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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

HIGHLIGHTS

- Revenue increased by 2.6% to US$1,974.1 million compared with US$1,923.8 million for the six months ended June 30, 2016
- Gross profit increased by 11.1% to US$371.5 million compared with US$334.4 million for six months ended June 30, 2016. Gross profit as a percentage of revenue increased to 18.8% compared with 17.4% for the same period in 2016
- Profit attributable to equity holders of the Company increased by 20.7% to US$179.7 million compared with US$148.9 million for six months ended June 30, 2016. Profit attributable to equity holders as a percentage of revenue increased to 9.1% compared with 7.7% for the same period in 2016
- The Company's backlog of booked business was US$24.0 billion as at June 30, 2017

RESULTS

The Board of Directors (the **Board**) of Nexteer Automotive Group Limited (the **Company**) announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively **we**, **us**, **our**, or the **Group**) for the six months ended June 30, 2017, together with the comparative figures for the previous period as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended June 30, 2017

	Notes	For the six months ended June 30, 2017 US$'000 (Unaudited)	2016 US$'000 (Unaudited)
Revenue	2	**1,974,087**	1,923,800
Cost of sales	3	**(1,602,601)**	(1,589,403)
Gross profit		**371,486**	334,397
Engineering and product development costs	3	**(63,068)**	(64,413)
Selling and distribution expenses	3	**(6,938)**	(7,226)
Administrative expenses	3	**(60,295)**	(55,049)
Other (losses) gains, net	4	**(1,037)**	7,739
Operating profit		**240,148**	215,448
Finance income	5	**1,235**	611
Finance costs	5	**(14,471)**	(16,442)
Finance costs, net		**(13,236)**	(15,831)
Share of (loss) income of a joint venture		**(270)**	1,494
Profit before income tax		**226,642**	201,111
Income tax expense	6	**(44,088)**	(48,189)
Profit for the period		**182,554**	152,922
Attributable to:			
Equity holders of the Company		**179,686**	148,869
Non-controlling interests		**2,868**	4,053
		182,554	152,922
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
– Basic and diluted	7	**0.07**	0.06

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2017

	For the six months ended June 30,	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**182,554**	152,922
Other comprehensive (loss) income		
Items that will not be reclassified to profit or loss		
Actuarial (losses) gains on defined benefit plans, net of tax	**(203)**	34
Items that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**23,751**	(6,806)
Cash flow hedges	**–**	890
	23,548	(5,882)
Total comprehensive income for the period	**206,102**	147,040
Attributable to:		
Equity holders of the Company	**202,434**	143,610
Non-controlling interests	**3,668**	3,430
	206,102	147,040

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
As at June 30, 2017

	Note	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**825,446**	779,134
Land use rights		**1,465**	568
Intangible assets		**466,366**	449,708
Deferred income tax assets		**10,064**	9,948
Other receivables and prepayments		**18,357**	15,869
Investment in a joint venture		**10,316**	10,586
		1,332,014	1,265,813
Current assets			
Inventories		**244,562**	261,749
Trade receivables	*9*	**632,442**	589,642
Other receivables and prepayments		**84,589**	90,962
Restricted bank deposits		**37**	727
Cash and cash equivalents		**512,468**	484,475
		1,474,098	1,427,555
Total assets		**2,806,112**	2,693,368
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**32,286**	32,274
Other reserves		**157,184**	192,221
Retained earnings		**1,013,979**	834,496
		1,203,449	1,058,991
Non-controlling interests		**35,700**	32,032
Total equity		**1,239,149**	1,091,023

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
As at June 30, 2017

	Note	**As at June 30, 2017 US$'000 (Unaudited)**	As at December 31, 2016 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**452,121**	488,659
Retirement benefits and compensations		**18,323**	18,160
Deferred income tax liabilities		**57,560**	56,704
Provisions		**90,161**	76,480
Deferred revenue		**83,839**	92,855
Other payables and accruals		**8,295**	9,161
		710,299	742,019
Current liabilities			
Trade payables	*10*	**584,487**	604,498
Other payables and accruals		**110,164**	107,362
Current income tax liabilities		**33,182**	15,349
Retirement benefits and compensations		**3,126**	3,427
Provisions		**22,358**	29,295
Deferred revenue		**27,307**	24,907
Borrowings		**76,040**	75,488
		856,664	860,326
Total liabilities		**1,566,963**	1,602,345
Total equity and liabilities		**2,806,112**	2,693,368

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2017

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 the 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 P.O. 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**), are principally engaged in the design and manufacture of steering and driveline systems, advanced driver assist systems (**ADAS**) and autonomous driving (**AD**) and components for automobile manufactures 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 directors of the Board (the **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.

This condensed consolidated interim financial information (**Condensed Financial Information**) is presented in thousands of US dollars (**US$'000**), unless otherwise stated. This Condensed Financial Information was approved for issue by the Board on August 15, 2017.

This Condensed Financial Information has not been audited.

Basis of Preparation

This Condensed Financial Information has been prepared in accordance with International Accounting Standard (**IAS**) 34 "Interim Financial Reporting." This Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with all applicable International Financial Reporting Standards (**IFRS**), as issued by the International Accounting Standards Board.

New/revised standards, amendments to standards and interpretations

The Group adopts the following amendment which is relevant to the Group and mandatory for the annual accounting period beginning on January 1, 2017.

IAS 7 (Amendment)	Statement of Cash Flows

The adoption of the above amendment, resulting in certain disclosure changes, will be reflected in the annual financial statement.

The following new standards, and amendments to standards, and interpretations relevant to the Group have been issued but are not yet effective for the financial year beginning January 1, 2017 and have not been early adopted:

		Effective for accounting periods beginning on or after
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRS 9	Financial instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRIC Interpretation 22	Foreign currency transactions and advance consideration	January 1, 2018
IFRIC Interpretation 23	Uncertainty over income tax treatments	January 1, 2019
IFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	January 1, 2018

Management is in the process of assessing their related impacts to the Group.

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, at a minimum.

The Group classifies its businesses into three reportable segments: North America, Asia Pacific and Europe and South America. 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 uses to monitor 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:

For the six months ended June 30, 2017 (Unaudited)	**North America**	**Asia Pacific**	**Europe and South America**	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total revenue	**1,327,497**	**440,070**	**257,381**	**–**	**2,024,948**
Inter-segment revenue	**(20,305)**	**(24,482)**	**(6,074)**	**–**	**(50,861)**
Revenue from external customers	**1,307,192**	**415,588**	**251,307**	**–**	**1,974,087**
Adjusted EBITDA	**218,722**	**89,153**	**21,755**	**(2,740)**	**326,890**
For the six months ended June 30, 2016 (Unaudited)					
Total revenue	1,284,070	450,656	229,893	–	1,964,619
Inter-segment revenue	(21,554)	(18,667)	(598)	–	(40,819)
Revenue from external customers	1,262,516	431,989	229,295	–	1,923,800
Adjusted EBITDA	205,297	75,201	13,775	(1,991)	292,282

Revenue between segments are 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 interim condensed consolidated income statement.

	North America	Asia Pacific	Europe and South America	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at June 30, 2017 (Unaudited)					
Total assets	**1,790,384**	**693,367**	**397,947**	**(75,586)**	**2,806,112**
Total liabilities	**(1,063,957)**	**(241,885)**	**(177,194)**	**(83,927)**	**(1,566,963)**
As at December 31, 2016 (Audited)					
Total assets	1,667,327	705,244	338,310	(17,513)	2,693,368
Total liabilities	(1,063,447)	(324,899)	(155,741)	(58,258)	(1,602,345)

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

	For the six months ended June 30,	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Adjusted EBITDA from reportable segments	**326,890**	292,282
Depreciation and amortisation expenses	**(86,742)**	(76,834)
Finance costs, net	**(13,236)**	(15,831)
Share of (loss) income of a joint venture	**(270)**	1,494
Profit before income tax	**226,642**	201,111

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 and liabilities.

Adjusted EBITDA includes a non-cash component for deferred revenue amortisation. For the six months ended June 30, 2017, the North America segment and Asia Pacific segment recognised US$11,977,000 (six months ended June 30, 2016: US$12,353,000) and US$409,000 (six months ended June 30, 2016: US$1,159,000), respectively.

The geographic distribution of revenue for the six months ended June 30, 2017 and 2016, respectively, is as follows:

	For the six months ended June 30,	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
North America:		
US	**885,614**	872,016
Mexico	**421,578**	390,500
Asia Pacific:		
China	**382,806**	412,137
Rest of Asia Pacific	**32,782**	19,852
Europe and South America:		
Poland	**217,561**	207,950
Rest of Europe and South America	**33,746**	21,345
	1,974,087	1,923,800

The geographic distribution of non-current assets excluding deferred income tax assets as at June 30, 2017 and December 31, 2016, respectively, is as follows:

	As at June 30, 2017	As at December 31, 2016
	US$'000	*US$'000*
	(Unaudited)	(Audited)
North America:		
US	**777,758**	760,114
Mexico	**165,737**	143,049
Asia Pacific:		
China	**210,092**	202,348
Rest of Asia Pacific	**13,674**	11,689
Europe and South America:		
Poland	**132,892**	114,827
Rest of Europe and South America	**21,797**	23,838
	1,321,950	1,255,865

Distribution of revenue between product lines for the six months ended June 30, 2017 and 2016, respectively, is as follows:

	For the six months ended June 30,			
	2017		2016	
	US$'000		*US$'000*	
	(Unaudited)	**%**	(Unaudited)	%
Steering				
Electric Power Steering (**EPS**)	**1,257,181**	**63.7**	1,189,846	61.8
Column and Intermediate Shafts (**CIS**)	**334,508**	**16.9**	318,891	16.6
Hydraulic Power Steering (**HPS**)	**92,813**	**4.7**	96,752	5.0
Driveline (**DL**)	**289,585**	**14.7**	318,311	16.6
Total	**1,974,087**	**100.0**	1,923,800	100.0

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

	For the six months ended June 30,	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
General Motors Company and Subsidiaries	**863,882**	844,799
Customer A	**407,741**	404,748
Customer B	**269,480**	264,163
	1,541,103	1,513,710

3. EXPENSE BY NATURE

	For the six months ended June 30,	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Raw materials used	**1,145,915**	1,126,053
Changes in inventories of finished goods and work-in-progress	**(7,783)**	1,556
Employee labour benefit costs	**276,705**	268,203
Temporary labour costs	**58,932**	56,472
Restructuring costs	**(28)**	(727)
Supplies and tools	**101,722**	105,684
Depreciation on property, plant and equipment	**47,004**	44,884
Amortisation on		
– land use rights	**22**	13
– intangible assets	**39,716**	31,937
Impairment charges (reversal of provisions) on		
– inventories	**433**	904
– receivables *(note 9)*	**56**	(131)
– intangible assets	**–**	12,249
Operating lease expenses	**8,051**	7,010
Warranty expenses	**12,865**	14,395
Auditors' remuneration		
– Audit services	**734**	538
Others	**48,558**	47,051
Total cost of sales, engineering and product development costs, selling and distribution and administrative expenses	**1,732,902**	1,716,091

Amounts for the six months ended June 30, 2016 have been reclassified to conform with the current period presentation.

4. OTHER (LOSSES) GAINS, NET

	For the six months ended June 30,	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Foreign exchange (losses) gains	**(2,116)**	9,181
Loss on disposal of property, plant and equipment	**(302)**	(412)
Fair value losses on derivative financial instruments	**–**	(1,542)
Others	**1,381**	512
	(1,037)	7,739

5. FINANCE COSTS, NET

	For the six months ended June 30,	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest on bank deposits	**1,235**	611
Finance costs		
Interest expense on bank borrowings	**7,508**	8,431
Interest on notes	**7,344**	7,344
	14,852	15,775
Interest on finance leases	**129**	85
Other finance costs	**4,226**	3,769
	19,207	19,629
Less: amount capitalised in qualifying assets	**(4,736)**	(3,187)
	14,471	16,442
Finance costs, net	**13,236**	15,831

6. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current income tax	**42,229**	46,242
Deferred income tax charges	**1,859**	1,947
	44,088	48,189

For interim income tax reporting, the Group estimates its annual effective tax rate and applies it to its ordinary income (loss) for the six months ended June 30, 2017 and 2016. The tax effects of certain unusual or infrequently occurring items, including changes in judgement about the realisability of deferred tax assets and effects of changes in tax laws or rates are recognised in the interim period in which they occur.

The effective income tax rates of 19.5% and 24.0% for the six months ended June 30, 2017 and 2016, respectively, vary from the statutory rates primarily due to tax credits, tax holidays and foreign rate differentials in certain jurisdictions.

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 period.

	For the six months ended June 30,	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company *(US$'000)*	**179,686**	148,869
Weighted average number of ordinary shares in issue *(thousands)*	**2,502,355**	2,498,477
Basic earnings per share *(in US$)*	**0.07**	0.06

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 shares issued under the share option scheme that are vested as at June 30, 2017. 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 six months ended June 30, 2017) 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 six months ended June 30, 2017 and 2016, the details are within the table below.

	For the six months ended June 30,	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company used to determine diluted earnings per share *(US$'000)*	**179,686**	148,869
Weighted average number of ordinary shares in issue *(thousands)*	**2,502,355**	2,498,477
Adjustment for share options *(thousands)*	**3,770**	1,869
Weighted average number of ordinary shares in issue for calculating diluted earnings per share *(thousands)*	**2,506,125**	2,500,346
Diluted earnings per share *(in US$)*	**0.07**	0.06

8. DIVIDEND

A dividend of approximately US$59,856,000 relating to the Group's year ended December 31, 2016 earnings was paid during the six months ended June 30, 2017 (six months ended June 30, 2016: US$39,913,000). The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2017 (six months ended June 30, 2016: Nil).

9. TRADE RECEIVABLES

	As at June 30, 2017 *US$'000* **(Unaudited)**	As at December 31, 2016 *US$'000* (Audited)
Trade receivables, gross	**633,503**	590,647
Less: provision for impairment	**(1,061)**	(1,005)
	632,442	589,642

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 June 30, 2017 *US$'000* **(Unaudited)**	As at December 31, 2016 *US$'000* (Audited)
0 to 30 days	**376,925**	254,713
31 to 60 days	**205,844**	224,652
61 to 90 days	**35,950**	84,107
Over 90 days	**14,784**	27,175
	633,503	590,647

Trade receivables of US$24,976,000 were past due but not impaired as at June 30, 2017 (December 31, 2016: US$47,614,000). 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 June 30, 2017 *US$'000* **(Unaudited)**	As at December 31, 2016 *US$'000* (Audited)
Overdue up to 30 days	**9,878**	40,687
Overdue 31 to 60 days	**3,479**	3,833
Overdue 61 to 90 days	**9,181**	429
Overdue over 90 days	**2,438**	2,665
	24,976	47,614

The carrying amounts of trade receivables pledged as collateral were US$377,328,000 as at June 30, 2017 (December 31, 2016: US$304,000,000).

10. TRADE PAYABLES

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

	As at June 30, 2017 *US$'000* **(Unaudited)**	As at December 31, 2016 *US$'000* (Audited)
0 to 30 days	**278,058**	382,752
31 to 60 days	**214,566**	159,932
61 to 90 days	**55,742**	40,623
91 to 120 days	**19,981**	14,719
Over 121 days	**16,140**	6,472
	584,487	604,498

FINANCIAL REVIEW

Financial Summary

The Group advanced its strong financial position in the first half of 2017. Continued steady industry production in North America, China and Europe led to increased sales. The Group also continued to successfully launch new products to deliver continued top line revenue growth. The Company's top line growth through successful launches and focus on operational efficiency continues to drive earnings and cash flow accretion, despite a stagnant automotive market.

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 Group operates primarily in North America, China, Europe, India and Brazil. Automotive industry production levels increased in the first half of 2017 over the first half of 2016 despite stable, yet lacklustre, growth in the global economy. According to IHS Markit Ltd., global light vehicle production for the six months ended June 30, 2017 increased 2.5% compared to the six months ended June 30, 2016, while North America remains consistent. Global light vehicle production for the Asia Pacific segment in total for the six months ended June 30, 2017 increased 3.6% compared to the six months ended June 30, 2016, while the China light vehicle market growth alone was 3.1% for the same period. Global light vehicle production for the Europe and South America segment in total increased 2.8% related to an increase in the Europe market of 1.3%.

The Group's net profit attributable to equity holders of the Company for the six months ended June 30, 2017 was US$179.7 million or 9.1% of total revenue, an increase of 20.7% compared to the six months ended June 30, 2016 of US$148.9 million or 7.7% of total revenue. This increase was attributable to the following:

- Successfully launched new production of awarded programmes across multiple regions and customers

- Improved product line mix

- Increased customer demand due to market strength offsetting significant foreign exchange translation impact

- Focus on continuous improvement in operating efficiency and cost competitiveness

Revenue

The Group's revenue for the six months ended June 30, 2017 was US$1,974.1 million, an increase of US$50.3 million or a 2.6% increase from the six months ended June 30, 2016 of US$1,923.8 million. According to IHS Markit Ltd., global automotive original equipment manufacturer (**OEM**) production volume for the six months ended June 30, 2017 increased 2.5% compared to the six months ended June 30, 2016. The Group's revenue was negatively impacted by approximately US$22.5 million of foreign currency translation. The Group's revenue would have increased an additional 1.2% from the six months ended June 30, 2016 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 six months ended June 30, 2017, the Group experienced an increase in global revenue compared to the six months ended June 30, 2016.

The following table sets forth revenue by geographic segment for the periods indicated:

	For the six months ended June 30, 2017 ***US$'000*** **(Unaudited)**	*%*	For the six months ended June 30, 2016 *US$'000* (Unaudited)	*%*
North America	**1,307,192**	**66.2**	1,262,516	65.6
Asia Pacific	**415,588**	**21.1**	431,989	22.5
Europe and South America	**251,307**	**12.7**	229,295	11.9
Total	**1,974,087**	**100.0**	1,923,800	100.0

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

- The North America segment experienced a 3.5% increase for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, outperforming the industry. The North America segment held strong, despite flat industry volume and was able to capitalise on the continued increase in North American full-size truck production. According to IHS Markit Ltd., OEM production volume in North America decreased 0.7% for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, however, full-size truck production increased 3.3% for the same period. The North America segment launched 10 new customer programmes in 2016 and 4 new customer programmes in the first half of 2017.

- The Asia Pacific segment experienced a 3.8% decrease in revenue for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. The decrease is directly attributable to fluctuations in the exchange rates. The Asia Pacific segment experienced US$19.2 million of negative foreign currency translation impact. The Asia Pacific segment revenue would have increased by 4.4% for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, excluding the negative foreign currency translation impact. According to IHS Markit Ltd., OEM production volumes in the Asia Pacific segment and China increased 3.6% and 3.1%, respectively, for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. The Asia Pacific segment launched 21 new customer programmes in 2016 and 9 new customer programmes in the first half of 2017.

- The Europe and South America segment experienced a 9.6% increase in revenue for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. This increase is attributable to improved customer production volumes offset by US$3.3 million negative foreign currency translation impact. The Europe and South America segment revenue would have increased an additional 1.4% for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, excluding the negative foreign currency translation impact. The Europe and South America segment launched 2 new programmes in 2016 and 2 new customer programmes in the first half of 2017. According to IHS Markit Ltd., OEM production volume in Europe and South America increased 2.8% for the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Revenue by Products

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

	For the six months ended June 30, 2017 *US$'000* **(Unaudited)**	*%*	For the six months ended June 30, 2016 *US$'000* (Unaudited)	*%*
Steering				
EPS	**1,257,181**	**63.7**	1,189,846	61.8
CIS	**334,508**	**16.9**	318,891	16.6
HPS	**92,813**	**4.7**	96,752	5.0
DL	**289,585**	**14.7**	318,311	16.6
Total	**1,974,087**	**100.0**	1,923,800	100.0

The increase in steering revenue resulted from the growth of EPS products sold. Volume increases have followed customer demand as well as the successful launches of conquest business from the backlog of booked business. The decrease in DL revenue resulted from lower production schedules from key customers.

Cost of Sales

The Group's cost of sales for the six months ended June 30, 2017 was US$1,602.6 million, an increase of US$13.2 million from US$1,589.4 million as compared with the six months ended June 30, 2016. The Group's cost of sales for the six months ended June 30, 2017 primarily include raw material costs of US$1,145.9 million (for the six months ended June 30, 2016: US$1,126.1 million), manufacturing expense of US$429.1 million (for the six months ended June 30, 2016: US$428.1 million), as well as other costs of sales of US$27.6 million (for the six months ended June 30, 2016: US$35.2 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 for the six months ended June 30, 2017 when compared to the six months ended June 30, 2016. The increase in depreciation and amortisation is consistent with an increase in programmes launched. Depreciation and amortisation charged to cost of sales for the six months ended June 30, 2017 was US$82.1 million, an increase of US$8.4 million from US$73.7 million for the six months ended June 30, 2016.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$36.4 million for the six months ended June 30, 2017, representing 1.8% of revenue, an increase of US$4.7 million as compared with US$31.7 million or 1.6% of revenue for the six months ended June 30, 2016. We expect amortisation expense to continue to increase in future years with the launch of new programmes that are currently in development.

Gross Profit

The Group's gross profit for the six months ended June 30, 2017 was US$371.5 million, an increase of US$37.1 million or 11.1% as compared with US$334.4 million for the six months ended June 30, 2016. Gross profit percentage for the six months ended June 30, 2017 was 18.8%, an increase of 140 basis points as compared with 17.4% for the six months ended June 30, 2016. The increase in both gross profit and gross profit percentage was attributable to increased market growth, improved product line mix 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 six months ended June 30, 2017, the Group's engineering and product development costs charged to the income statement were US$63.1 million, representing 3.2% of revenue, a decrease of US$1.3 million as compared with US$64.4 million or 3.3% of revenue for the six months ended June 30, 2016. The decrease in engineering and product development costs is due to a non-recurring impairment charge of US$12.2 million recorded during the six months ended June 30, 2016. Excluding the impairment charge of US$12.2 million for the six months ended June 30, 2016, the Group's engineering and product development costs charged to the income statement would have been US$52.2 million, representing 2.7% of revenue, and there would have been an increase of US$10.9 million or 20.9% of revenue for the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Engineering development costs capitalised as intangible assets, including capitalised interest, for the six months ended June 30, 2017 were US$55.8 million, representing 2.8% of revenue, a decrease of US$1.6 million from US$57.4 million or 3.0% of revenue for the six months ended June 30, 2016. Capitalised interest related to engineering development costs totalled US$4.7 million for the six months ended June 30, 2017 and US$2.9 million for the six months ended June 30, 2016.

The Group's aggregate investment in product 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 six months ended June 30, 2017, the Group's aggregate investment in R&D was US$118.9 million, an increase of US$9.3 million as compared with US$109.6 million for the six months ended June 30, 2016.

Administrative Expenses

The Group's administrative expenses for the six months ended June 30, 2017 were US$60.3 million representing 3.1% of revenue, an increase of US$5.3 million as compared with US$55.0 million or 2.9% of revenue for the six months ended June 30, 2016. The increase in administrative expenses includes expanded activities in information technology to support the expanding production footprint and product development activities.

Other (Losses) Gains, net

Other (losses) gains, 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 losses for the six months ended June 30, 2017 were US$1.0 million, a decrease of US$8.7 million compared to a gain of US$7.7 million for the six months ended June 30, 2016. The decrease is due to a non-recurring US$15.5 million gain recorded during the six months ended June 30, 2016 associated with the settlement of an inter-company loan, partially offset by decreases in losses on disposal of property, plant and equipment, and non-recurring losses on 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 six months ended June 30, 2017 were US$13.2 million, which is a decrease of US$2.6 million as compared with US$15.8 million for the six months ended June 30, 2016. The amount of capitalised interest on qualifying assets was US$4.7 million for the six months ended June 30, 2017 (six months ended June 30, 2016: US$3.2 million).

Share of (Loss) Income of a Joint Venture

Share of (loss) income of a joint venture relates to the Company's investment in Chongqing Nexteer Steering Systems Co., Ltd. The Group's share of loss for the six months ended June 30, 2017 was US$0.3 million, which is a decrease of US$1.8 million as compared with income of US$1.5 million for the six months ended June 30, 2016, as a result of reduced revenue caused by lower production schedules from key customers.

Income Tax Expense

The Group's income tax expense was US$44.1 million for the six months ended June 30, 2017, representing 19.5% of the Group's net profit before income tax, a decrease of US$4.1 million as compared with US$48.2 million, or 24.0% of profit before income tax for the six months ended June 30, 2016. The US$4.1 million decrease in income tax expense is primarily the result of additional profit incurred in lower tax rate jurisdictions on the incremental US$25.5 million of profit before income tax for the six months ended June 30, 2017. The change in the mix of income generated by US and non-US operations favourably impacted the effective tax rate for the six months ended June 30, 2017.

Provisions

As at June 30, 2017, the Group has provisions of US$112.5 million for restructuring, litigation, environmental liabilities, warranties and decommissioning, an increase of US$6.7 million as compared with US$105.8 million as at December 31, 2016. 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 programmes 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 six months ended June 30, 2017, the Group invested US$125.8 million and US$51.0 million in capital equipment and intangible assets, respectively.

The Company had a positive total cash flow for the six months ended June 30, 2017. 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 consolidated statement of cash flows for the Group for the periods indicated:

	For the six months ended June 30, 2017 *US$'000* **(Unaudited)**	For the six months ended June 30, 2016 *US$'000* (Unaudited)
Cash generated from (used in):		
Operating activities	**311,925**	168,572
Investing activities	**(175,792)**	(144,372)
Financing activities	**(116,047)**	(96,564)
Net increase (decrease) in cash and cash equivalents	**20,086**	(72,364)

Cash Flows Generated from Operating Activities

For the six months ended June 30, 2017, the Group's net cash generated from operating activities was US$311.9 million, an increase of US$143.3 million compared to US$168.6 million for the six months ended June 30, 2016. The increase in cash flows from operating activities is primarily due to increased earnings as well as a strong improvement in managed working capital.

Cash Flows Used in Investing Activities

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

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

	For the six months ended June 30, 2017	For the six months ended June 30, 2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Purchase of property, plant and equipment	**(125,787)**	(88,056)
Addition of intangible assets	**(51,049)**	(57,134)
Proceeds from sale of property, plant and equipment	**317**	839
Changes in restricted bank deposits	**727**	(21)
Net cash used in investing activities	**(175,792)**	(144,372)

Cash Flows Used in Financing Activities

The Group's net cash used in financing activities was US$116.0 million for the six months ended June 30, 2017, which was mainly attributable to the net repayment of borrowings of US$38.1 million, finance costs paid of US$18.7 million and dividends paid of US$59.9 million, offset by proceeds from the exercise of share options of US$0.6 million.

Indebtedness

As at June 30, 2017, the Group's total borrowings were US$528.2 million which is a decrease of US$35.9 million from December 31, 2016. This decrease is primarily due to the utilisation of cash generated from operations to repay maturing debt.

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

	As at June 30, 2017 *US$'000* **(Unaudited)**	As at December 31, 2016 *US$'000* (Audited)
Current borrowings	**74,998**	74,446
Non-current borrowings	**449,999**	486,140
Finance lease obligations	**3,164**	3,561
Total borrowings	**528,161**	564,147

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

	As at June 30, 2017 *US$'000* **(Unaudited)**	As at December 31, 2016 *US$'000* (Audited)
Within 1 year	**76,040**	75,488
Between 1 and 2 years	**75,775**	75,668
Between 2 and 5 years	**376,346**	412,991
Total borrowings	**528,161**	564,147

Pledge of Assets

The Group has several secured borrowings at certain subsidiaries. The assets securing the borrowings differ by site and include trade receivables, inventories, property, plant and equipment, equity interests of certain subsidiaries and intellectual property. As at June 30, 2017, the Group had approximately US$1,047.9 million total assets pledged as collateral, an increase of US$5.5 million from US$1,042.4 million as at December 31, 2016.

Exposure to Currency Rate Fluctuations and Related Hedges

The Group seeks to limit its foreign currency exposure by naturally matching its purchase of materials and sale of finished goods in the same currencies subject to sourcing constraints. 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 programme that included forward exchange contracts. The Company did not have any outstanding hedging instruments as at June 30, 2017 nor did it as at December 31, 2016.

Gearing Ratio

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

The gearing ratio as at June 30, 2017 was 42.6%, a decrease of 910 basis points as compared with December 31, 2016 which was 51.7%. The gearing ratio decreased compared to 2016 due to improved profits and lower total borrowings.

OTHER INFORMATION

Future Prospects

The Group strives to continue to be a leader in global advanced steering and driveline systems, ADAS and AD technologies by leveraging technology leadership. Our global footprint allows 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.

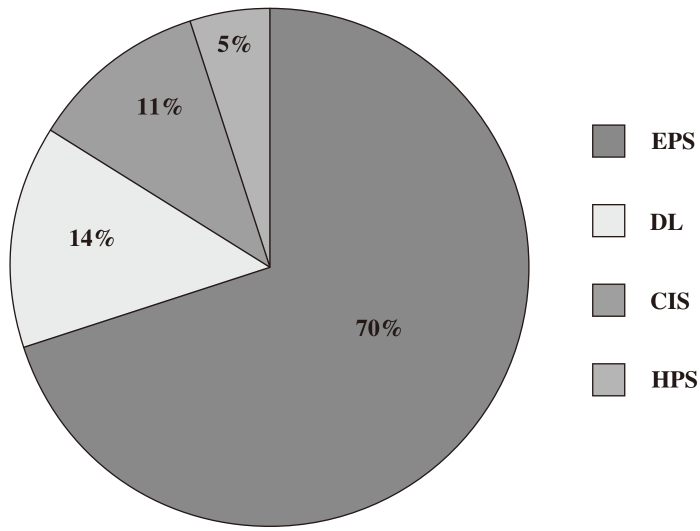
Backlog of Booked Business

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, which amounts to approximately US$24.0 billion (the **Booked Business Amount** or **Booked Business**) as at June 30, 2017, compared to US$25.6 billion as at December 31, 2016. The backlog decreased due to the partial cancellation of a programme, as well as other platform adjustments, as a result of General Motors Company's plan to sell its Opel-Vauxhall subsidiary to PSA Groupe during the six months ended June 30, 2017.

The value of Booked Business is not a measure defined by International Financial Reporting Standards (**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 programme 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 to the estimated Booked Business Amount due to various factors beyond the Group's control.

Cumulative Booked Business:

Backlog by Product Group



Employees Remuneration Policy

As at June 30, 2017, the Group had over 13,600 full-time equivalents of which approximately 12,400 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 as a whole. For example, the Group has retention programmes that include individual development plans, performance based wage adjustments, annual incentive plans and promotions.

We offer training programmes 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 the Group's ability to protect the rights of the shareholders of the Company (**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 to the Rules Governing the Listing of Securities on The Stock Exchange of 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 and all applicable laws and regulations that have a significant impact on the business and operation of the Group throughout the six months ended June 30, 2017.

Chairman and CEO

Mr. ZHAO Guibin, our Chairman also acts as the CEO 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 we believe there are sufficient checks and balances in the Board; (ii) Mr. ZHAO and the other Directors are aware of and undertake to fulfil 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 calibre 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 CEO is necessary.

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. The Chairman is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors and the Joint Company Secretaries.

With the support of the Executive Directors and the Joint Company Secretaries, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted sound corporate governance practices and procedures and has taken appropriate steps to provide effective communication with Shareholders and other stakeholders.

Board Committee Composition

Following the passing away of Mr. TSANG Hing Lun on June 4, 2017, the Remuneration and Nomination Committee does not have a chairman, which constitutes a deviation from Code Provision A.5.1 of the Hong Kong CG Code. Please refer to the section headed "Compliance with Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules" below for further information relating to non-compliance with the relevant Listing Rules.

The Company periodically reviews its corporate governance practices with reference to the latest development of the Hong Kong CG Code.

COMPLIANCE WITH CODE ON CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **Model Code**) as set out in Appendix 10 to 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 six months ended June 30, 2017.

The Company has also adopted its own code of conduct regarding employees' securities transactions in terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

The Company maintains and regularly reviews a sensitivity list identifying factors or developments which are likely to give rise to the emergence of inside information or development of a false market for its securities.

The Company ensures that confidentiality agreements are signed by all relevant parties to a transaction that is likely to give rise to the emergence of inside information or development of a false market for its securities. The Company also adopts appropriate measures to maintain the confidentiality of sensitive information, such as using project codes and restricting access to such information to a limited group of recipients on a need-to-know basis.

The Company organises periodic training as it deems necessary for employees who, because of their office or employment, are likely to be in possession of inside information in relation to the Company, to help them understand the Company's policies and procedures as well as their relevant disclosure duties and obligations.

COMPLIANCE WITH RULES 3.10(1), 3.10A, 3.21 AND 3.25 OF THE LISTING RULES

According to Rule 3.10(1) and 3.10A of the Listing Rules, the Board must include at least three Independent non-Executive Directors and the Company must appoint Independent non-Executive Directors representing one-third of the Board, respectively. In addition, Rule 3.21 of the Listing Rules requires, among others, an audit committee to comprise a minimum of three members and Rule 3.25 of the Listing Rules requires the remuneration committee to be chaired by an Independent non-Executive Director.

Following the passing away of Mr. TSANG Hing Lun on June 4, 2017, the Board comprises only two Independent non-Executive Directors, the Audit and Compliance Committee comprises only two members, and the Remuneration and Nomination Committee does not have a chairman. On August 15, 2017, with the appointment of Mr. YICK, Wing Fat Simon as the Independent non-Executive Director, the chairman of the Remuneration and Nomination and a member of the Audit and Compliance Committee, the Company has once again complied with the requirements of relevant Listing Rules above, details of Mr. YICK's biography will be disclosed in the Company's announcement dated August 15, 2017.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has adopted a risk management and internal control system and associated procedures and shall conduct reviews of the effectiveness of the risk management and internal control system of the Group.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2017.

AUDIT AND COMPLIANCE COMMITTEE AND REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Audit and Compliance Committee had reviewed together with management and the external auditor the unaudited condensed consolidated interim financial information of the Company for the six months ended June 30, 2017. There has been no disagreement between the Audit and Compliance Committee or the auditor with the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES BY THE COMPANY

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended June 30, 2017.

SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Group after June 30, 2017 and up to the date of this announcement.

By order of the Board
Nexteer Automotive Group Limited
Yi FAN
Executive Director, Joint Company Secretary

Hong Kong, August 15, 2017

As of the date of this announcement, the Company's Executive Directors are Mr. Guibin ZHAO, Mr. Michael Paul RICHARDSON and Mr. Yi FAN, the non-Executive Directors are Mr. Shengqun YANG and Mr. Xiaobo WANG, and the Independent non-Executive Directors are Mr. Jianjun LIU and Mr. Kevin Cheng WEI.