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, 2017

HIGHLIGHTS

- Revenue increased by approximately 0.9% to US$3,878.0 million (year ended December 31, 2016: US$3,842.2 million)
- Gross profit increased by approximately 1.9% to US$674.3 million (year ended December 31, 2016: US$661.7 million)
- Profit attributable to equity holders of the Company increased by approximately 19.4% to US$351.8 million (year ended December 31, 2016: US$294.7 million), including a one-time income tax benefit of US$39.0 million related to the remeasurement of the Company's deferred tax positions
- Achieved revenue backlog of US$23.9 billion

The Board of Directors (the **Board**) of Nexteer Automotive Group Limited (the **Company**) announces that the audited consolidated results of the Company and its subsidiaries (collectively **we**, **us**, **our** or the **Group**) for the year ended December 31, 2017, together with the comparative figures for 2016, are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2017

		For the year ended December 31,	
		2017	2016
	Notes	***US$'000***	*US$'000*
Revenue	*2*	**3,878,009**	3,842,244
Cost of sales	*3*	**(3,203,734)**	(3,180,579)
Gross profit		**674,275**	661,665
Engineering and product development costs	*3*	**(124,027)**	(123,280)
Selling and distribution expenses	*3*	**(15,648)**	(15,458)
Administrative expenses	*3*	**(110,590)**	(114,470)
Other gains, net	*4*	**4,205**	7,033
Operating profit		**428,215**	415,490
Finance income	*5*	**3,866**	1,407
Finance costs	*5*	**(25,214)**	(31,575)
Finance costs, net		**(21,348)**	(30,168)
Share of (loss) income of joint ventures		**(1,818)**	684
Profit before income tax		**405,049**	386,006
Income tax expense	*6*	**(49,171)**	(84,141)
		355,878	301,865
Profit attributable to:			
Equity holders of the Company		**351,769**	294,723
Non-controlling interests		**4,109**	7,142
Profit for the year		**355,878**	301,865
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$0.14**	US$0.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2017

	For the year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Profit for the year	**355,878**	301,865
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Actuarial (losses) gains on defined benefit plans, net of tax	**(188)**	157
Items that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**47,730**	(31,540)
Cash flow hedge, net of tax	**–**	890
	47,542	(30,493)
Total comprehensive income for the year	**403,420**	271,372
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**397,148**	266,283
Non-controlling interests	**6,272**	5,089
	403,420	271,372

CONSOLIDATED BALANCE SHEET

As at December 31, 2017

	Note	As at December 31, **2017** *US$'000*	2016 *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**884,118**	779,134
Land use rights		**1,500**	568
Intangible assets		**494,530**	449,708
Deferred income tax assets		**7,042**	9,948
Other receivables and prepayments		**19,951**	15,869
Investments in joint ventures		**11,021**	10,586
		1,418,162	1,265,813
Current assets			
Inventories		**241,257**	261,749
Trade receivables	*9*	**610,799**	589,642
Other receivables and prepayments		**101,786**	90,962
Restricted bank deposits		**6,591**	727
Cash and cash equivalents		**600,788**	484,475
		1,561,221	1,427,555
Total assets		**2,979,383**	2,693,368

CONSOLIDATED BALANCE SHEET *(Continued)*
As at December 31, 2017

	Note	As at December 31, 2017 US$'000	2016 US$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**32,310**	32,274
Other reserves		**184,024**	192,221
Retained earnings		**1,186,077**	834,496
		1,402,411	1,058,991
Non-controlling interests		**38,304**	32,032
Total equity		**1,440,715**	1,091,023
LIABILITIES			
Non-current liabilities			
Borrowings		**414,145**	488,659
Retirement benefits and compensations		**17,171**	18,160
Deferred income tax liabilities		**67,612**	56,704
Provisions		**84,515**	76,480
Deferred revenue		**82,082**	92,855
Other payables and accruals		**4,727**	9,161
		670,252	742,019
Current liabilities			
Trade payables	*10*	**582,350**	604,498
Other payables and accruals		**138,367**	107,362
Current income tax liabilities		**14,603**	15,349
Retirement benefits and compensations		**3,103**	3,427
Provisions		**23,138**	29,295
Deferred revenue		**29,819**	24,907
Borrowings		**77,036**	75,488
		868,416	860,326
Total liabilities		**1,538,668**	1,602,345
Total equity and liabilities		**2,979,383**	2,693,368

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

	Attributable to equity holders of the Company									
	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$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
As at January 1, 2016	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
Comprehensive income										
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**351,769**	**351,769**	**4,109**	**355,878**
Other comprehensive income (loss)										
Exchange differences, net of tax	**–**	**–**	**–**	**–**	**45,567**	**–**	**–**	**45,567**	**2,163**	**47,730**
Actuarial gains on defined benefit plans, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**(188)**	**(188)**	**–**	**(188)**
Total other comprehensive income (loss)	**–**	**–**	**–**	**–**	**45,567**	**–**	**(188)**	**45,379**	**2,163**	**47,542**
Total comprehensive income	**–**	**–**	**–**	**–**	**45,567**	**–**	**351,581**	**397,148**	**6,272**	**403,420**
Transactions with owners										
Value of employee services provided under share option scheme	**–**	**–**	**–**	**3,806**	**–**	**–**	**–**	**3,806**	**–**	**3,806**
Transfer to share premium under exercise of share options	**–**	**1,120**	**–**	**(1,120)**	**–**	**–**	**–**	**–**	**–**	**–**
Proceeds from exercise of share options	**36**	**2,286**	**–**	**–**	**–**	**–**	**–**	**2,322**	**–**	**2,322**
Dividends paid to shareholders	**–**	**(59,856)**	**–**	**–**	**–**	**–**	**–**	**(59,856)**	**–**	**(59,856)**
Total transactions with owners	**36**	**(56,450)**	**–**	**2,686**	**–**	**–**	**–**	**(53,728)**	**–**	**(53,728)**
As at December 31, 2017	**32,310**	**106,747**	**113,000**	**7,548**	**(43,271)**	**–**	**1,186,077**	**1,402,411**	**38,304**	**1,440,715**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 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 Companies Law (2016 Revision), 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, Advanced Driver Assistance Systems (**ADAS**) and Automated Driving (**AD**) 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, Ltd. (formerly known as Aviation Industry Corporation of China) (**AVIC**), a company established in China, as being the ultimate holding company of the Company.

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

The consolidated financial statements of the Company (the **Consolidated Financial Statements**) have been approved for issue by the Board of Directors (the **Board**) of the Company on March 13, 2018.

Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board. The Consolidated Financial Statements have been prepared under the historical cost convention.

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, 2017:

- Amendments to International Accounting Standards (**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 has adopted this amendment as at January 1, 2017.

The adoption of the above amendment 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, 2018 and have not been applied in the Consolidated Financial Statements.

- IFRS 15, *Revenue from contracts with customers* (effective for annual periods beginning on or after January 1, 2018) outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers requiring that revenue be 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 new guidance will also require new disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

  Throughout 2017 and 2016, the Company monitored IASB activity related to the new standard and worked with non-authoritative industry groups to assess relevant issues and the implementation of the new standard.

  While the Company is still in the process of completing its evaluation of the standard, customer contracts and arrangements related to our highly customized products and tooling with no alternative use and for which the Company has an enforceable right to payment, may result in a change to the recognition of revenue to be over time as parts are produced, rather than upon shipment or delivery of the parts. The Company does not expect any changes to how it accounts for consideration received from customers for engineering, prototyping and pre-production activity, currently deferred and recognised over the product life cycles of the related products. The Company will adopt this guidance effective January 1, 2018 utilising the Modified Retrospective approach by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance of retained earnings.

- 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, and introduces new rules for hedge accounting and a new impairment model for financial assets. For financial liabilities, the standard retains most of the 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 effective 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.

- International Financial Reporting Interpretation Committee (**IFRIC**) *Interpretation 22* (effective for annual periods beginning on or after January 1, 2018) addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related assets, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Group is still assessing the impact of this interpretation, and at this stage, does not intend to adopt it before its effective date.

- IFRIC *Interpretation 23* (effective for annual periods beginning on or after January 1, 2019) clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12, *Income Taxes* based on taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. The Group intends to adopt this guidance upon its effective date, but does not expect it to have a material impact on its consolidated financial position, results of operations, equity or cash flows.

- Amendments to IAS 12, *Income Taxes*, (effective for annual periods beginning on or after January 1, 2019) clarifies that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends. The Group intends to adopt this guidance upon its effective date, but does not expect it to have a material impact on its consolidated financial position, results of operations, equity or cash flows.

- Amendments to IAS 23, *Borrowing costs*, (effective for annual periods beginning on or after January 1, 2019) clarifies that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. The Group is still assessing the impact of this amendment, and at this stage, does not intend to adopt it 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.

The Group classifies its business into three reportable segments: North America, Asia Pacific and Europe and South America. All of the Group's operating segments typically offer the same steering and driveline 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 (including impairment on property, plant and equipment) and share of results of joint ventures (**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	**Asia Pacific**	**Europe & South America**	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended December 31, 2017					
Total revenue	**2,571,226**	**893,653**	**502,568**	**–**	**3,967,447**
Inter-segment revenue	**(37,314)**	**(39,183)**	**(12,941)**	**–**	**(89,438)**
Revenue from external customers	**2,533,912**	**854,470**	**489,627**	**–**	**3,878,009**
Adjusted EBITDA	**414,885**	**170,303**	**42,357**	**(6,261)**	**621,284**
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

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

	North America	**Asia Pacific**	**Europe & South America**	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at December 31, 2017					
Total assets	**1,824,224**	**812,613**	**383,489**	**(40,943)**	**2,979,383**
Total liabilities	**(952,741)**	**(290,998)**	**(164,586)**	**(130,343)**	**(1,538,668)**
As at December 31, 2016					
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 year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Adjusted EBITDA from reportable segments	**621,284**	578,092
Depreciation and amortisation expenses	**(183,542)**	(162,602)
Impairment on property, plant and equipment (i)	**(9,527)**	–
Finance costs, net	**(21,348)**	(30,168)
Share of (loss) income of joint ventures	**(1,818)**	684
Profit before income tax	**405,049**	386,006

Note:

(i) Impairment on property, plant and equipment due to cancellation of customer programmes.

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, 2017, the North America segment and Asia Pacific segment recognised US$24,627,000 (2016: US$21,570,000) and US$831,000 (2016: US$695,000), respectively.

The geographic distribution of revenue for the years ended December 31, 2017 and 2016 is as follows:

	For the year ended December 31,	
	2017	2016
	US$'000	*US$'000*
North America:		
US	**1,706,861**	1,746,888
Mexico	**827,051**	766,738
Asia Pacific:		
China	**788,308**	855,378
Rest of Asia Pacific	**66,162**	44,004
Europe and South America:		
Poland	**412,467**	379,649
Rest of Europe and South America	**77,160**	49,587
	3,878,009	3,842,244

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

	As at December 31,	
	2017	2016
	US$'000	*US$'000*
North America:		
US	**805,790**	760,114
Mexico	**201,841**	143,049
Asia Pacific:		
China	**226,993**	202,348
Rest of Asia Pacific	**14,471**	11,689
Europe and South America	**162,025**	138,665
	1,411,120	1,255,865

Distribution of revenue between product lines for the years ended December 31, 2017 and 2016 is as follows:

	For the year ended December 31, 2017		For the year ended December 31, 2016	
	US$'000	***%***	*US$'000*	*%*
Electric power steering (**EPS**)	**2,482,301**	**64.0**	2,383,742	62.0
Hydraulic power steering (**HPS**)	**177,356**	**4.6**	186,745	4.9
Steering columns and intermediate shafts (**CIS**)	**636,711**	**16.4**	635,257	16.5
Driveline Systems (**DL**)	**581,641**	**15.0**	636,500	16.6
	3,878,009	**100.0**	3,842,244	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 year ended December 31,	
	2017	2016
	US$'000	*US$'000*
General Motors Company and Subsidiaries (**GM**)	**1,667,067**	1,614,454
Customer A	**797,745**	782,747
Customer B	**526,485**	499,452
	2,991,297	2,896,653

3. EXPENSE BY NATURE

	For the year ended December 31, 2017 US$'000	2016 US$'000
Raw materials used	**2,257,760**	2,252,478
Changes in inventories of finished goods and work-in-progress	**(3,243)**	(6,231)
Employee benefit costs	**542,178**	566,287
Temporary labour costs	**120,709**	108,427
Restructuring costs	**(43)**	293
Supplies and tools	**194,587**	192,189
Depreciation on property, plant and equipment	**100,939**	93,649
Amortisation on		
– land use rights	**43**	25
– intangible assets	**82,560**	68,928
Impairment charges (reversal of provisions) on		
– inventories	**1,583**	678
– receivables (note 9)	**133**	(396)
– intangible assets	**–**	12,249
– property, plant and equipment (i)	**9,527**	–
Operating lease expenses	**16,060**	14,386
Warranty expenses	**19,842**	30,334
Auditors' remuneration		
– audit services	**2,292**	2,299
– non-audit services	**1,278**	1,421
Others	**107,794**	96,771
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**3,453,999**	3,433,787

Note:

(i) Impairment on property, plant and equipment due to cancellation of customer programmes.

4. OTHER GAINS, NET

	For the year ended December 31, 2017 US$'000	2016 US$'000
Foreign exchange (losses) gains	**(5,643)**	8,268
Loss on disposal of property, plant and equipment	**(1,517)**	(431)
Fair value losses on derivative financial instruments	**–**	(1,542)
Others	**11,365**	738
	4,205	7,033

For the year ended December 31, 2016 foreign exchange (losses) gains included 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, **2017** *US$'000*	2016 *US$'000*
Finance income		
Interest on bank deposits	**3,866**	1,407
Finance costs		
Interest expense on bank borrowings	**14,384**	16,616
Interest on notes	**14,687**	14,688
	29,071	31,304
Interest on finance leases	**238**	170
Other finance costs	**6,595**	7,393
	35,904	38,867
Less: amount capitalised in qualifying assets	**(10,690)**	(7,292)
	25,214	31,575
Finance costs, net	**21,348**	30,168

6. INCOME TAX EXPENSE

	For the year ended December 31, **2017** *US$'000*	2016 *US$'000*
Current income tax	**32,538**	73,241
Deferred income tax	**16,633**	10,900
	49,171	84,141

Taxation on the Group's profits has been calculated on the estimated assessable profits for the years at the statutory rates of 35%, 25% and 19% in US, China and Poland, respectively, from where the Group's profits were mainly generated. Deferred taxes in the US have been remeasured at the statutory tax rate of 21% as at December 31, 2017; while the current taxes will be measured at the statutory rate of 21% beginning January 1, 2018.

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,	
	2017	2016
	US$'000	*US$'000*
Profit before income tax	**405,049**	386,006
Tax calculated at rates applicable to profits in respective countries	**125,197**	122,115
Expenses not deductible for tax purposes	**1,167**	481
Non-taxable income	**(28,405)**	(22,641)
Tax credits (note (i))	**(12,076)**	(10,577)
Preferential rates and tax holidays (note (ii))	**(16,430)**	(13,696)
Tax losses and deductible temporary differences for which no deferred tax was recognised	**2,192**	2,493
US state and withholding taxes	**13,497**	6,062
Others	**3,013**	(96)
Deferred taxes remeasurement due to US tax reform (note(iii))	**(38,984)**	–
Tax charge	**49,171**	84,141

Notes:

(i) Mainly represents production and research incentives.

(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.

(iii) On December 22, 2017, President Donald Trump signed into law "H.R.1", formerly known as the "Tax Cuts and Jobs Act", which among other items reduces the US federal corporate income tax rate from 35% to 21% effective January 1, 2018. As a result, the Company has remeasured its deferred tax assets and liabilities as at December 31, 2017, which is the period of substantive enactment of the legislation. The Company's deferred tax assets and liabilities generally represent a decrease or an increase, respectively, in corporate income taxes expected to be paid in the future. The impact to the Company is that the net deferred tax liabilities were revalued downward, with a corresponding deferred income tax benefit of approximately US$39.0 million.

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, 2017	2016
Profit attributable to the equity holders of the Company (US$'000)	**351,769**	294,723
Weighted average number of ordinary shares in issue (thousands)	**2,502,980**	2,499,534
Basic earnings per share (in US$)	**0.14**	0.12

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, 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 year ended December 31, 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 year ended December 31, 2017 and 2016, the details are within the table below.

	For the year ended December 31, 2017	2016
Profit attributable to the equity holders of the Company, used to determine diluted earnings per share (US$'000)	**351,769**	294,723
Weighted average number of ordinary shares in issue (thousands)	**2,502,980**	2,499,534
Adjustment for share options (thousands)	**6,369**	4,282
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**2,509,349**	2,503,816
Diluted earnings per share (in US$)	**0.14**	0.12

8. DIVIDENDS

	For the year ended December 31,	
	2017	2016
	US$'000	*US$'000*
Dividend proposed of US$0.028 (2016: US$0.024) per share	**70,354**	58,945

This dividend was proposed by the directors at a meeting held on March 13, 2018, the date of approval of the Consolidated Financial Statements, which is not reflected as a dividend payable in the Consolidated Financial Statements.

9. TRADE RECEIVABLES

	As at December 31,	
	2017	2016
	US$'000	*US$'000*
Trade receivables, gross	**612,056**	590,647
Less: provision for impairment	**(1,257)**	(1,005)
	610,799	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 December 31,	
	2017	2016
	US$'000	*US$'000*
0 to 30 days	**328,761**	254,713
31 to 60 days	**235,812**	224,652
61 to 90 days	**23,490**	84,107
Over 90 days	**23,993**	27,175
	612,056	590,647

Trade receivables of US$29,367,000 were past due but not impaired as at December 31, 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 December 31,	
	2017	2016
	US$'000	*US$'000*
Overdue up to 30 days	**20,568**	40,687
Overdue 31 to 60 days	**858**	3,833
Overdue 61 to 90 days	**933**	429
Overdue over 90 days	**7,008**	2,665
	29,367	47,614

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$1,257,000 were impaired as at December 31, 2017 on which full provisions were made (December 31, 2016: US$1,005,000). 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,	
	2017	2016
	US$'000	*US$'000*
As at January 1	**1,005**	1,401
Addition (Reversal) of provision	**133**	(360)
Exchange differences	**119**	(36)
As at December 31	**1,257**	1,005

The carrying amounts of trade receivables pledged as collateral were US$325,954,000 as at December 31, 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 December 31,	
	2017	2016
	US$'000	*US$'000*
0 to 30 days	**292,502**	382,752
31 to 60 days	**209,771**	159,932
61 to 90 days	**48,782**	40,623
91 to 120 days	**22,183**	14,719
Over 120 days	**9,112**	6,472
	582,350	604,498

FINANCIAL REVIEW

Financial Summary

The Group advanced its strong financial position in 2017. Despite stable global production volumes industry wide, the Group was able to capitalise on a positive product mix and experience revenue growth across two of its three geographical segments. 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 limited automotive market production growth.

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 the US, Mexico, China, Poland, India and Brazil. Automotive industry production levels increased in 2017 over 2016 despite stable, yet lacklustre, growth in the global economy. According to IHS Markit Ltd., global light vehicle production in North America decreased 4.0% for the year ended December 31, 2017 compared to the year ended December 31, 2016. Global light vehicle production for the Asia Pacific segment in total for the year ended December 31, 2017 increased 2.4% compared to the year ended December 31, 2016. Global light vehicle production for the Europe and South America segment in total increased 5.2% for the year ended December 31, 2017 compared to the year ended December 31, 2016.

The Group's profit attributable to equity holders of the Company for the year ended December 31, 2017 was US$351.8 million or 9.1% of total revenue, an increase of 19.4% compared to the year ended December 31, 2016 of US$294.7 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
- Focus on continuous improvement in operating efficiency and cost competitiveness
- Significant one-time deferred tax benefit as a result of US tax reform legislation

Revenue

The Group's revenue for the year ended December 31, 2017 was US$3,878.0 million, an increase of US$35.8 million or a 0.9% increase from the year ended December 31, 2016 of US$3,842.2 million. According to IHS Markit Ltd., global automotive original equipment manufacturer (**OEM**) production volume increased 1.9% from the year ended December 31, 2016 to the year ended December 31, 2017. The Group's revenue was negatively impacted by US$0.9 million of foreign currency translation. The Asia Pacific segment revenue was negatively impacted by foreign currency translation that was mainly offset by the Europe and South America segment's positive 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, 2017, the Group experienced an increase in global revenue compared to the year ended December 31, 2016.

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

	For the year ended December 31, 2017		For the year ended December 31, 2016	
	US$'000	*%*	*US$'000*	*%*
North America	**2,533,912**	**65.3**	2,513,626	65.4
Asia Pacific	**854,470**	**22.0**	899,382	23.4
Europe and South America	**489,627**	**12.7**	429,236	11.2
Total	**3,878,009**	**100.0**	3,842,244	100.0

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

- The North America segment experienced a 0.8% increase in revenue for the year ended December 31, 2017 compared to the year ended December 31, 2016. The North America segment held strong, despite a decline in industry volume as it was able to capitalise on the continued increase in North America full-size truck production with favourable product mix. According to IHS Markit Ltd., OEM production volume in North America decreased 4.0% for the year ended December 31, 2017 compared to the year ended December 31, 2016, however, full-size truck production increased 2.0% for the same period. The North America segment launched 10 new customer programmes in 2016 and 12 new customer programmes in 2017.

- The Asia Pacific segment experienced a 5.0% decrease in revenue for the year ended December 31, 2017 compared to the year ended December 31, 2016. The decrease was directly attributable to fluctuations in the exchange rates coupled with decreased customer demand schedules as our major customers in the segment produced at levels below the industry average. The Asia Pacific segment experienced US$10.8 million of negative foreign currency translation impact. The Asia Pacific segment revenue would have decreased by 3.8% for the year ended December 31, 2017 compared to the year ended December 31, 2016, excluding the negative foreign currency translation impact. According to IHS Markit Ltd., OEM production volumes in the Asia Pacific segment increased 2.4%, while China's OEM market production volume increased 2.1%, for the year ended December 31, 2017 compared to the year ended December 31, 2016. The Asia Pacific segment launched 21 new customer programmes in 2016 and 16 new customer programmes in 2017.

- The Europe and South America segment experienced a 14.1% increase in revenue for the year ended December 31, 2017 compared to the year ended December 31, 2016. This increase was attributable to improved customer production volumes as well as US$9.9 million positive foreign currency translation impact. The Europe and South America segment revenue would have increased 11.8% for the year ended December 31, 2017 compared to the year ended December 31, 2016, excluding the positive foreign currency translation impact. According to IHS Markit Ltd., OEM production volume in Europe and South America increased 5.2% for the year ended December 31, 2017 compared to the year ended December 31, 2016. OEM production in South America increased 25.9% for the year ended December 31, 2017 compared to the year ended December 31, 2016 and OEM production in Europe increased 3.2% for the same period. The Europe and South America segment launched 2 new customer programmes in 2016 and 4 new customer programmes in 2017.

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, 2017		For the year ended December 31, 2016	
	US$'000	***%***	*US$'000*	*%*
EPS	**2,482,301**	**64.0**	2,383,742	62.0
HPS	**177,356**	**4.6**	186,745	4.9
CIS	**636,711**	**16.4**	635,257	16.5
DL	**581,641**	**15.0**	636,500	16.6
	3,878,009	**100.0**	3,842,244	100.0

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

Cost of Sales

The Group's cost of sales for the year ended December 31, 2017 was US$3,203.7 million, an increase of US$23.1 million from US$3,180.6 million for the year ended December 31, 2016. The Group's cost of sales for the year ended December 31, 2017 primarily included raw material costs of US$2,257.8 million (year ended December 31, 2016: US$2,252.5 million), manufacturing expense of US$881.8 million (year ended December 31, 2016: US$861.5 million), as well as other costs of sales of US$64.1 million (year ended December 31, 2016: US$66.6 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, 2017 when compared to the year ended December 31, 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 year ended December 31, 2017 was US$173.3 million, an increase of US$17.9 million from US$155.4 million for the year ended December 31, 2016.

Included in other cost of sales for the year ended December 31, 2017 was impairment of property, plant and equipment of US$9.5 million (year ended December 31, 2016: nil) related to equipment that had been purchased and in construction to be used for specific customer programmes that were canceled during the year, as discussed in the section headed "Other Information – Backlog of Booked Business".

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$76.8 million for the year ended December 31, 2017, representing 2.0% of revenue, an increase of US$12.0 million from US$64.8 million or 1.7% of revenue for the year ended December 31, 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 year ended December 31, 2017 was US$674.3 million, an increase of US$12.6 million or 1.9% from US$661.7 million for the year ended December 31, 2016. Gross profit percentage for the year ended December 31, 2017 was 17.4%, an increase of 20 basis points as compared to 17.2% for the year ended December 31, 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. These 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, 2017, the Group's engineering and product development costs charged to the income statement were US$124.0 million, representing 3.2% of revenue, an increase of US$0.7 million as compared to US$123.3 million or 3.2% of revenue for the year ended December 31, 2016. While the Group incurred significant engineering expense related to new product development, the increase in expense experienced during 2017 was offset by a non-recurring impairment charge of US$12.2 million recorded during the year ended December 31, 2016. Excluding the impairment charge of US$12.2 million for the year ended December 31, 2016, the Group's engineering and product development costs charged to the consolidated income statement would have been US$111.1 million, representing 2.9% of revenue, and there would have been an increase of US$12.9 million or 11.6% for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Engineering development costs capitalised as intangible assets, including capitalised interest, for the year ended December 31, 2017 were US$125.3 million, representing 3.2% of revenue, an increase of US$3.6 million from US$121.7 million or 3.2% of revenue for the year ended December 31, 2016. Capitalised interest related to engineering development costs totalled US$10.5 million for the year ended December 31, 2017 and US$7.0 million for the year ended December 31, 2016.

The Group's aggregate investment in research and development (**R&D**) is defined as the sum of costs charged to the consolidated income statement (excluding impairment charges associated with a prior period) and total costs capitalised as intangible assets. For the year ended December 31, 2017, the Group incurred aggregate investment in R&D of US$249.3 million, an increase of US$16.5 million as compared to US$232.8 million for the year ended December 31, 2016.

Administrative Expenses

The Group's administrative expenses for the year ended December 31, 2017 were US$110.6 million, representing 2.9% of revenue, a decrease of US$3.9 million as compared to US$114.5 million or 3.0% of revenue for the year ended December 31, 2016.

Other Gains, net

Other gains, net represents gains attributable to foreign exchange transactions, losses on disposal of property, plant and equipment and fair value losses on derivative financial instruments. Other gains for the year ended December 31, 2017 were US$4.2 million, a decrease of US$2.8 million compared to a gain of US$7.0 million for the year ended December 31, 2016. The decrease is due to a non-recurring US$15.5 million gain recorded during the year ended December 31, 2016 associated with the settlement of an intercompany loan and an increase in losses on disposal of property, plant and equipment partially offset by non-recurring losses on derivative financial instruments associated with foreign exchange contracts recorded during the year ended December 31, 2016.

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, 2017 were US$21.3 million which is a decrease of US$8.9 million as compared to US$30.2 million for the year ended December 31, 2016. The amount of capitalised interest on qualifying assets was US$10.7 million for the year ended December 31, 2017 (year ended December 31, 2016: US$7.3 million).

Share of (Loss) Income of Joint Ventures

Share of (loss) income of joint ventures relates to the Company's investments in Chongqing Nexteer Steering Systems Co., Ltd. (**Chongqing Nexteer**), Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd. and CNXMotion, LLC. The Group's share of loss for the year ended December 31, 2017 was US$1.8 million, which is a decrease of US$2.5 million as compared to income of US$0.7 million for the year ended December 31, 2016, as a result of reduced revenue caused by lower production schedules from Chongqing Nexteer's key customers. Additionally, the joint venture with Dongfeng Motor Parts and Components (Group) Co., Ltd. was formed during 2017 and has not yet commenced production, but has incurred organisational costs. CNXMotion, LLC is a joint research and development entity for the development of ADAS technologies and will not generate direct revenue but has and will continue to incur engineering related costs.

Income Tax Expense

The Group's income tax expense was US$49.2 million for the year ended December 31, 2017, representing 12.1% of the Group's profit before income tax, a decrease of US$34.9 million from US$84.1 million, or 21.8% of profit before tax for the year ended December 31, 2016. The US$34.9 million decrease in income tax expense is primarily the result of a non-recurring income tax benefit of US$39.0 million related to remeasurement of deferred tax assets and liabilities as required by the recent US tax reform legislation. The Company estimates that US tax reform will reduce our annual effective tax rate by approximately three to four percentage points.

On December 22, 2017, President Donald Trump signed into law "H.R.1", formerly known as the "Tax Cuts and Jobs Act", which among other items reduces the US federal corporate income tax rate from 35% to 21% with effect from January 1, 2018. As a result, the Company has remeasured its deferred tax assets and liabilities as at December 31, 2017, which is the period of substantive enactment of the legislation. The Company's deferred tax assets and liabilities generally represent a decrease or an increase, respectively, in corporate income taxes expected to be paid in the future. The impact to the Company is that the net deferred tax liabilities were revalued downward, with a corresponding deferred income tax benefit of approximately US$39.0 million.

Provisions

As at December 31, 2017, the Group has provisions of US$107.7 million for restructuring, litigation, environmental liabilities, warranties and decommissioning, an increase of US$1.9 million as compared to 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. We utilise a combination of strategies, including dividends, cash pooling arrangements, intercompany loan structures and other distributions and advances to provide the funds necessary to meet our global liquidity needs. We utilise a global cash pooling arrangement to consolidate and manage our global cash balances, which enables us to efficiently move cash into and out of a number of countries in which we operate. In recent years, the Group has invested extensively in capital equipment and engineering and product development costs. For the year ended December 31, 2017, the Group invested US$236.4 million and US$115.1 million in capital equipment and intangible assets, respectively.

The Company has a positive total cash flow for the years ended December 31, 2017 and 2016. 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, 2017 *US$'000*	For the year ended December 31, 2016 *US$'000*
Cash generated from (used) in:		
Operating activities	**624,770**	509,392
Investing activities	**(357,418)**	(283,369)
Financing activities	**(168,843)**	(155,300)
Net increase in cash and cash equivalents	**98,509**	70,723

Cash Flows Generated from Operating Activities

For the year ended December 31, 2017, the Group's net cash generated from operating activities was US$624.8 million, an increase of US$115.4 million compared to US$509.4 million for the year ended December 31, 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 and a decrease in cash taxes paid.

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 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, 2017	For the year ended December 31, 2016
	US$'000	*US$'000*
Purchase of property, plant and equipment	**(236,389)**	(166,714)
Addition of intangible assets	**(115,089)**	(118,004)
Proceeds from sale of property, plant and equipment	**2,051**	1,964
Change in restricted bank deposits	**(5,742)**	(615)
Investment in joint ventures	**(2,249)**	–
Net cash used in investing activities	**(357,418)**	(283,369)

Cash Flows Used in Financing Activities

The Group's net cash used in financing activities was US$168.8 million for the year ended December 31, 2017, which was attributable to the net repayment of borrowings of US$76.4 million, finance costs paid of US$34.9 million, dividends paid of US$59.9 million, offset by proceeds from the exercise of share options of US$2.4 million.

Indebtedness

As at December 31, 2017, the Group's total borrowings was US$491.2 million which is a decrease of a US$72.9 million from US$564.1 million as at December 31, 2016. 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, 2017	December 31, 2016
	US$'000	*US$'000*
Current borrowings	**76,030**	74,446
Non-current borrowings	**412,378**	486,140
Finance lease obligations	**2,773**	3,561
Total borrowings	**491,181**	564,147

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

	For the year ended December 31, 2017	For the year ended December 31, 2016
	US$'000	*US$'000*
Within 1 year	**77,036**	75,488
Between 1 and 2 years	**99,171**	75,668
Between 2 and 5 years	**314,974**	412,991
Over 5 years	**–**	–
Total borrowings	**491,181**	564,147

Pledge of Assets

The Group has several secured borrowings at certain subsidiaries. The assets securing the borrowings differ by site and include accounts receivable, inventories, property, plant and equipment, the equity interests of certain subsidiaries and intellectual property. For the year ended December 31, 2017, the Group had approximately US$1,032.9 million total assets pledged as collateral, a decrease of US$9.5 million from the 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 through 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 December 31, 2017 and December 31, 2016.

Gearing Ratio

The Group monitors 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 year.

The gearing ratio as at December 31, 2017 was 34.1%, a decrease of 1,760 basis points as compared to December 31, 2016, which was 51.7%. The gearing ratio decreased compared to 2016 as a result of a paydown on existing borrowings.

OTHER INFORMATION

Future Prospects

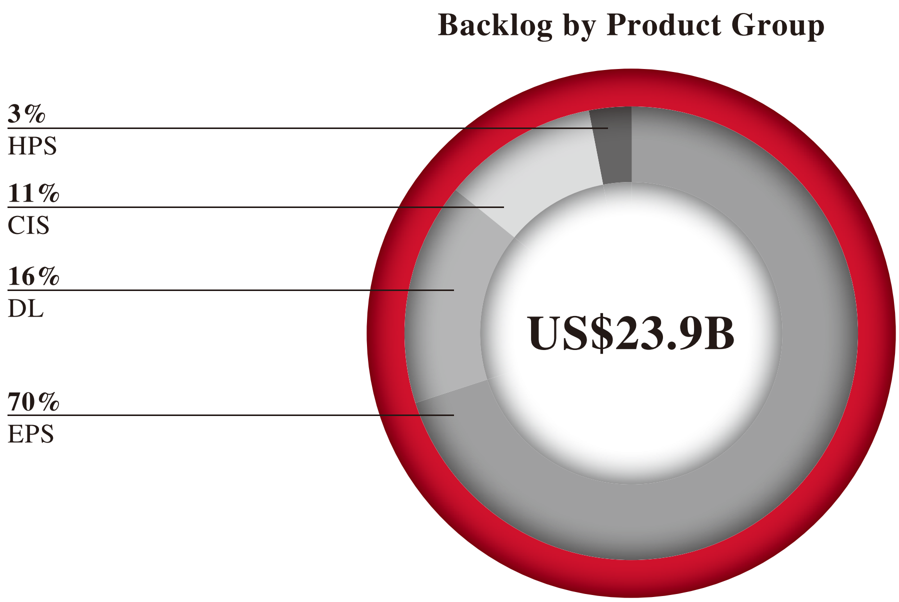
The Group strives to maintain leadership in global advanced steering and driveline systems, ADAS and AD technologies. We boost our prospects by leveraging five key areas: 1) relentless innovation; 2) depth and breadth of our product portfolio; 3) systems integration experience; 4) in-house ownership of R&D, design testing and manufacturing; and 5) global manufacturing footprint and prowess. Our global footprint continues to enable our capitalisation on the market transition 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 capitalise on the "next conversion wave" to Steer-by-Wire as well as pursue selected strategic acquisitions and/or alliances globally.

Backlog of Booked Business

We begin to realise revenue under a new business contract 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 with 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. We estimate the value of all booked business under contracts that have been awarded, but for which we have undelivered products, amounts to approximately US$23.9 billion (the **Booked Business Amount** or **Booked Business**) as at December 31, 2017. The Booked Business Amount decreased due to the partial cancellation of programmes, as well as other platform adjustments, as a result of GM's sale of its Opel-Vauxhall subsidiary to PSA Groupe during the year ended December 31, 2017.

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 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 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, 2017, the Group had approximately 12,300 full-time employees. 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 programmes that include individual development plans, merit wage adjustments, annual incentive plans and promotions.

Based on the workload of the Group, we engage approximately 1,100 employees on a contract basis as at December 31, 2017. We offer training programmes to our full-time and contract 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 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 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 year ended December 31, 2017.

Chairman and Chief Executive Officer

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 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 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 good 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 did not have a chairman, which constitutes a deviation from Code Provision A.5.1 of the Hong Kong CG Code as it requires the nomination committee to be chaired by the Chairman of the Board or an Independent non-Executive Director. On August 15, 2017, with the appointment of Mr. YICK, Wing Fat Simon as an Independent non-Executive Director, the Company has once again complied with the requirements of relevant Listing Rules above. 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 OF 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 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, 2017.

The Company has also adopted its own code of conduct regarding employee's 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 the 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 Rules 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 comprised only two Independent non-Executive Directors, the Audit and Compliance Committee comprised only two members, and the Remuneration and Nomination Committee did not have a chairman. On August 15, 2017, with the appointment of Mr. YICK, Wing Fat Simon as an Independent non-Executive Director, the chairman of the Remuneration and Nomination Committee and a member of the Audit and Compliance Committee, the Company has once again complied with the requirements of relevant Listing Rules above.

THE AUDIT AND COMPLIANCE COMMITTEE

The Board established the Audit and Compliance Committee on June 15, 2013 and had provided clear with written terms of reference as required by Code Provisions in D.2. The terms of reference (as revised on November 13, 2015) are in compliance with Rule 3.21 of the Listing Rules and Code Provisions in sections C.3 and D.3 of the Hong Kong CG Code. The Audit and Compliance Committee consists of Mr. WEI, Kevin Cheng, Mr. TSANG, Hing Lun (passed away on June 4, 2017), Mr. LU, Daen (resigned with effect from and upon the conclusion of the Board meeting held on March 14, 2017), and Mr. YANG, Shengqun (appointed with effect from March 14, 2017) and Mr. YICK, Wing Fat Simon (appointed with effect from August 15, 2017). All members of the Audit and Compliance Committee are non-Executive Directors, among whom Mr. WEI, Kevin Cheng and Mr. YICK, Wing Fat Simon are Independent non-Executive Directors. The chairman of the Audit and Compliance Committee is Mr. 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 2017 annual results and the annual financial statements of the Group for the year ended December 31, 2017.

The Audit and Compliance Committee also approved the annual results and the audited Consolidated Financial Statements for the year ended December 31, 2017 and submitted them to the Board for approval.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended December 31, 2017, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On February 16, 2018, the Company repaid the remaining balance of US$42,857,000 of one of its US based term loans. The Company recognised a loss of US$289,000 related to the repayment. With the repayment of the term loan, the Company simultaneously refinanced its US based revolving line of credit, extending its borrowing capacity to US$325,000,000, securing less restrictive covenants and collateral requirements and extending maturity to 2023.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of approximately US$70.4 million, representing 20% of net profit, or US$0.028 per share for the year ended December 31, 2017 subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the **AGM**).

CLOSURE OF REGISTER OF MEMBERS

The Company's AGM will be held on June 4, 2018. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from May 30, 2018 to June 4, 2018, 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, 2018.

The final dividend is payable on June 22, 2018 and the record date for entitlement to the proposed final dividend is June 12, 2018. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from June 8, 2018 to June 12, 2018, 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 7, 2018.

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
Yi FAN
Executive Director, Joint Company Secretary

Hong Kong, March 13, 2018

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. Jianxun ZHANG, and the Independent non-Executive Directors are Mr. Jianjun LIU, Mr. Kevin Cheng WEI and Mr. Wing Fat Simon YICK.