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, 2018

HIGHLIGHTS

- Revenue increased by 3.7% to US$2,047.0 million compared with US$1,974.1 million for the six months ended June 30, 2017
- Profit attributable to equity holders of the Company increased by 11.1% to US$199.6 million compared with US$179.7 million for six months ended June 30, 2017. Profit attributable to equity holders as a percentage of revenue increased to 9.8% compared with 9.1% for the same period in 2017
- The Company's backlog of booked business increased to US$24.9 billion as at June 30, 2018, 4.2% higher than year-end 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, 2018, together with the comparative figures for the previous period as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2018

	Notes	For the six months ended June 30, 2018 US$'000 (Unaudited)	2017 US$'000 (Unaudited)
Revenue	2	**2,046,982**	1,974,087
Cost of sales	3	**(1,677,403)**	(1,602,601)
Gross profit		**369,579**	371,486
Engineering and product development costs	3	**(59,484)**	(63,068)
Selling and distribution expenses	3	**(9,793)**	(6,938)
Administrative expenses	3	**(62,666)**	(60,295)
Other gains(losses), net	4	**2,183**	(1,037)
Operating profit		**239,819**	240,148
Finance income	5	**3,655**	1,235
Finance costs	5	**(10,073)**	(14,471)
Finance costs, net		**(6,418)**	(13,236)
Share of loss of joint ventures, net		**(1,974)**	(270)
Profit before income tax		**231,427**	226,642
Income tax expense	6	**(29,084)**	(44,088)
Profit for the period		**202,343**	182,554
Attributable to:			
Equity holders of the Company		**199,605**	179,686
Non-controlling interests		**2,738**	2,868
		202,343	182,554
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
– Basic and diluted	7	**0.08**	0.07

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2018

	For the six months ended June 30,	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**202,343**	182,554
Other comprehensive (loss) income		
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit plans, net of tax	**(17)**	(203)
Items that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**(22,104)**	23,751
	(22,121)	23,548
Total comprehensive income for the period	**180,222**	206,102
Attributable to:		
Equity holders of the Company	**178,021**	202,434
Non-controlling interests	**2,201**	3,668
	180,222	206,102

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
As at June 30, 2018

	Note	**As at June 30, 2018** *US$'000* **(Unaudited)**	As at December 31, 2017 *US$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**887,548**	884,118
Land use rights		**1,458**	1,500
Intangible assets		**529,922**	494,530
Deferred income tax assets		**6,361**	7,042
Other receivables and prepayments		**18,024**	19,951
Investment in joint ventures		**13,161**	11,021
		1,456,474	1,418,162
Current assets			
Inventories		**250,111**	241,257
Trade receivables	*9*	**587,761**	610,799
Other receivables and prepayments		**93,865**	101,786
Restricted bank deposits		**23**	6,591
Cash and cash equivalents		**605,306**	600,788
		1,537,066	1,561,221
Total assets		**2,993,540**	2,979,383
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**32,317**	32,310
Other reserves		**91,896**	184,024
Retained earnings		**1,386,071**	1,186,077
		1,510,284	1,402,411
Non-controlling interests		**37,408**	38,304
Total equity		**1,547,692**	1,440,715

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
As at June 30, 2018

	Note	**As at June 30, 2018 *US$'000* (Unaudited)**	As at December 31, 2017 *US$'000* (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**346,750**	414,145
Retirement benefits and compensations		**18,780**	17,171
Deferred income tax liabilities		**79,786**	67,612
Provisions		**76,392**	84,515
Deferred revenue		**79,772**	82,082
Other payables and accruals		**9,217**	4,727
		610,697	670,252
Current liabilities			
Trade payables	*10*	**592,630**	582,350
Other payables and accruals		**117,775**	138,367
Current income tax liabilities		**14,079**	14,603
Retirement benefits and compensations		**3,527**	3,103
Provisions		**13,862**	23,138
Deferred revenue		**27,613**	29,819
Borrowings		**65,665**	77,036
		835,151	868,416
Total liabilities		**1,445,848**	1,538,668
Total equity and liabilities		**2,993,540**	2,979,383

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2018

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 (2016 Revision), 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 revenue are North America, Europe and China.

The directors of the Board (the **Directors**) regard Aviation Industry Corporation of China, Ltd. (**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 by the Board for issue on August 15, 2018.

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, 2017, which have been prepared in accordance with all applicable International Financial Reporting Standards (**IFRS**), as issued by the International Accounting Standards Board (**IASB**).

New/revised standards, amendments to standards and interpretations

The Group adopts the following amendments which are relevant to the Group and mandatory for the accounting period beginning on January 1, 2018.

IFRS 15	Revenue from contracts with customers
IFRS 9	Financial instruments
IFRIC Interpretation 22	Foreign currency transactions and advance consideration

In May 2014, IASB issued IFRS 15 Revenue from Contracts with Customers, which replaced IAS 18 Revenue and IAS 11 Construction Contracts, and their related International Financial Reporting Interpretations Committee (**IFRIC**) Interpretations. The Group adopted this new standard effective January 1, 2018 and applied it to all contracts using the modified retrospective method to prepare the condensed consolidated interim financial information. The cumulative effect of initially applying the new revenue standard was recognised as an adjustment to the opening balance of retained earnings as at January 1, 2018. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The impact of adoption of the new standard is expected to be immaterial to the Group's revenue and net income on an ongoing basis.

Revenue is recognised when performance obligations under the terms of a contract are satisfied, which generally occurs with the transfer of control of the Group's products. For most of the Group's products, transfer of control occurs upon shipment or delivery, however, a limited number of the Group's customer arrangements for certain components with no alternative use provide it with the right to payment during the production process. As a result, for these limited arrangements, revenue is recognised as goods are produced and control transfers to the customer. The Group recorded a transition adjustment as at January 1, 2018, which increased retained earnings by US$0.4 million related to these arrangements.

The cumulative effect of the changes made to the Group's condensed consolidated balance sheet as at January 1, 2018 for the adoption of IFRS 15 were as follows:

	Balances as at December 31, 2017 *US$'000* **(Audited)**	**Adjustments due to IFRS 15** *US$'000* **(Unaudited)**	**Balances as at January 1, 2018** *US$'000* **(Unaudited)**
Balance Sheet			
Assets			
Inventories	241,257	(2,882)	238,375
Other receivables and prepayments	101,786	3,411	105,197
Liabilities			
Current income tax liabilities	14,603	123	14,726
Equity			
Retained earnings	1,186,077	406	1,186,483

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on our condensed consolidated income statement and balance sheet was as follows:

For the six months ended June 30, 2018 (Unaudited)	**As Reported** *US$'000*	**Balances without Adoption of IFRS 15** *US$'000*	**Effect of Changes higher/(lower)** *US$'000*
Income Statement			
Revenue	**2,046,982**	**2,041,239**	**5,743**
Cost of sales	**(1,677,403)**	**(1,672,618)**	**4,785**
Operating profit	**239,819**	**238,861**	**958**

As at June 30, 2018 (Unaudited)	**As Reported** *US$'000*	**Balances without Adoption of IFRS 15** *US$'000*	**Effect of Changes higher/(lower)** *US$'000*
Balance Sheet			
Assets			
Inventories	**250,111**	**257,859**	**(7,748)**
Other receivables and prepayments	**93,865**	**84,629**	**9,236**
Liabilities			
Current income tax liabilities	**14,079**	**13,881**	**198**
Equity			
Retained earnings	**1,386,071**	**1,384,781**	**1,290**

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 adoption of IFRS 9 did not have any significant financial effect on the Condensed Financial Information.

IFRIC Interpretation 22 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 asset, 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 adoption of IFRIC Interpretation 22 did not have any significant financial effect on the Condensed Financial Information.

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, 2018 and have not been early adopted:

		Effective for accounting periods beginning on or after
IFRS 16	Leases	January 1, 2019
IFRIC Interpretation 23	Uncertainty over income tax treatments	January 1, 2019
Amendment to IAS 12	Income taxes	January 1, 2019
Amendment to IAS 23	Borrowing costs	January 1, 2019

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

2. REVENUE AND SEGMENT INFORMATION

2.1 Revenue from contract with customers

The Company contracts with customers, which are generally automotive manufacturers and automotive original equipment manufacturers, to sell steering and driveline systems and components. In connection with these contracts, the Company also provides tooling and prototype parts. The Company does not have material significant payment terms as payment is received at or shortly after the point of sale.

Performance Obligations

The following summarises types of performance obligations identified in a contract with a customer.

Products	**Nature, timing of satisfaction of performance obligations, and payment terms.**
Production Parts	The Company recognises the majority of revenue for production parts at a point in time upon shipment to the customer and transfer of the title and risk of loss under standard commercial terms. A limited number of our customer arrangements for our customised products with no alternative use provide us with the right to payment during the production process. These revenues are recognised over time as performance obligations under the terms of a contract are satisfied. The amount of revenue recognised is based on the purchase order price. Customers typically pay for the product/prototype based on customary business practices with payment terms averaging 47–60 days.

Products	Nature, timing of satisfaction of performance obligations, and payment terms.
Tooling	The Company's development and sale of tooling for customers is performed in connection with the preparations to produce and sell products to its customers. Customers typically pay for the tooling in a lump sum upon acceptance. The Company recognises revenue for tooling over time as it satisfies its performance obligation. Revenue is recognised to the extent of costs incurred to date for reimbursable tooling from customers.
Engineering Design and Development/ Prototypes	The Company also recognises non-production related engineering design and development revenue, which is normally related to ADAS, performance improvement and business pursuit. Revenue is recognised to the extent of reimbursable engineering expense incurred to date.

Contract balances

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on production parts, tooling and engineering design and development/prototypes. The contract assets are reclassified into the receivables balance when the rights to receive payment become unconditional. There have been no impairment losses recognised related to contract assets arising from the Company's contracts with customers. Contract liabilities are associated with consideration received from customers in advance of transferring goods promised in a contract. Recognition of revenue is therefore deferred until the related performance obligations are satisfied in the future. The following table provides information about contract assets and contract liabilities from contracts with customers.

	Contract assets[(i)] *US$'000*	**Contract liabilities, Current**[(ii)] *US$'000*	**Contract liabilities, Non-Current**[(ii)] *US$'000*
Balances as at December 31, 2017 (Audited)	–	–	–
Balances as at June 30, 2018 (Unaudited)	38,779	(31,393)	(79,772)
Increase/(decrease)	38,779	(31,393)	(79,772)

(i) Contract assets are recorded within other receivables and prepayments as at June 30, 2018.

(ii) Contract liabilities are recorded within deferred revenue and other payables and accruals as at June 30, 2018.

2.2 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 businesses into three reportable segments: North America, Asia Pacific and Europe, Middle East, Africa and South America (**EMEA & SA**). 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 uses to monitor segment operations are:

- Operating income before interest, taxes, depreciation and amortisation 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:

For the six months ended June 30, 2018 (Unaudited)	**North America** *US$'000*	**Asia Pacific** *US$'000*	**EMEA & SA** *US$'000*	**Others** *US$'000*	**Total** *US$'000*
Total revenue	**1,360,459**	**432,590**	**293,933**	**–**	**2,086,982**
Inter-segment revenue	**(17,566)**	**(14,345)**	**(8,089)**	**–**	**(40,000)**
Revenue from external customers	**1,342,893**	**418,245**	**285,844**	**–**	**2,046,982**
Adjusted EBITDA	**219,524**	**87,660**	**28,793**	**(4,973)**	**331,004**
For the six months ended June 30, 2017 (Unaudited)					
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

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 *US$'000*	**Asia Pacific** *US$'000*	**EMEA & SA** *US$'000*	**Others** *US$'000*	**Total** *US$'000*
As at June 30, 2018 (Unaudited)					
Total assets	**1,864,062**	**807,887**	**371,932**	**(50,341)**	**2,993,540**
Total liabilities	**(857,089)**	**(247,784)**	**(175,271)**	**(165,704)**	**(1,445,848)**
As at December 31, 2017 (Audited)					
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)

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

	For the six months ended June 30,	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Adjusted EBITDA from reportable segments	**331,004**	326,890
Depreciation and amortisation expenses	**(91,185)**	(86,742)
Finance costs, net	**(6,418)**	(13,236)
Share of loss of joint ventures, net	**(1,974)**	(270)
Profit before income tax	**231,427**	226,642

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 a non-cash component for deferred revenue amortisation. For the six months ended June 30, 2018, the North America segment and Asia Pacific segment recognised US$11,243,000 (six months ended June 30, 2017: US$11,977,000) and US$1,164,000 (six months ended June 30, 2017: US$409,000), respectively.

The geographic distribution of revenue for the six months ended June 30, 2018 and 2017, respectively, is as follows:

	For the six months ended June 30,	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
North America:		
US	**890,331**	885,614
Mexico	**452,562**	421,578
Asia Pacific:		
China	**388,549**	382,806
Rest of Asia Pacific	**29,696**	32,782
EMEA & SA:		
Poland	**246,850**	217,561
Rest of EMEA & SA	**38,994**	33,746
	2,046,982	1,974,087

The geographic distribution of non-current assets excluding deferred income tax assets as at June 30, 2018 and December 31, 2017, respectively, is as follows:

	As at June 30, 2018	As at December 31, 2017
	US$'000	*US$'000*
	(Unaudited)	(Audited)
North America:		
US	**845,871**	805,790
Mexico	**212,370**	201,841
Asia Pacific:		
China	**214,433**	226,993
Rest of Asia Pacific	**19,355**	14,471
EMEA & SA	**158,084**	162,025
	1,450,113	1,411,120

The product lines of the Group include electric power steering (**EPS**), columns and intermediate shafts (**CIS**), hydraulic power steering (**HPS**), driveline systems (**DL**) and ADAS and AD-enabling technologies.

Disaggregation of revenue

For the six months ended June 30, 2018 (Unaudited)	**North America**	**Asia Pacific**	**EMEA & SA**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
EPS	**744,911**	**307,837**	**268,345**	**1,321,093**
CIS	**315,128**	**17,249**	**4,615**	**336,992**
HPS	**69,476**	**4,236**	**11,230**	**84,942**
DL	**213,378**	**88,923**	**1,654**	**303,955**
Total	**1,342,893**	**418,245**	**285,844**	**2,046,982**

For the six months ended June 30, 2017 (Unaudited)	North America	Asia Pacific	EMEA & SA	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
EPS	724,162	300,058	232,961	1,257,181
CIS	318,406	12,219	3,883	334,508
HPS	74,974	6,090	11,749	92,813
DL	189,650	97,221	2,714	289,585
Total	1,307,192	415,588	251,307	1,974,087

Revenue by type

	For the six months ended June 30,	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Production Parts	**2,025,808**	1,958,290
Tooling	**11,172**	15,797
Engineering Design and Development/Prototypes	**10,002**	–
Total	**2,046,982**	1,974,087

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,	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
General Motors Company and Subsidiaries	**862,451**	863,882
Customer A	**432,564**	407,741
Customer B	**285,046**	269,480
	1,580,061	1,541,103

3. EXPENSE BY NATURE

	For the six months ended June 30,	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Raw materials used	**1,204,318**	1,145,915
Changes in inventories of finished goods and work-in-progress	**(7,144)**	(7,783)
Employee labour benefit costs	**292,383**	276,705
Temporary labour costs	**60,672**	58,932
Restructuring costs	**–**	(28)
Supplies and tools	**102,348**	101,722
Depreciation on property, plant and equipment	**52,855**	47,004
Amortisation on		
– land use rights	**22**	22
– intangible assets	**38,308**	39,716
Impairment charges (reversal of provisions) on		
– inventories	**2,088**	433
– receivables *(note 9)*	**(11)**	56
Operating lease expenses	**7,636**	8,051
Auditors' remuneration		
– Audit services	**586**	734
Others	**55,285**	61,423
Total cost of sales, engineering and product development costs, selling and distribution and administrative expenses	**1,809,346**	1,732,902

4. OTHER GAINS (LOSSES), NET

	For the six months ended June 30,	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Foreign exchange gains (losses)	**312**	(2,116)
Gains (losses) on disposal of property, plant and equipment	**229**	(302)
Others	**1,642**	1,381
	2,183	(1,037)

5. FINANCE COSTS, NET

	For the six months ended June 30,	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest on bank deposits	**3,655**	1,235
Finance costs		
Interest on bank borrowings	**5,928**	7,508
Interest on notes	**7,344**	7,344
	13,272	14,852
Interest on finance leases	**172**	129
Other finance costs	**3,737**	4,226
	17,181	19,207
Less: amount capitalised in qualifying assets	**(7,108)**	(4,736)
	10,073	14,471
Finance costs, net	**6,418**	13,236

6. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2018	2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current income tax	**19,010**	42,229
Deferred income tax charges	**10,074**	1,859
	29,084	44,088

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, 2018 and 2017. 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 12.57% and 19.45% for the six months ended June 30, 2018 and 2017, respectively, vary from the statutory rates primarily due to tax credits, tax holidays and foreign rate differentials in certain jurisdictions. The decrease in the effective tax rate of 12.57% for the six months ended June 30, 2018 from 19.45% for the six months ended June 30, 2017 is primarily the result of the reduction in the US corporate income tax rate to 21% from 35%, which became effective January 2018.

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,	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company *(US$'000)*	**199,605**	179,686
Weighted average number of ordinary shares in issue *(thousands)*	**2,505,133**	2,502,355
Basic earnings per share *(in US$)*	**0.08**	0.07

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, 2018. 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, 2018) 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, 2018 and 2017, the details are within the table below.

	For the six months ended June 30,	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company used to determine diluted earnings per share *(US$'000)*	**199,605**	179,686
Weighted average number of ordinary shares in issue *(thousands)*	**2,505,133**	2,502,355
Adjustment for share options *(thousands)*	**5,044**	3,770
Weighted average number of ordinary shares in issue for calculating diluted earnings per share *(thousands)*	**2,510,177**	2,506,125
Diluted earnings per share *(in US$)*	**0.08**	0.07

8. DIVIDEND

A dividend of approximately US$69,954,000 relating to the Group's year ended December 31, 2017 earnings was paid during the six months ended June 30, 2018 (six months ended June 30, 2017: US$59,856,000). The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: nil).

9. TRADE RECEIVABLES

	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Trade receivables, gross	**589,007**	612,056
Less: provision for impairment	**(1,246)**	(1,257)
	587,761	610,799

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, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
0 to 30 days	**364,351**	328,761
31 to 60 days	**197,246**	235,812
61 to 90 days	**15,211**	23,490
Over 90 days	**12,199**	23,993
	589,007	612,056

Trade receivables of US$22,186,000 were past due but not impaired as at June 30, 2018 (December 31, 2017: US$29,367,000). 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, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
Overdue up to 30 days	**12,535**	20,568
Overdue 31 to 60 days	**2,817**	858
Overdue 61 to 90 days	**1,722**	933
Overdue over 90 days	**5,112**	7,008
	22,186	29,367

The carrying amounts of trade receivables pledged as collateral were US$359,816,000 as at June 30, 2018 (December 31, 2017: US$325,954,000).

10. TRADE PAYABLES

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

	As at June 30, 2018	As at December 31, 2017
	US$'000	*US$'000*
	(Unaudited)	(Audited)
0 to 30 days	**275,986**	292,502
31 to 60 days	**210,294**	209,771
61 to 90 days	**65,345**	48,782
91 to 120 days	**26,232**	22,183
Over 120 days	**14,773**	9,112
	592,630	582,350

FINANCIAL REVIEW

Financial Summary

The Group advanced its strong financial position in the first half of 2018. While global automotive original equipment manufacturer (**OEM**) production volumes remained largely stable with 2017, positive product mix and favourable foreign currency contributed to higher Group revenue growth of 3.7% in the first half of 2018 compared with the first half of 2017, with all three geographical segments achieving increased revenue. The Group successfully launched 8 new customer programmes in the first half of 2018 in North America (2 programmes) and Asia Pacific (6 programmes), further supporting the Group's revenue growth. Increased revenue, as well as the Group's continued focus on operational efficiencies, cost reduction efforts, and a benefit from the lower corporate income tax rate in the US, contributed to an increase in net profit attributable to equity holders of 11.1% in the first half of 2018 compared with the same period a year ago. Improved net profit, focused working capital management and disciplined capital investment provided strong cash flow in the first half of 2018.

Operating Environment

The global automotive market has a direct impact on our business and operating results. Factors affecting the industry include macro-economic influences such as consumer confidence, fluctuations in commodity prices, currency, fuel prices and regulatory environments. The Company operates primarily in the US, Mexico, China, Poland, India and Brazil.

Automotive industry production levels moderately increased in the first half of 2018 over the first half of 2017 supported by stable, yet modest growth in the global economy. According to IHS Markit Ltd., global light vehicle production for the six months ended June 30, 2018 increased 1.7% compared to the six months ended June 30, 2017, with a decrease in North America of 2.9%. North America full-size truck production in the first half of 2018 was 6.5%

lower compared with the same period a year ago. Light vehicle production for the Asia Pacific segment for the six months ended June 30, 2018 increased 2.6% compared to the six months ended June 30, 2017. Light vehicle production in Europe and South America increased 3.2% for the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

The Company continues to expand its global operating footprint to service its broad and growing customer base and, accordingly, the financial results of the business are impacted by changes in foreign currencies measured against the US dollar. The Group's financial results during the first half of 2018 were favourably impacted by foreign currency translation as the US dollar weakened against the European euro (**Euro**) and Chinese renminbi (**RMB**) compared with the same period a year ago.

Raw material costs represent a significant portion of the Company's cost of goods sold and changes in commodity costs can have an impact on the financial results of the business in any given period. Prices for certain commodities such as steel and aluminum have risen over the past year, due to both strong global demand and, more recently, further impacted by the imposition of tariffs on these products by the US Government in connection with global trade concerns and related negotiations. As the Company strives to procure raw materials in the region of consumption and sale of products to its customers, purchases of such commodities used in the US manufacture of the Company's products are exclusively sourced from US suppliers. In addition, the Company purchases finished and semi-finished components from third party suppliers in the US, generally under fixed cost contractual arrangements, which contain steel and aluminum commodity inputs and may be subject to tariffs depending on the supplier's source of origin. The Company continues to monitor and coordinate with its component suppliers who may be impacted under the current steel and aluminum tariff regulations. Through the first half of 2018, commodity costs have not been significantly impacted by tariff actions imposed through June 30, 2018 between the US and China as commodity purchases from China and export sales to China from the Company's US operations are not significant. Other tariff actions implemented with other countries similarly have not had a significant impact on the Company's financial results through the first half of 2018.

Revenue

The Group's revenue for the six months ended June 30, 2018 was US$2,047.0 million, an increase of US$72.9 million or a 3.7% increase from the six months ended June 30, 2017 of US$1,974.1 million. According to IHS Markit Ltd., global OEM production volume for the six months ended June 30, 2018 increased 1.7% compared to the six months ended June 30, 2017. Favourable foreign currency translation increased the Group's revenue by approximately US$51.5 million, principally impacting the Asia Pacific and EMEA & SA segments.

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, 2018, the Group experienced an increase in revenue compared to the six months ended June 30, 2017, with each geographic segment contributing to the increase.

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

	For the six months ended June 30, 2018		For the six months ended June 30, 2017	
	US$'000	*%*	*US$'000*	*%*
	(Unaudited)		(Unaudited)	
North America	**1,342,893**	**65.6**	1,307,192	66.2
Asia Pacific	**418,245**	**20.4**	415,588	21.1
EMEA & SA	**285,844**	**14.0**	251,307	12.7
Total	**2,046,982**	**100.0**	1,974,087	100.0

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

- North America segment — Revenue increased by US$35.7 million, or a 2.7% increase for the six months ended June 30, 2018 compared to the six months ended June 30, 2017. The North America segment held strong during the first half of 2018, despite a decline in overall OEM light vehicle and full-size truck production compared with a year ago. According to IHS Markit Ltd., OEM light vehicle production volumes decreased 2.9% in North America for the six months ended June 30, 2018 compared with the same period in 2017, which included a decline in full-size truck production of 6.5%. Strong demand from 2018 customer programme launches and 2017 carryover programmes and favourable product line mix more than offset lower overall OEM production and customer pricing.

- Asia Pacific segment — Revenue increased by US$2.7 million, or a 0.6% increase, for the six months ended June 30, 2018 compared to the six months ended June 30, 2017. The Asia Pacific segment experienced US$28.6 million of favourable foreign currency translation as the US dollar weakened against the RMB during the first half of 2018 compared with the same period of 2017. While OEM production volumes in the Asia Pacific segment and China increased 2.6% and 3.0%, respectively, for the six months ended June 30, 2018 compared with the same period in 2017, according to IHS Markit Ltd., the Asia Pacific segment experienced lower production demand from its key customers, as end consumer purchases of their vehicles did not keep pace with the overall market.

- EMEA & SA segment — Revenue increased US$34.5 million, or a 13.7% increase, for the six months ended June 30, 2018 compared to the six months ended June 30, 2017. Favourable foreign currency translation provided a favourable benefit of US$22.9 million as the US dollar weakened against the Euro during the first half of 2018 compared with the same period in 2017. Stronger OEM production volume in Europe and South America, increasing 3.2% for the six months ended June 30, 2018 compared to the six months ended June 30, 2017, according to IHS Markit Ltd., and the carryover benefit from 4 customer programme launches in 2017 further contributed to the increase revenue during the first half of 2018.

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, 2018		For the six months ended June 30, 2017	
	US$'000	*%*	*US$'000*	*%*
	(Unaudited)		(Unaudited)	
EPS	**1,321,093**	**64.5**	1,257,181	63.7
CIS	**336,992**	**16.5**	334,508	16.9
HPS	**84,942**	**4.2**	92,813	4.7
DL	**303,955**	**14.8**	289,585	14.7
Total	**2,046,982**	**100.0**	1,974,087	100.0

Continued growth in EPS and DL revenue of US$63.9 million and US$14.4 million, respectively, were the principal contributors of the increase in revenue during the first half of 2018 compared with the same period a year ago, driven by favourable currency translation, overall customer demand and the impact of conquest business from the Company's Backlog of Booked Business (as defined below). The decrease in HPS revenue resulted from lower production schedules from a key customer as expected.

Net Profit Attributable to Equity Holders

The Group's net profit attributable to equity holders of the Company for the six months ended June 30, 2018 was US$199.6 million or 9.8% of total revenue, an increase of 11.1% compared to the six months ended June 30, 2017 of US$179.7 million representing 9.1% of total revenue. This increase was attributable to the following:

- Higher customer demand in certain markets
- Successful customer programme launches
- Richer product line mix with EPS representing a larger proportion of total revenue
- Focus on continuous improvement in operating efficiencies and cost competitiveness
- Lower effective tax rate as a result of US tax reform legislation

Cost of Sales

The Group's cost of sales for the six months ended June 30, 2018 was US$1,677.4 million, an increase of US$74.8 million from US$1,602.6 million as compared to the six months ended June 30, 2017. The Group's cost of sales for the six months ended June 30, 2018 primarily included raw material costs of US$1,204.3 million (for the six months ended June 30, 2017: US$1,145.9 million).

The Group's cost of sales increased principally as a result of increased revenue. Material savings initiatives during the first half of 2018 more than offset higher commodity costs, driven principally by higher steel and rare earth costs. Manufacturing efficiencies and lower warranty expense were offset by higher wage and related costs.

Consistent with continued customer programme launches in the first half of 2018 and the carryover impact from 2017 programme launches, depreciation and amortisation charged to cost of sales for the six months ended June 30, 2018 was US$85.3 million, an increase of US$3.2 million from US$82.1 million for the six months ended June 30, 2017.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$35.8 million for the six months ended June 30, 2018, representing 1.7% of revenue, a decrease of US$0.6 million as compared with US$36.4 million, representing 1.8% of revenue for the six months ended June 30, 2017.

Gross Profit

The Group's gross profit for the six months ended June 30, 2018 was US$369.6 million, a decrease of US$1.9 million or 0.5% as compared with US$371.5 million for the six months ended June 30, 2017. Gross profit percentage for the six months ended June 30, 2018 was 18.1%, a decrease of 70 basis points as compared to 18.8% for the six months ended June 30, 2017. Benefits from favourable foreign currency translation, higher production volumes and net cost efficiencies were offset by customer pricing, resulting in a slight decrease in gross profit for the first half of 2018 compared to the same period in 2017.

Engineering and Product Development Costs

For the six months ended June 30, 2018, the Group's engineering and product development costs charged to the income statement were US$59.5 million, representing 2.9% of revenue, a decrease of US$3.6 million as compared with US$63.1 million, representing 3.2% of revenue for the six months ended June 30, 2017.

Engineering development costs capitalised as intangible assets, including capitalised interest, for the six months ended June 30, 2018 were US$74.2 million, representing 3.6% of revenue, an increase of US$18.4 million from US$55.8 million, representing 2.8% of revenue for the six months ended June 30, 2017. Capitalised interest related to engineering development costs totalled US$7.0 million for the six months ended June 30, 2018 and US$4.7 million for the six months ended June 30, 2017.

The Group's aggregate investment in research and development (**R&D**) is defined as the sum of costs charged to the consolidated income statement and total costs capitalised as intangible assets. For the six months ended June 30, 2018, the Group incurred aggregate investment in R&D of US$133.7 million, representing 6.5% of revenue, an increase of US$14.8 million as compared with US$118.9 million, representing 6.0% of revenue, for the six months ended June 30, 2017. The increase in R&D is driven by the Company's continued focus on expanding its technical capabilities and resources around the world to pursue and acquire new customer programmes as evidenced by the growth in the Backlog of Booked Business, as well as, ongoing and increasing investments in ADAS and AD-enabling technologies.

Administrative Expenses

The Group's administrative expenses for the six months ended June 30, 2018 were US$62.7 million, representing 3.1% of revenue, an increase of US$2.4 million as compared to US$60.3 million, representing 3.1% of revenue for the six months ended June 30, 2017. Continuing efficiency efforts and focus on leveraging the Group's cost base largely offset inflationary factors, with unfavourable foreign currency translation and increased stock compensation and long-term incentive expense being the principal factors for the increase in the first half of 2018 compared with the same period in 2017.

Other Gains (Losses), net

Other gains (losses), net represents gains attributable to foreign exchange transactions, loss on disposal of property, plant and equipment and others. Other gains for the six months ended June 30, 2018 were US$2.2 million, an increase of US$3.2 million compared to a loss of US$1.0 million for the six months ended June 30, 2017.

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, 2018 were US$6.4 million, which is a decrease of US$6.8 million as compared with US$13.2 million for the six months ended June 30, 2017. The amount of capitalised interest on qualifying assets was US$7.1 million for the six months ended June 30, 2018 (six months ended June 30, 2017: US$4.7 million). Lower debt borrowings due to the repayment in full of the Company's outstanding US based term loan in February 2018 and interest on higher cash balances were the largest contributors to the reduction in finance costs, net in the first half of 2018 compared with the same period in 2017.

Share of (Loss) Income of Joint Ventures

Share of (loss) income of joint ventures relates to the Company's investments in CNXMotion, LLC (**CNXMotion**), Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd (**Dongfeng Nexteer**) and Chongqing Nexteer Steering Systems Co., Ltd (**Chongqing Nexteer**). For the six months ended June 30, 2018, the Groups share of (loss) income of joint ventures amount to (US$1.3 million), (US$1.0 million) and US$0.3 million related to CNXMotion, Dongfeng Nexteer and Chongqing Nexteer, respectively (six months ended June 30, 2017: nil, nil, (US$0.3 million)). CNXMotion was formed during the first half of 2017 and has incurred R&D costs focused on integrating lateral and longitudinal controls for mixed mode and automated driving applications. As a R&D entity, CNXMotion will not generate direct revenue, but will rather benefit the Company from the transfer of R&D that may be used in the manufacture of products in the future. Dongfeng Nexteer was formed during 2017 and has not yet commenced production, but has incurred organisational costs for the six months ended June 30, 2018. Chongqing Nexteer's profitability increased during the six months ended June 30, 2018 compared with the six months ended June 30, 2017 as a result of increased revenue caused by increased customer demand schedules.

Income Tax Expense

The Group's income tax expense was US$29.1 million for the six months ended June 30, 2018, representing 12.6% of the Group's profit before income tax, a decrease of US$15.0 million as compared with US$44.1 million, representing 19.5% of profit before income tax for the six months ended June 30, 2017. The US$15.0 million decrease in income tax expense is primarily the result of the reduction of the US corporate income tax rate which became effective in January 2018 as further discussed below. The remaining reduction was due to increased profit in lower tax rate jurisdictions in 2018 compared with the same period in 2017.

On December 22, 2017, President Donald Trump signed into Law "H.R.1", formally known as the "Tax Cut and Jobs Act", which among other items reduced the US federal corporate income tax rate from 35% to 21% with effect from January 1, 2018. As a result, the Company remeasured its deferred tax assets and liabilities as of December 31, 2017, which is the period of substantive enactment of the legislation, resulting in the Company's deferred tax assets and liabilities being revalued lower by US$39.0 million as at December 31, 2017. 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.

Provisions

As at June 30, 2018, the Group has provision of US$90.3 million for restructuring, litigation, environmental liabilities, warranties and decommissioning, a decrease of US$17.4 million as compared with US$107.7 million as at December 31, 2017. This decrease in provisions was primarily due to the net change in warranty reserves due to US$15.7 million in cash payments on historical warranty provisions during the first half of 2018. Additionally, the Company has continued its efforts and focus on improving product quality and manufacturing traceability. As a result of these initiatives, the reversal of historical warranty provisions due to lower customer warranty settlements and future claims estimates more than offset new warranty provisions recorded during the first half of 2018.

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 borrowings from third-party financial institutions. We utilise a combination of strategies, including intercompany dividends, intercompany loan structures and other distributions and advances to provide the funds necessary to meet our global liquidity needs. The Company utilises a global cash pooling arrangement to consolidate and manage its global cash balances, which improves cash management efficiency. In recent years, the Group has invested extensively in capital equipment and engineering and product development costs. For the six months ended June 30, 2018, the Group invested US$76.6 million and US$67.3 million in capital equipment and intangible assets, respectively.

The Company had positive total cash flow for the six months ended June 30, 2018. We believe that funds generated from operations and cash on hand are 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, 2018	For the six months ended June 30, 2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Cash generated from (used in):		
Operating activities	**322,732**	311,925
Investing activities	**(139,748)**	(175,792)
Financing activities	**(166,620)**	(116,047)
Net increase in cash and cash equivalents	**16,364**	20,086

Cash Flows Generated from Operating Activities

For the six months ended June 30, 2018, the Group's net cash generated from operating activities was US$322.7 million, an increase of US$10.8 million, compared to US$311.9 million for the six months ended June 30, 2017. The increase in cash flows from operating activities was primarily due to increased earnings, working capital improvements and lower 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 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, 2018	For the six months ended June 30, 2017
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Purchase of property, plant and equipment	**(76,642)**	(125,787)
Addition of intangible assets	**(67,253)**	(51,049)
Proceeds from sale of property, plant and equipment	**1,376**	317
Changes in restricted bank deposits	**6,886**	727
Investment in joint ventures	**(4,115)**	–
Net cash used in investing activities	**(139,748)**	(175,792)

Cash Flows Used in Financing Activities

For the six months ended June 30, 2018, the Group's net cash used in financing activities was US$166.6 million, an increase of US$50.6 million compared to US$116.0 million for the six months ended June 30, 2017. The increase in cash flows used in financing activities was mainly attributable to the net repayment of borrowings of US$80.0 million, finance costs paid of US$14.1 million, dividends paid to shareholders of the Company of US$70.0 million and dividends paid to non-controlling interests of US$3.1 million, offset by proceeds from the exercise of share options of US$0.5 million.

Indebtedness

As at June 30, 2018, the Group's total borrowings were US$412.4 million, a decrease of US$78.8 million from US$491.2 million as at December 31, 2017. This decrease is primarily due to the utilisation of cash generated from operations to repay in full the outstanding balance of the Company's US based term loan of US$42.9 million, combined with the repayment of other scheduled debt maturities.

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, 2018 *US$'000* **(Unaudited)**	As at December 31, 2017 *US$'000* (Audited)
Current borrowings	**64,216**	76,030
Non-current borrowings	**344,290**	412,378
Finance lease obligations	**3,909**	2,773
Total borrowings	**412,415**	491,181

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

	As at June 30, 2018 *US$'000* **(Unaudited)**	As at December 31, 2017 *US$'000* (Audited)
Within 1 year	**65,665**	77,036
Between 1 and 2 years	**65,142**	99,171
Between 2 and 5 years	**281,608**	314,974
Over 5 years	**–**	–
Total borrowings	**412,415**	491,181

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 and property, plant and equipment. As at June 30, 2018, the Group had approximately US$525.2 million total assets pledged as collateral, a decrease of US$507.7 million from US$1,032.9 million as at December 31, 2017. In connection with the repayment of US$42.9 million of the Company's US based term loan in February 2018, the Company simultaneously refinanced its US based revolving credit facility, extending the maturity of the facility, increasing borrowing capacity to US$325.0 million and securing less restrictive covenants and collateral requirements, which resulted in a decrease of total assets pledged.

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.

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, 2018 was 26.6%, a decrease of 750 basis points as compared with December 31, 2017 which was 34.1%. The gearing ratio decreased compared to 2017 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-enabling 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
5. Global manufacturing footprint and prowess

Our global footprint continues to enable our capitalisation on the market transition to EPS and continued growth prospects 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 conversation wave" to Steer-by-Wire as well as pursue selected strategic acquisitions and/or alliances globally.

Employees Remuneration Policy

As at June 30, 2018, the Group had over 12,400 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 the shareholders of the Company (the **Shareholders**) as a whole. For example, the Group has retention programmes that include individual development plans, merit wages adjustments, annual incentive plans and promotions.

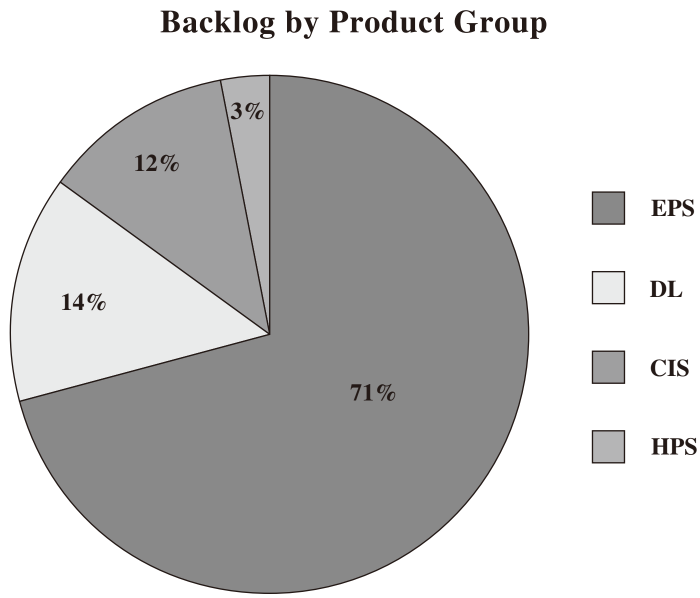
Based on the workload of the Group, we engage approximately 1,000 employees on a contract basis as at June 30, 2018. We offer training programmes to our full-time and contract employees which are designed to develop the skills that we need to meet our enterprise goals and customer requirements and to meet certain training requirements such as mandate customer or regulatory requirements and contractual obligations.

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, increased by 4.2% to approximately US$24.9 billion (the **Backlog of Booked Business**, **Booked Business Amount** or **Booked Business**) as at June 30, 2018 compared with US$23.9 billion as at December 31, 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.

Backlog of Booked Business:



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 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, 2018.

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

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.

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 period ended June 30, 2018.

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.

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, 2018.

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, 2018. 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, 2018.

SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Group after June 30, 2018 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, 2018

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