907	24,710
Borrowings		75,488	81,184
		<u>860,326</u>	<u>807,326</u>
Total liabilities		<u>1,602,345</u>	<u>1,602,457</u>
Total equity and liabilities		<u>2,693,368</u>	<u>2,456,822</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

	Attributable to equity holders of the Company							Sub-total US\$'000	Non- controlling interests US\$'000	Total US\$'000
	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Share-based compensation reserve US\$'000	Exchange reserve US\$'000	Hedging reserve US\$'000	Retained earnings US\$'000			
As at January 1, 2015	32,222	230,989	113,000	1,240	(27,059)	(56)	333,283	683,619	24,400	708,019
Comprehensive income										
Profit for the year	-	-	-	-	-	-	205,432	205,432	4,716	210,148
Other comprehensive (loss) income										
Exchange differences, net of tax	-	-	-	-	(32,292)	-	-	(32,292)	(1,142)	(33,434)
Actuarial gains on defined benefit plans, net of tax	-	-	-	-	-	-	901	901	-	901
Cash flow hedge, net of tax	-	-	-	-	-	(834)	-	(834)	-	(834)
Total other comprehensive (loss) income	-	-	-	-	(32,292)	(834)	901	(32,225)	(1,142)	(33,367)
Total comprehensive (loss) income	-	-	-	-	(32,292)	(834)	206,333	173,207	3,574	176,781
Transactions with owners										
Dividends to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	(1,031)	(1,031)
Value of employee services provided under share option scheme	-	-	-	2,725	-	-	-	2,725	-	2,725
Transfer to share premium under exercise of share options	-	229	-	(229)	-	-	-	-	-	-
Proceeds from exercise of share options	9	257	-	-	-	-	-	266	-	266
Dividends paid to shareholders	-	(32,395)	-	-	-	-	-	(32,395)	-	(32,395)
Total transactions with owners	9	(31,909)	-	2,496	-	-	-	(29,404)	(1,031)	(30,435)
As at December 31, 2015	32,231	199,080	113,000	3,736	(59,351)	(890)	539,616	827,422	26,943	854,365
Comprehensive income										
Profit for the year	-	-	-	-	-	-	294,723	294,723	7,142	301,865
Other comprehensive (loss) income										
Exchange differences, net of tax	-	-	-	-	(29,487)	-	-	(29,487)	(2,053)	(31,540)
Actuarial gains on defined benefit plans, net of tax	-	-	-	-	-	-	157	157	-	157
Cash flow hedge, net of tax	-	-	-	-	-	890	-	890	-	890
Total other comprehensive (loss) income	-	-	-	-	(29,487)	890	157	(28,440)	(2,053)	(30,493)
Total comprehensive (loss) income	-	-	-	-	(29,487)	890	294,880	266,283	5,089	271,372
Transactions with owners										
Value of employee services provided under share option scheme	-	-	-	2,456	-	-	-	2,456	-	2,456
Transfer to share premium under exercise of share options	-	1,330	-	(1,330)	-	-	-	-	-	-
Proceeds from exercise of share options	43	2,700	-	-	-	-	-	2,743	-	2,743
Dividends paid to shareholders	-	(39,913)	-	-	-	-	-	(39,913)	-	(39,913)
Total transactions with owners	43	(35,883)	-	1,126	-	-	-	(34,714)	-	(34,714)
As at December 31, 2016	32,274	163,197	113,000	4,862	(88,838)	-	834,496	1,058,991	32,032	1,091,023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. GENERAL INFORMATION

Nexteer Automotive Group Limited (the **Company**) was incorporated in the Cayman Islands on August 21, 2012 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company, together with its subsidiaries (collectively referred to as the **Group**), is principally engaged in the design and manufacture of steering and driveline systems, including Advanced Driver Assistance Systems (**ADAS**) and Automated Driving and components for automobile manufacturers and other automotive-related companies. The Group's primary operations are in the United States of America (**USA** or **US**), Mexico, Poland and the People's Republic of China (**China**) and are structured to supply its customers globally. The principal markets for the Group's products are North America, Europe and China.

The Company's directors regard Aviation Industry Corporation of China (**AVIC**), a company established in China, as being the ultimate holding company of the Company.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since October 7, 2013.

These financial statements are presented in US dollars, unless otherwise stated. These financial statements have been approved for issue by the Board on March 14, 2017.

Basis of preparation

The consolidated financial statements of the Company (the **Consolidated Financial Statements**) have been prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value through profit or loss.

New/revised standards, amendments to standards and interpretations

(a) New and amended standards adopted by the Group

The following are the standards applicable to the Group that have been adopted for the first time for the financial year beginning on January 1, 2016:

- Amendments to IAS 1, *Presentation of Financial Statements* for the disclosure initiative (effective for annual periods beginning on or after January 1, 2016) clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- Annual improvements Cycle 2012-2014 (effective for annual periods beginning on or after January 1, 2016) include clarifications related to the following: IFRS 5 Changes in methods of disposal, IFRS 7 Servicing contracts, IFRS 7 Applicability of the amendments to IFRS 7 to condensed interim financial statements, IAS 19 Regional market issue, and IAS 34 Disclosure of information elsewhere in the interim financial report.

The adoption of the above amendments did not have any significant financial effect on the Consolidated Financial Statements.

(b) *New and amended standards and interpretations not yet adopted*

The following are the new standards, amendments to standards and interpretations that are not yet applicable to the Group, are effective for annual periods beginning on or after January 1, 2017 and have not been applied in these financial statements.

- Amendment to IAS 7 *Statement of Cash Flows* (effective for annual periods beginning on or after January 1, 2017) introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Group will adopt this amendment as at January 1, 2017 and provide the additional disclosure in the Consolidated Financial Statements.
- IFRS 15, *Revenue from contracts with customers* (effective for annual periods beginning on or after January 1, 2018) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. The standard permits either a full retrospective or a modified approach for adoption. The Group has not yet chosen an adoption method. Management is currently assessing the effects of applying the new standard on the Group's financial statements; but, has not yet been able to conclude whether the standard will result in significant changes to our current accounting policy. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements and expects to complete the requirements for adoption in accordance with the applicable effective date. At this stage, the Group does not intend to adopt the standard before its effective date.
- IFRS 9 *Financial instruments* (effective for annual periods beginning on or after January 1, 2018) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. For financial liabilities, the standard retains most of the IAS 39 requirements of IAS 39 *Financial Instruments: Recognition and Measurement*. The Group is still assessing the impact of this standard, and at this stage, does not intend to adopt IFRS 9 before its mandatory date.
- IFRS 16 *Leases* (effective for annual periods beginning on or after January 1, 2019) specifies how to recognise, measure, present, and disclose leases. The standard provides a single lessee model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors will continue to classify leases as operating or finance according to IAS 17 *Leases*. The standard will affect primarily the accounting for the Group's operating leases. The Group currently has operating lease commitments that will be reflected as lease assets and liabilities pursuant to the provisions of the standard upon adoption. However, the Group has not yet determined to what extent its commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. At this stage, the Group does not intend to adopt IFRS 16 before its effective date.

2. SEGMENT INFORMATION

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's Chief Executive Officer (CEO) in order to allocate resources to the segments and assess their performance. For each of the Group's reportable segments, the Group's CEO reviews internal management reports on a quarterly basis.

In January 2016, the Company restructured its internal organisation and management structure which resulted in a change in reportable segments. Brazil operations previously reported within the Rest of World segment were combined with the previously reported Europe segment, the result of which is the Europe and South America segment. The operations for all other entities within the Rest of World segment were combined with the previously reported China segment, the result of which is the Asia Pacific segment. Comparative information for the 2015 reporting periods has been restated under the new segment structure.

Under the segment structure implemented in 2016, the Group classified its business into three reportable segments: North America, Europe and South America and Asia Pacific. All of the Group's operating segments typically offer the same driveline and steering products. The "Others" category represents parent company activities of the Company and activities of its non-operating direct and indirect subsidiaries, as well as elimination entries between segments.

The key performance indicators that the Group monitors to manage segment operations are:

- Operating income before interest, taxes, depreciation and amortisation and share of results of a joint venture (**Adjusted EBITDA**).
- Total assets and total liabilities represent total current and non-current assets and total current and non-current liabilities of the segments and include assets and liabilities between operating segments.

Information about reportable segments and reconciliations of reportable segment revenues is as follows:

	North America <i>US\$'000</i>	Asia Pacific <i>US\$'000</i>	Europe & South America <i>US\$'000</i>	Others <i>US\$'000</i>	Total <i>US\$'000</i>
For the year ended December 31, 2016					
Total revenue	2,555,031	943,669	430,797	–	3,929,497
Inter-segment revenue	(41,405)	(44,287)	(1,561)	–	(87,253)
Revenue from external customers	2,513,626	899,382	429,236	–	3,842,244
Adjusted EBITDA	395,884	173,777	16,256	(7,825)	578,092
For the year ended December 31, 2015 (Restated)					
Total revenue	2,256,961	797,725	369,955	–	3,424,641
Inter-segment revenue	(40,112)	(22,948)	(1,069)	–	(64,129)
Revenue from external customers	2,216,849	774,777	368,886	–	3,360,512
Adjusted EBITDA	337,075	112,877	7,153	(1,695)	455,410

Revenue between segments is carried out at arm's length. The revenue from external parties reported to the Group's CEO is measured in a manner consistent with that in the income statement.

	North America <i>US\$'000</i>	Asia Pacific <i>US\$'000</i>	Europe & South America <i>US\$'000</i>	Others <i>US\$'000</i>	Total <i>US\$'000</i>
As at December 31, 2016					
Total assets	1,667,327	705,244	338,310	(17,513)	2,693,368
Total liabilities	<u>(1,063,447)</u>	<u>(324,899)</u>	<u>(155,741)</u>	<u>(58,258)</u>	<u>(1,602,345)</u>

**As at December 31,
2015 (Restated)**

Total assets	1,546,181	663,484	330,524	(83,367)	2,456,822
Total liabilities	<u>(842,635)</u>	<u>(384,473)</u>	<u>(122,340)</u>	<u>(253,009)</u>	<u>(1,602,457)</u>

Reconciliations of reportable segment Adjusted EBITDA to those as determined under IFRS are as follows:

	For the year ended December 31,	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Adjusted EBITDA from reportable segments	578,092	455,410
Depreciation and amortisation expenses	(162,602)	(142,280)
Finance costs, net	(30,168)	(30,951)
Share of income of a joint venture	684	1,185
Profit before income tax	<u>386,006</u>	<u>283,364</u>

In presenting information on the basis of geography, segment revenue is based on the geographical location of subsidiaries and segment assets and liabilities are based on geographical location of the assets.

Adjusted EBITDA includes non-cash component for deferred revenue amortisation. For the year ended December 31, 2016, the North America segment and Asia Pacific segment recognised US\$21,570,000 (2015: US\$21,603,000) and US\$695,000 (2015: US\$1,686,000).

The geographic distribution of revenue for the years ended December 31, 2016 and 2015 is as follows:

	For the year ended December 31,	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
		(Restated)
North America:		
US	1,746,888	1,532,730
Mexico	766,738	684,119
Asia Pacific:		
China	855,378	732,736
Rest of Asia Pacific	44,004	42,041
Europe and South America	429,236	368,886
	<u>3,842,244</u>	<u>3,360,512</u>

The geographic distribution of non-current assets excluding deferred income tax assets as at December 31, 2016 and 2015 is as follows:

	As at December 31,	
	2016 US\$'000	2015 US\$'000 (Restated)
North America:		
US	760,114	708,403
Mexico	143,049	111,834
Asia Pacific:		
China	202,348	174,104
Rest of Asia Pacific	11,689	6,791
Europe and South America	138,665	108,457
	<u>1,255,865</u>	<u>1,109,589</u>

Distribution of revenue between product lines for the years ended December 31, 2016 and 2015 is as follows:

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	US\$'000	%	US\$'000	%
Steering				
Electric power steering (EPS)	2,383,742	62.0	2,000,287	59.5
Hydraulic power steering (HPS)	186,745	4.9	167,337	5.0
Steering columns and intermediate shafts (CIS)	635,257	16.5	609,565	18.1
Driveline Systems (DL)	636,500	16.6	583,323	17.4
	<u>3,842,244</u>	<u>100.0</u>	<u>3,360,512</u>	<u>100.0</u>

Revenues from customers amounting to 10% or more of the Group's revenue are as follows and reported in all segments:

	For the year ended December 31,	
	2016 US\$'000	2015 US\$'000
General Motors Company and Subsidiaries	1,614,454	1,604,355
Customer A	782,747	582,043
Customer B	499,452	456,957
	<u>2,896,653</u>	<u>2,643,355</u>

3. EXPENSE BY NATURE

	For the year ended	
	December 31,	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Raw materials used	2,252,478	1,945,025
Changes in inventories of finished goods and work-in-progress	(6,231)	25,309
Employee benefit costs	566,287	467,846
Temporary labour costs	108,427	99,229
Restructuring costs	293	(64)
Supplies and tools	192,189	216,809
Depreciation on property, plant and equipment	93,649	88,837
Amortisation on		
– land use rights	25	25
– intangible assets	68,928	53,418
Impairment charges (reversal of provisions) on		
– inventories	678	3,209
– receivables (note 9)	(396)	(1,222)
– intangible assets	12,249	–
Operating lease expenses	14,386	12,557
Warranty expenses	30,334	25,650
Auditors' remuneration		
– audit services	2,299	2,160
– non-audit services	1,421	1,457
Others	96,771	89,688
	<u>3,433,787</u>	<u>3,029,933</u>
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	<u>3,433,787</u>	<u>3,029,933</u>

Amounts for the year ended December 31, 2015 have been reclassified to conform with the current period presentation.

4. OTHER GAINS (LOSSES), NET

	For the year ended	
	December 31,	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Foreign exchange gains (losses)	8,268	(6,642)
Loss on disposal of property, plant and equipment	(431)	(2,453)
Fair value losses on derivative financial instruments	(1,542)	(6,686)
Others	738	(1,668)
	<u>7,033</u>	<u>(17,449)</u>

Foreign exchange gains (losses) includes a gain of US\$15,478,000 associated with the settlement of an intercompany loan.

5. FINANCE COSTS, NET

	For the year ended December 31,	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Finance income		
Interest on bank deposits	<u>1,407</u>	<u>2,253</u>
Finance costs		
Interest expense on bank borrowings	16,616	17,436
Interest on notes	<u>14,688</u>	<u>14,769</u>
	31,304	32,205
Interest on finance leases	170	75
Realised losses on interest rate swap	–	808
Other finance costs	<u>7,393</u>	<u>5,635</u>
	38,867	38,723
Less: amount capitalised in qualifying assets	<u>(7,292)</u>	<u>(5,519)</u>
	<u>31,575</u>	<u>33,204</u>
Finance costs, net	<u>30,168</u>	<u>30,951</u>

6. INCOME TAX EXPENSE

	For the year ended December 31,	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Current income tax	73,241	49,167
Deferred income tax	<u>10,900</u>	<u>24,049</u>
	<u>84,141</u>	<u>73,216</u>

Taxation on the Group's profits has been calculated on the estimated assessable profits for the year at the statutory rates of 35%, 25% and 19% in US, China and Poland, respectively, from where the Group's profits were mainly generated.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the combined entities as follows:

	For the year ended	
	December 31,	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Profit before income tax	386,006	283,364
Tax calculated at rates applicable to profits in respective countries	122,115	91,175
Expenses not deductible for tax purposes	481	3,411
Non-taxable income	(22,641)	(18,252)
Tax credits (note (i))	(10,577)	(7,649)
Preferential rates and tax holidays (note (ii))	(13,696)	(8,559)
Tax losses and deductible temporary differences for which no deferred tax was recognised	2,493	6,283
US state and withholding taxes	6,062	5,110
Others	(96)	1,697
Tax charge	84,141	73,216

Notes:

- (i) Mainly represents US production incentives and research credits.
- (ii) Derived mainly from profits subject to preferential tax rate in China for high-technology enterprises and income tax exemption through 2026 for the Group's investment in Special Economic Zones in Poland according to the relevant Polish tax rules.

7. EARNINGS PER SHARE

a. Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	For the year ended	
	December 31,	
	2016	2015
Profit attributable to the equity holders of the Company (US\$'000)	294,723	205,432
Weighted average number of ordinary shares in issue (thousands)	2,499,534	2,497,875
Basic earnings per share (in US\$)	0.12	0.08

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise of shares issued under the share option scheme that are vested as at December 31, 2016. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares within the denominator for calculating diluted earnings per share. For the year ended December 31, 2016 and 2015, the details are within the table below.

	For the year ended December 31,	
	2016	2015
Profit attributable to the equity holders of the Company, used to determine diluted earnings per share (US\$'000)	294,723	205,432
Weighted average number of ordinary shares in issue (thousands)	2,499,534	2,497,875
Adjustment for share options (thousands)	4,282	2,547
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	2,503,816	2,500,422
Diluted earnings per share (in US\$)	0.12	0.08

8. DIVIDEND

	For the year ended December 31,	
	2016	2015
	US\$'000	US\$'000
Dividend proposed of US\$0.024 (2015: US\$0.016) per share	58,945	41,086

This dividend was proposed by the Board at a meeting held on the date of approval of these financial statements, which is not reflected as a dividend payable in these financial statements. The dividend would be paid out of the share premium account of the Company for the year ending December 31, 2017.

9. TRADE RECEIVABLES

	As at December 31,	
	2016	2015
	US\$'000	US\$'000
Trade receivables, gross	590,647	571,379
Less: provision for impairment	(1,005)	(1,401)
	589,642	569,978

Credit terms range primarily from 30 to 90 days after the invoice date depending on the customer and the geographical region. Ageing analysis of trade receivables based on invoice date is as follows:

	As at December 31,	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
0 to 30 days	254,713	261,526
31 to 60 days	224,652	220,182
61 to 90 days	84,107	51,467
Over 90 days	27,175	38,204
	<u>590,647</u>	<u>571,379</u>

Trade receivables of US\$47,614,000 were past due but not impaired as at December 31, 2016 (December 31, 2015: US\$34,831,000). These relate mainly to a number of customers for whom there is no history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	As at December 31,	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Overdue up to 30 days	40,687	21,872
Overdue 31 to 60 days	3,833	9,010
Overdue 61 to 90 days	429	2,425
Overdue over 90 days	2,665	1,524
	<u>47,614</u>	<u>34,831</u>

The provision for impairment of receivables includes estimates and assessments of individual receivables based on the creditworthiness of the respective customer, current economic developments and the analysis of historical losses on receivables. The creditworthiness of a customer is assessed on their payment history, ability to make payments and customer credit rating from third party rating agencies.

Trade receivables of US\$1,005,000 were impaired as at December 31, 2016 on which full provisions were made (December 31, 2015: US\$1,401,000). These individually impaired receivables are relatively long overdue.

Movement on the provision for impairment of trade receivables is as follows:

	For the year ended	
	December 31,	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
As at January 1	1,401	2,623
Reversal of provision	(360)	(1,097)
Exchange differences	(36)	(125)
	<u>1,005</u>	<u>1,401</u>

The carrying amounts of trade receivables pledged as collateral were US\$304,000,000 as at December 31, 2016 (December 31, 2015: US\$294,981,000).

10. TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	As at December 31,	
	2016	2015
	US\$'000	US\$'000
0 to 30 days	382,752	313,247
31 to 60 days	159,932	193,339
61 to 90 days	40,623	32,328
91 to 120 days	14,719	13,532
Over 120 days	6,472	6,323
	604,498	558,769

FINANCIAL REVIEW

Financial Summary

The Group advanced its strong financial position in 2016. Robust industry production and improved markets in North America, China and Europe led to increased volume. The Group also continued to successfully launch new products to deliver continued top line revenue growth. The Company's strong top line growth through successful launches and focus on operational efficiency, coupled with a strong automotive market, continues to drive earnings and cash flow accretion.

Operating Environment

The global automotive market has a direct impact on our business and operating results. The factors affecting the industry include macro-economic factors such as consumer confidence, fluctuations in commodity, currency, fuel prices and regulatory environments. The Company operates primarily in North America, China, Europe, India and Brazil. Automotive industry production levels increased in 2016 over 2015. Improvements were seen in North America where global light vehicle production increased 2.0% from the year ended December 31, 2015 to the year ended December 31, 2016. In China, the automotive market continues to expand and thus provide a benefit to the Group. Global light vehicle production for the Asia Pacific segment in total increased 7.2% from 2015 to 2016, while the China market light vehicle growth alone increased 13.6% for the same period. Additionally, the Group has benefitted from strong product mix with sport utility vehicles (SUV) in China and with trucks in North America. Global light vehicle production for the Europe and South America segment in total increased 2.4% as a result of an increase in the Europe market of 2.8%, offset by a decline in the South America market.

The Group's profit attributable to equity holders of the Company for the year ended December 31, 2016 was US\$294.7 million or 7.7% of total revenue, an increase of 43.5% compared to the year ended December 31, 2015 of US\$205.4 million or 6.1% of total revenue. This increase was attributable to the following:

- Successfully launched new production of awarded customer programs across multiple product lines, segments and customers
- Increased customer demand due to market strength
- Increased penetration in China through new program launches and strength of SUV, multi-purpose vehicle and minivan related sales
- Focused on continuous improvement in operating efficiency and cost competitiveness
- Improved product line mix (continued conversion from HPS to EPS)

Revenue

The Group's revenue for the year ended December 31, 2016 was US\$3,842.2 million, an increase of US\$481.7 million or a 14.3% increase from the year ended December 31, 2015 of US\$3,360.5 million. Global automotive original equipment manufacturer (OEM) production volume increased 4.5% from the year ended December 31, 2015 to the year ended December 31, 2016. The Group's revenue was negatively impacted by US\$54.4 million of foreign currency translation. The Group's revenue would have increased an additional 1.6% from the year ended December 31, 2015 excluding the negative foreign currency translation impact.

We measure the results of our operations by geographic segment regions. The change in revenue is analysed by volume, mix and price. Volume measure changes are driven by the volume of products sold. Mix changes are driven by the type of products sold. Price measures the impact of changes within the pricing structure of each product sold.

Revenue by Geographical Segments

For the year ended December 31, 2016, the Group experienced an increase in revenue across all segments.

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	US\$'000	%	US\$'000	%
North America	2,513,626	65.4	2,216,849	66.0
Asia Pacific	899,382	23.4	774,777	23.0
Europe and South America	429,236	11.2	368,886	11.0
Total	<u>3,842,244</u>	<u>100.0</u>	<u>3,360,512</u>	<u>100.0</u>

The change to the segment structure, effective from January 1, 2016, is discussed further in note 2 to the Consolidated Financial Statements.

The change in revenue by geographical segments is primarily due to the following:

- The North America segment experienced a 13.4% increase in revenue from the year ended December 31, 2015 to the year ended December 31, 2016, consistent with strong North America automotive industry production. The North America segment benefitted from increased volume as a result of increased end-user customer demand for new vehicles and new customer program launches, combined with increased North America truck production at rates significantly in excess of total OEM production volume in North America. OEM production volume in North America increased 2.0% from the year ended December 31, 2015 to the year ended December 31, 2016, including a 9.6% increase in full-size trucks. The North America segment launched 11 new customer programs in 2015 and 10 in 2016. The increased volume is primarily attributed to DL, EPS and CIS programs.
- The Asia Pacific segment experienced a 16.1% increase in revenue from the year ended December 31, 2015 to the year ended December 31, 2016. The increase is directly attributable to our increased exposure in the China market, which resulted in 16.7% revenue growth in China. OEM production volume in Asia Pacific segment and China increased 7.2% and 13.6%, respectively, from the year ended December 31, 2015 to the year ended December 31, 2016. The Asia Pacific segment experienced US\$51.1 million of negative foreign currency translation impact. The Asia Pacific segment revenue would have increased an additional 6.6% from year ended December 31, 2015 to year ended December 31, 2016, excluding the negative foreign currency translation impact. The Asia Pacific segment launched 13 new customer programs in 2015 and 21 new customer programs in 2016. Additionally, main model sales to key customers were strong, providing for sales above the overall market.
- The Europe and South America segment experienced a 16.4% increase in revenue from the year ended December 31, 2015 to the year ended December 31, 2016. This increase is attributable to improved customer production volumes offset by US\$3.3 million negative foreign currency translation impact. Europe and South America segment revenue would have increased an additional 0.9% from the year ended December 31, 2015 to the year ended December 31, 2016, excluding the negative foreign currency translation impact. The Europe and South America segment launched 2 new customer programs in 2016. OEM production volume in Europe and South America increased 1.2% from the year ended December 31, 2015 to the year ended December 31, 2016.

Revenue by Products

The following table sets forth the Group's revenue by product lines for the period indicated:

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	US\$'000	%	US\$'000	%
Steering				
EPS	2,383,742	62.0	2,000,287	59.5
HPS	186,745	4.9	167,337	5.0
CIS	635,257	16.5	609,565	18.1
Driveline	636,500	16.6	583,323	17.4
	<u>3,842,244</u>	<u>100.0</u>	<u>3,360,512</u>	<u>100.0</u>

The increase in steering revenue resulted primarily from the growth of the EPS products sold as the Group continues to transition from HPS to higher priced EPS systems. Substantial volume increases have amplified due to customer demands, as well as successful launch of conquest business from the backlog of booked business.

Cost of Sales

The Group's cost of sales for the year ended December 31, 2016 was US\$3,180.6 million, an increase of US\$365.0 million from US\$2,815.6 million for the year ended December 31, 2015. The Group's cost of sales for the year ended December 31, 2016 primarily included raw material costs of US\$2,252.5 million (year ended December 31, 2015: US\$1,945.0 million), manufacturing expense of US\$861.5 million (year ended December 31, 2015: US\$806.5 million), as well as other costs of sales of US\$66.6 million (year ended December 31, 2015: US\$64.1 million).

The Group's cost of sales increased as a result of increased sales volume, partially offset by cost efficiencies in raw material. The Group experienced increased depreciation on property, plant and equipment and increased amortisation of capitalised product development costs in the year ended December 31, 2016 when compared to the year ended December 31, 2015. The increased depreciation and amortisation is consistent with an increase in programs launched. Depreciation and amortisation charged to cost of sales for the year ended December 31, 2016 was US\$155.4 million, an increase of US\$21.6 million from the year ended December 31, 2015.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US\$64.8 million for the year ended December 31, 2016, representing 1.7% of revenue, an increase of US\$13.9 million from US\$50.9 million or 1.5% of revenue for the year ended December 31, 2015. We expect amortisation expense to continue to increase in future years with the launch of new programs that are currently in development.

Gross Profit

The Group's gross profit for the year ended December 31, 2016 was US\$661.7 million, an increase of US\$116.8 million or 21.4% from US\$544.9 million for the year ended December 31, 2015. Gross profit percentage for the year ended December 31, 2016 was 17.2%, a 1.0% increase from the 16.2% for the year ended December 31, 2015. The increase in both gross profit and gross profit percentage was attributable to increased market growth, continued rotation to EPS and the effect of cost improvement initiatives. Their benefits were partially offset by depreciation on property, plant and equipment and amortisation of capitalised product development costs.

Engineering and Product Development Costs

For the year ended December 31, 2016, the Group's engineering and product development costs charged to the income statement were US\$123.3 million, representing 3.2% of revenue, an increase of US\$26.4 million from US\$96.9 million or 2.9% of revenue for the year ended December 31, 2015. The increase in engineering and product development costs includes additional global headcount as the Company continues its strong focus on engineering and product development in support of current and future business.

The Group recorded a product development intangible asset impairment of US\$12.2 million which related to further decline in the Brazilian economy. The impairment is recorded in the consolidated income statement as engineering and product development costs in the North America segment. The intangible asset impairment associated with the Brazil operations is recorded in the North America segment due to the Company's US-domiciled intellectual property holdings.

Engineering development costs capitalised as intangible assets, including capitalised interest, for the year ended December 31, 2016 were US\$121.7 million, representing 3.2% of revenue, an increase of US\$12.4 million from US\$109.3 million or 3.3% of revenue for the year ended December 31, 2015. Capitalised interest related to engineering development costs totalled US\$7.0 million for the year ended December 31, 2016 and US\$5.2 million for the year ended December 31, 2015.

The Group's aggregate investment in research and development (**R&D**) is defined as the sum of costs charged to the income statement (excluding impairment charges associated with a prior period) and total costs capitalised as intangible assets. For the year ended December 31, 2016, the Group incurred aggregate investment in R&D of US\$232.8 million, an increase of US\$26.9 million from US\$205.9 million for the year ended December 31, 2015.

Administrative Expenses

The Group's administrative expenses for the year ended December 31, 2016 were US\$114.5 million, representing 3.0% of revenue, an increase of US\$9.0 million from US\$105.5 million or 3.1% of revenue for the year ended December 31, 2015. The increase in administrative expenses includes expanded activities in information technology to support the expanding production footprint and product development activities.

Other Gains (Losses), net

Other gains (losses), net represents gains attributable to foreign exchange transactions, loss on disposal of property, plant and equipment and fair value losses on derivative financial instruments. Other gains for the year ended December 31, 2016 were US\$7.0 million, an increase of US\$24.5 million compared to the year ended December 31, 2015. The increase is driven by favorable foreign exchange transaction gains, including a US\$15.5 million gain associated with the settlement of an intercompany loan, losses on disposal of property, plant and equipment and derivative financial instruments associated with foreign exchange contracts.

Finance Costs, net

Finance costs, net, consist of interest income and expense reduced by interest capitalised on qualifying assets and product development. The Group's net finance costs for the year ended December 31, 2016 were US\$30.2 million which is a decrease of US\$0.8 million from the year ended December 31, 2015. The amount of capitalised interest on qualifying assets was US\$7.3 million for the year ended December 31, 2016 (year ended December 31, 2015: US\$5.5 million).

Income Tax Expense

The Group's income tax expense was US\$84.1 million for the year ended December 31, 2016, representing 21.8% of the Group's profit before income tax, an increase of US\$10.9 million from US\$73.2 million, or 25.8% of profit before tax for the year ended December 31, 2015.

The US\$10.9 million increase in income tax expense is primarily the result of additional income tax expense incurred on the incremental US\$102.6 million of profit before tax for the year ended December 31, 2016. The change in the mix of income generated by US and non-US operations favorably impacted the effective tax rate for the year ended December 31, 2016.

Provisions

As at December 31, 2016, the Group has provisions of US\$105.8 million for restructuring, litigation, environmental liabilities, warranties and decommissioning, an increase of US\$16.1 million from US\$89.7 million as at December 31, 2015. This increase in provisions was primarily due to the net change in warranty reserves.

Liquidity and Capital Resources

Cash Flows

Our business requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials, capital spending for customer programs and engineering and product development costs. We have historically met our working capital and other capital requirements principally from cash generated from operations and loans from banks. In recent years, the Group has invested extensively in capital equipment and engineering and product development costs. For the year ended December 31, 2016, the Group invested US\$166.7 million and US\$118.0 million in capital equipment and intangible assets, respectively. Due to an increase in cash generated from operating activities, the Group has reduced the principal balance on some of its borrowings.

The Company was total cash flow positive for the years ended December 31, 2016 and 2015. We believe that funds generated from operations and cash on hand will be adequate to fund our liquidity and capital requirements.

The following table sets forth a condensed statement of cash flows for the Group for the years indicated:

	For the year ended December 31, 2016 US\$'000	For the year ended December 31, 2015 US\$'000
Cash generated from (used) in:		
Operating activities	509,392	468,266
Investing activities	(283,369)	(276,389)
Financing activities	(155,300)	(161,510)
	<hr/>	<hr/>
Total increase in cash	70,723	30,367
	<hr/>	<hr/>

Cash Flows Generated from Operating Activities

For the year ended December 31, 2016, the Group's net cash generated from operating activities was US\$509.4 million, an increase of US\$41.1 million compared to the year ended December 31, 2015 of US\$468.3 million. The increase in cash flows from operating activities is primarily due to increased earnings partially offset by a decline in working capital.

Cash Flows Used in Investing Activities

The Group's cash flows used in investing activities primarily reflect capital spending for customer programs. Our capital expenditures include cash expenditures for the purchases of machinery, equipment and tooling and investment in product development.

The following table sets forth the cash used in investing activities within the Group for the years indicated:

	For the year ended December 31, 2016 US\$'000	For the year ended December 31, 2015 US\$'000
Purchase of property, plant and equipment	(166,714)	(165,609)
Addition of intangible assets	(118,004)	(111,867)
Proceeds from sale of property, plant and equipment	1,964	3,536
Change in restricted bank deposits	(615)	623
Investment in a joint venture	–	(3,072)
	<hr/>	<hr/>
Total cash used in investing activities	(283,369)	(276,389)
	<hr/>	<hr/>

Cash Flows Used in Financing Activities

The Group's net cash used in financing activities was US\$155.3 million for the year ended December 31, 2016, which was mainly attributable to the net repayment of borrowings of US\$80.5 million, finance costs paid of US\$37.7 million, dividends paid of US\$39.9 million, offset by proceeds from the exercise of share options of US\$2.7 million.

Indebtedness

As at December 31, 2016, the Group's total borrowings was US\$564.1 million which is a decrease of US\$77.6 million from December 31, 2015. This decrease is primarily due to the utilisation of cash generated from operations to pay maturing debt.

The following table sets forth the balances of short and long-term borrowing obligations within the Group for the years indicated:

	December 31, 2016 US\$'000	December 31, 2015 US\$'000
Current borrowings	74,446	80,483
Non-current borrowings	486,140	559,349
Finance lease obligations	3,561	1,891
Total borrowings	564,147	641,723

The table below sets forth the maturity profile of borrowings within the Group for the years indicated:

	For the year ended December 31, 2016 US\$'000	For the year ended December 31, 2015 US\$'000
Within 1 year	75,488	81,184
Between 1 and 2 years	75,668	75,115
Between 2 and 5 years	412,991	236,051
Over 5 years	–	249,373
Total borrowings	564,147	641,723

Pledge of Assets

The Group has several secured borrowings at specific subsidiaries. The assets securing the borrowings differ by site and include accounts receivable, inventory, property, plant and equipment, the equity interests of certain subsidiaries and intellectual property. For the year ended December 31, 2016, the Group had approximately US\$1,042.4 million total assets pledged as collateral, an increase of US\$73.5 million from the US\$968.9 million as at December 31, 2015.

Exposure to Currency Rate Fluctuations and Related Hedges

The Group actively limits its foreign currency exposure through matching its purchase of materials and sale of finished goods in the same currencies. The Group monitors its remaining foreign currency exposure regularly to reduce the risk of foreign currency fluctuations in its operations. Historically, the Group hedged its US dollar exposure risk to the Mexican peso, Polish zloty and European euro by participating in a hedging program that included forward exchange contracts. In June 2016, the Company settled all outstanding foreign currency forward contracts for US\$5.9 million.

Gearing Ratio

The Group monitors capital structure on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total equity at the end of the respective year.

The gearing ratio as at December 31, 2016 was 51.7%, a decrease of 23.4% from December 31, 2015. The ratio decreased compared to 2015 due to improved profits and payment of borrowings.

OTHER INFORMATION

Future Prospects

The Group strives to be a leader in global advanced steering and driveline systems, ADAS and automated driving technologies by leveraging technology leadership. Our global footprint has allowed us to capitalise on the transition of the market to EPS and continued growth in China and other emerging markets. In addition to strengthening and expanding our current business and customer relationships, we are positioned to pursue selected strategic acquisitions and/or alliances globally.

Backlog of Booked Business

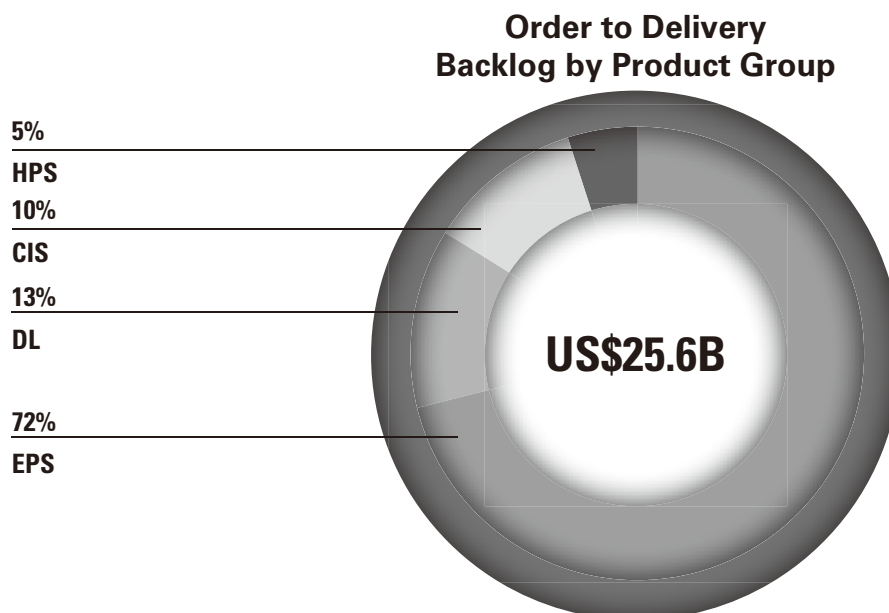
We begin to realise revenue under a new business contract at the start of production as steering systems and driveline products are first shipped to vehicle manufacturers at the time of product launch. Product launches have historically lagged the date of contract award by an average period of 24 to 30 months. We have calculated a booked business backlog value which includes the value of awarded business for as yet, undelivered product generating revenue between the time of launch through the end of the life of the respective award (the “order to delivery” backlog valuation model). We estimate the value of all booked business under contracts that have been awarded, but for which we have undelivered product, amounts to approximately US\$25.6 billion (the **Booked Business Amount** or **Booked Business**) as at December 31, 2016.

Prior to January 1, 2016, we have presented the value of our backlog of Booked Business as the aggregate value of vehicle manufacturer awarded business for which we have not yet launched product (the “order to launch” backlog valuation model). At the time of a product launch pursuant to the “order to launch” backlog valuation model, we remove the total value of the booked business from the backlog presented. Consistent with our “order to launch”

backlog valuation model, as at December 31, 2016, we estimate the value of all booked business under contracts that have been awarded, but which have not yet begun production, amounts to approximately US\$13.7 billion, compared to US\$11.0 billion as at December 31, 2015. Since the time of the initial public offering, the presentation of the “order of launch” backlog most reasonably represented the growth of our EPS market share as vehicles converted from HPS to EPS, reflecting the conversion driven expansion of the EPS market. However, the “order to launch” model fails to reflect the value of revenue associated with product delivered during the period between production launch and platform end of life. We believe the “order to delivery” model to be a more prevalent method used by automotive suppliers in corresponding industry disclosures.

The value of Booked Business is not a measure defined by IFRS, and our methodology for determining the Booked Business Amount may not be comparable to the methodology used by other companies in determining the value of their booked business. Assumptions relative to estimated lifetime program volumes and contract performance remain unchanged from our disclosures in prior periods. Any modification or suspension of the contracts related to the booked business by the Group’s customers may have a substantial and immediate effect on the value of the booked business. While we believe that our current Booked Business Amount is a relevant financial metric, we must emphasise that the information set out in this section in relation to the Booked Business and the Booked Business Amount shall not constitute any forecast or prediction of the revenue and profits of the Group and the actual value may differ from the estimated Booked Business Amount due to various factors beyond the Group’s control.

Cumulative Booked Business:



Employees and Remuneration Policy

As at December 31, 2016, the Group had 13,700 full-time equivalents of which approximately 12,600 are direct employees of the Group. The Group's remuneration policies are formulated based on the performance of individual employees and the Company's performance and are reviewed regularly. Our full-time employees participate in various employee benefit plans including retirement benefits, extended disability benefits and workers' compensation. In addition, we have adopted employee incentive plans designed to attract, retain, motivate, and encourage employees to commit to enhancing value for us and our shareholders (the **Shareholders**) as a whole. For example, the Group has retention programs that include individual development plans, merit wage adjustments, annual incentive plans and promotions.

We offer training programs to our employees which are designed to develop the skills that we need to meet our enterprise goals and customer requirements and to meet certain training requirements such as mandated customer or regulatory requirements and contractual obligations.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Company recognises that sound corporate governance practices are fundamental to our effective and transparent operation and to our ability to protect the rights of the Shareholders and enhance shareholder value.

The Company has adopted its own internal control and corporate governance policies, which are based on the principles, provisions and practices set out in the Corporate Governance Code and Corporate Governance Report (the **Hong Kong CG Code**) contained in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the **Listing Rules**).

Except as expressly described below, in the opinion of the Directors, the Company has complied with all applicable code provisions set out in the Hong Kong CG Code throughout the year ended December 31, 2016.

Chairman and Chief Executive Officer

A.2.1 – Mr. ZHAO Guibin, our Chairman also acts as the Chief Executive Officer of the Company, which constitutes a deviation from Code Provision A.2.1 of the Hong Kong CG Code. The Board believes that this structure does not impair the balance of power and authority between the Board and the management of the Company or the Group, given that:

- (i) decisions made by our Board require approval by at least a majority of our Directors and that our Board includes three Independent non-Executive Directors out of a total of eight Directors, which is more than the Listing Rules requirement of one-third, and we believe there are sufficient checks and balances on the Board;

- (ii) Mr. ZHAO and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that each Director, including Mr. ZHAO, acts for the benefit and in the best interests of the Group and will make decisions for our Group accordingly; and
- (iii) the balance of power and authority is ensured by the operations of the Board which is comprised of experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic, financial and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels.

The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and Chief Executive Officer is necessary.

COMPLIANCE WITH CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the **Model Code**) as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code for the year ended December 31, 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries for the year ended December 31, 2016.

EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On January 4, 2017, Nexteer Automotive Corporation and Continental Automotive Systems, Inc. entered into a contribution agreement, which provides, among other things, that the parties will establish a joint arrangement principally engaged in R&D activities for the advancement of optimised longitudinal and lateral vehicle motion control systems for assisted and automated driving. Each of the parties will hold 50% of the interest in this joint arrangement. Details of the contribution agreement are set out in the announcement of the Company dated January 11, 2017. As at the date of this announcement, the joint arrangement has not yet been formed or organised.

THE AUDIT AND COMPLIANCE COMMITTEE

The Board established the Audit and Compliance Committee on June 15, 2013 with written terms of reference (as revised on November 13, 2015) in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the Hong Kong CG Code. The Audit and Compliance Committee consists of WEI, Kevin Cheng, TSANG, Hing Lun, LU, Daen (resigned with effect from and upon the conclusion of the Board meeting held on March 14, 2017) and YANG, Shengqun (appointed with effect from March 14, 2017). All members of the Audit and Compliance Committee are non-Executive Directors, among whom TSANG, Hing Lun and WEI, Kevin Cheng are Independent non-Executive Directors. The chairman of the Audit and Compliance Committee is WEI, Kevin Cheng who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit and Compliance Committee include, without limitation, assisting our Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Audit and Compliance Committee has met with the external auditor of the Group to review the accounting principles and practices adopted by the Company, the Group's 2016 annual results and the annual financial statements of the Group for the year ended December 31, 2016.

The Audit and Compliance Committee also approved the annual results and the audited Consolidated Financial Statements for the year ended December 31, 2016 and submitted them to the Board for approval.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of US\$58.9 million, representing 20% of net profit, or US\$0.024 per share for the year ended December 31, 2016 subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the AGM).

ANNUAL GENERAL MEETING

The Company's AGM will be held on June 5, 2017. Notice of the AGM together with the Company's annual report will be published and dispatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from May 31, 2017 to June 5, 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on May 29, 2017.

The final dividend is payable on June 21, 2017 and the record date for entitlement to the proposed final dividend is June 13, 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from June 9, 2017 to June 13, 2017, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (address as per above) for registration no later than 4:30 p.m. on June 8, 2017.

PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules up to the date of this announcement.

By order of the Board
Nexteer Automotive Group Limited
Guibin ZHAO
Chairman

Hong Kong, March 14, 2017

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. Shengqun YANG and Mr. Xiaobo WANG, and the Independent non-Executive Directors are Mr. Hing Lun TSANG, Mr. Jianjun LIU and Mr. Kevin Cheng WEI.