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, 2018

HIGHLIGHTS

- Revenue increased by approximately 0.9% to US$3,912.2 million (year ended December 31, 2017: US$3,878.0 million)
- Gross profit increased by approximately 0.2% to US$675.4 million (year ended December 31, 2017: US$674.3 million)
- Profit attributable to equity holders of the Company increased by approximately 7.9% to US$379.7 million (year ended December 31, 2017: US$351.8 million)
- Achieved backlog of booked business amount of US$25.2 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, 2018, together with the comparative figures for 2017, are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2018

		For the year ended December 31,	
		2018	2017
	Notes	***US$'000***	*US$'000*
Revenue	*2*	**3,912,170**	3,878,009
Cost of sales	*3*	**(3,236,806)**	(3,203,734)
Gross profit		**675,364**	674,275
Engineering and product development costs	*3*	**(122,955)**	(124,027)
Selling and distribution expenses	*3*	**(19,445)**	(15,648)
Administrative expenses	*3*	**(123,747)**	(110,590)
Other gains, net	*4*	**14,838**	4,205
Operating profit		**424,055**	428,215
Finance income	*5*	**8,144**	3,866
Finance costs	*5*	**(17,427)**	(25,214)
Finance costs, net		**(9,283)**	(21,348)
Share of loss of joint ventures		**(4,381)**	(1,818)
Profit before income tax		**410,391**	405,049
Income tax expense	*6*	**(26,045)**	(49,171)
		384,346	355,878
Profit attributable to:			
Equity holders of the Company		**379,657**	351,769
Non-controlling interests		**4,689**	4,109
Profit for the year		**384,346**	355,878
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$0.15**	US$0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2018

	For the year ended December 31, 2018 US$'000	2017 US$'000
Profit for the year	**384,346**	355,878
Other comprehensive (loss) income		
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit plans, net of tax	**(247)**	(188)
Items that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**(43,227)**	47,730
	(43,474)	47,542
Total comprehensive income for the year	**340,872**	403,420
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**338,045**	397,148
Non-controlling interests	**2,827**	6,272
	340,872	403,420

CONSOLIDATED BALANCE SHEET
As at December 31, 2018

		As at December 31,	
		2018	2017
	Note	***US$'000***	*US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**933,244**	884,118
Land use rights		**3,520**	1,500
Intangible assets		**561,933**	494,530
Deferred income tax assets		**8,621**	7,042
Other receivables and prepayments		**25,034**	19,951
Investments in joint ventures		**16,944**	11,021
		1,549,296	1,418,162
Current assets			
Inventories		**234,303**	241,257
Trade receivables	*9*	**528,859**	610,799
Other receivables and prepayments		**124,524**	101,786
Restricted bank deposits		**3**	6,591
Cash and cash equivalents		**674,526**	600,788
		1,562,215	1,561,221
Total assets		**3,111,511**	2,979,383

CONSOLIDATED BALANCE SHEET *(Continued)*
As at December 31, 2018

	Note	As at December 31, 2018 US$'000	2017 US$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**32,324**	32,310
Other reserves		**73,593**	184,024
Retained earnings		**1,565,893**	1,186,077
		1,671,810	1,402,411
Non-controlling interests		**38,034**	38,304
Total equity		**1,709,844**	1,440,715
LIABILITIES			
Non-current liabilities			
Borrowings		**315,526**	414,145
Retirement benefits and compensations		**19,058**	17,171
Deferred income tax liabilities		**88,410**	67,612
Provisions		**77,730**	84,515
Deferred revenue		**75,824**	82,082
Other payables and accruals		**4,277**	4,727
		580,825	670,252
Current liabilities			
Trade payables	*10*	**553,191**	582,350
Other payables and accruals		**140,210**	138,367
Current income tax liabilities		**16,192**	14,603
Retirement benefits and compensations		**3,747**	3,103
Provisions		**11,380**	23,138
Deferred revenue		**29,894**	29,819
Borrowings		**66,228**	77,036
		820,842	868,416
Total liabilities		**1,401,667**	1,538,668
Total equity and liabilities		**3,111,511**	2,979,383

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

	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$'000	Retained earnings US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
As at January 1, 2017	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 losses 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
Adoption of IFRS 15	–	–	–	–	–	406	406	–	406
Comprehensive income									
Profit for the year	–	–	–	–	–	379,657	379,657	4,689	384,346
Other comprehensive loss									
Exchange differences, net of tax	–	–	–	–	(41,365)	–	(41,365)	(1,862)	(43,227)
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	(247)	(247)	–	(247)
Total other comprehensive loss	–	–	–	–	(41,365)	(247)	(41,612)	(1,862)	(43,474)
Total comprehensive (loss) income	–	–	–	–	(41,365)	379,410	338,045	2,827	340,872
Transactions with owners									
Value of employee services provided under share option scheme	–	–	–	(138)	–	–	(138)	–	(138)
Transfer to share premium under exercise of share options	–	470	–	(470)	–	–	–	–	–
Proceeds from exercise of share options	14	1,026	–	–	–	–	1,040	–	1,040
Dividends paid to shareholders	–	(69,954)	–	–	–	–	(69,954)	–	(69,954)
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	(3,097)	(3,097)
Total transactions with owners	14	(68,458)	–	(608)	–	–	(69,052)	(3,097)	(72,149)
As at December 31, 2018	32,324	38,289	113,000	6,940	(84,636)	1,565,893	1,671,810	38,034	1,709,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 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 Companies Law (as amended), 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**), are 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. (**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 (the **Consolidated Financial Statements**) have been approved for issue by the Board of Directors (the **Board**) of the Company on March 12, 2019.

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, 2018:

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

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, 2019 and have not been applied in these Consolidated Financial Statements.

- 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 as a lessee and is not expected to have a material impact on the Group's consolidated statements of comprehensive income or cash flows. The Group's activities as a lessor are not material.

  As at December 31, 2018, the Group has non-cancellable operating lease commitments of US$71,505,000 which includes short-term leases and low value leases which will both be recognised on a straight-line basis as expense in profit or loss. The Company is currently implementing system solutions as part of the adoption process. The Company is in the process of finalizing its assessment of the impact upon adoption and estimates that the adoption of this guidance will result in the addition of right-of-use assets and corresponding lease obligations. For the remaining lease commitments the Group expects to recognise right-of-use assets and corresponding lease liabilities in a range between US$50,000,000 and US$70,000,000 as at January 1, 2019.

  The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied.

- 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 applicable tax rates. 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 and does not expect it to have a material impact on its consolidated financial position, results of operations, equity or cash flows.

2. REVENUE AND SEGMENT INFORMATION

2.1 Revenue from contracts 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 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 recogises 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 the Company's customer arrangements for customised products with no alternative use provide the Company 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.
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 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/prototype. 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 deferred until the related performance obligations are satisfied in the future. The following table provides information about contract assets and contract liabilities from contract 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, 2018	28,248	(32,639)	(75,824)
Balances as at December 31, 2017	–	–	–
Change in account balance	28,248	(32,639)	(75,824)

(i) Contract assets are recorded within other receivables and prepayments as at December 31, 2018.

(ii) Contract liabilities are recorded within deferred revenue and other payables and accruals as at December 31, 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 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 *US$'000*	Asia Pacific *US$'000*	EMEA & SA *US$'000*	Others *US$'000*	Total *US$'000*
For the year ended December 31, 2018					
Total revenue	**2,656,347**	**805,758**	**520,467**	**–**	**3,982,572**
Inter-segment revenue	**(31,038)**	**(24,246)**	**(15,118)**	**–**	**(70,402)**
Revenue from external customers	**2,625,309**	**781,512**	**505,349**	**–**	**3,912,170**
Adjusted EBITDA	**402,904**	**167,498**	**57,594**	**(8,432)**	**619,564**
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

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 *US$'000*	Asia Pacific *US$'000*	EMEA & SA *US$'000*	Others *US$'000*	Total *US$'000*
As at December 31, 2018					
Total assets	**1,908,820**	**773,213**	**377,087**	**52,391**	**3,111,511**
Total liabilities	**(770,975)**	**(263,319)**	**(145,659)**	**(221,714)**	**(1,401,667)**
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)

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

	For the year ended December 31,	
	2018	2017
	US$'000	*US$'000*
Adjusted EBITDA from reportable segments	**619,564**	621,284
Depreciation and amortisation expenses	**(195,509)**	(183,542)
Impairment on property, plant and equipment (i)	**–**	(9,527)
Finance costs, net	**(9,283)**	(21,348)
Share of loss of joint ventures	**(4,381)**	(1,818)
Profit before income tax	**410,391**	405,049

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 a non-cash component for deferred revenue amortisation. For the year ended December 31, 2018, the North America segment and Asia Pacific segment recognised US$23,540,000 (2017: US$24,627,000) and US$2,294,000 (2017: US$831,000), respectively.

The geographic distribution of revenue for the years ended December 31, 2018 and 2017 is as follows:

	For the year ended December 31,	
	2018	2017
	US$'000	*US$'000*
North America:		
US	**1,701,197**	1,706,861
Mexico	**924,112**	827,051
Asia Pacific:		
China	**722,429**	788,308
Rest of Asia Pacific	**59,083**	66,162
EMEA & SA:		
Poland	**437,297**	412,467
Rest of EMEA & SA	**68,052**	77,160
	3,912,170	3,878,009

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

	As at December 31,	
	2018	2017
	US$'000	*US$'000*
North America:		
US	**877,691**	805,790
Mexico	**235,646**	201,841
Asia Pacific:		
China	**238,145**	226,993
Rest of Asia Pacific	**20,620**	14,471
EMEA & SA	**168,573**	162,025
	1,540,675	1,411,120

Disaggregation of revenue

	North America	**Asia Pacific**	**EMEA & SA**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
For the year ended December 31, 2018				
EPS	**1,472,657**	**576,120**	**476,002**	**2,524,779**
CIS	**611,518**	**26,991**	**7,696**	**646,205**
HPS	**130,025**	**7,827**	**19,047**	**156,899**
DL	**411,109**	**170,574**	**2,604**	**584,287**
Total	**2,625,309**	**781,512**	**505,349**	**3,912,170**

	North America	Asia Pacific	EMEA & SA	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
For the year ended December 31, 2017				
EPS	1,400,615	627,973	453,713	2,482,301
CIS	602,660	25,875	8,176	636,711
HPS	141,912	12,744	22,700	177,356
DL	388,725	187,878	5,038	581,641
Total	2,533,912	854,470	489,627	3,878,009

Revenue by type

	For the year ended December 31,	
	2018	2017
	US$'000	*US$'000*
Production Parts	**3,870,854**	3,854,699
Tooling	**22,776**	23,310
Engineering Design and Development/Prototypes	**18,540**	–
Total	**3,912,170**	3,878,008

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,	
	2018	2017
	US$'000	*US$'000*
General Motors Company and Subsidiaries	**1,649,322**	1,667,067
Customer A	**824,599**	797,745
Customer B	**605,470**	526,485
	3,079,391	2,991,297

3. EXPENSE BY NATURE

	For the year ended December 31,	
	2018	2017
	US$'000	*US$'000*
Raw materials used	**2,297,261**	2,257,760
Changes in inventories of finished goods and work-in-progress	**(13,737)**	(3,243)
Employee benefit costs	**573,791**	542,178
Temporary labour costs	**127,696**	120,709
Restructuring costs	**–**	(43)
Supplies and tools	**198,483**	194,587
Depreciation on property, plant and equipment	**108,780**	100,939
Amortisation on		
– land use rights	**91**	43
– intangible assets	**86,638**	82,560
Impairment charges on		
– inventories	**3,186**	1,583
– receivables (note 9)	**448**	133
– property, plant and equipment (i)	**–**	9,527
Operating lease expenses	**15,679**	16,060
Warranty expenses	**5,581**	19,842
Auditors' remuneration		
– audit services	**2,495**	2,292
– non-audit services	**1,640**	1,278
Others	**94,921**	107,794
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**3,502,953**	3,453,999

Note:

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

4. OTHER GAINS, NET

	For the year ended December 31,	
	2018	2017
	US$'000	*US$'000*
Foreign exchange gains (losses)	**4,794**	(5,643)
Loss on disposal of property, plant and equipment	**(54)**	(1,517)
Others	**10,098**	11,365
	14,838	4,205

5. FINANCE COSTS, NET

	For the year ended December 31,	
	2018	2017
	US$'000	*US$'000*
Finance income		
Interest on bank deposits	**8,144**	3,866
Finance costs		
Interest expense on bank borrowings	**11,271**	14,384
Interest on notes	**14,687**	14,687
	25,958	29,071
Interest on finance leases	**317**	238
Other finance costs	**4,643**	6,595
	30,918	35,904
Less: amount capitalised in qualifying assets	**(13,491)**	(10,690)
	17,427	25,214
Finance costs, net	**9,283**	21,348

6. INCOME TAX EXPENSE

	For the year ended December 31,	
	2018	2017
	US$'000	*US$'000*
Current income tax	**9,813**	32,538
Deferred income tax	**16,232**	16,633
	26,045	49,171

Taxation on the Group's profits has been calculated on the estimated assessable profits for the years at the statutory rates of (21% in 2018 and 35% in 2017), 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 are 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,	
	2018	2017
	US$'000	*US$'000*
Profit before income tax	**410,391**	405,049
Tax calculated at rates applicable to profits in respective countries	**103,296**	125,197
Expenses not deductible for tax purposes	**2,776**	1,167
Non-taxable income	**(29,771)**	(28,405)
Tax credits (note (i))	**(43,821)**	(12,076)
Preferential rates and tax holidays (note (ii))	**(19,144)**	(16,430)
Tax losses and deductible temporary differences for which no deferred tax was recognised	**976**	2,192
US state and withholding taxes	**8,625**	13,497
Others	**3,108**	3,013
Deferred taxes remeasurement due to US tax reform (note (iii))	**–**	(38,984)
Tax charge	**26,045**	49,171

Notes:

(i) Mainly represents production, research and royalty incentives. The increase in 2018 is primarily the result of US research tax credits and deductions, net of applicable reserves, generated in prior year open tax periods of US$27.1 million.

(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, US President Donald Trump signed into law "H.R.1", commonly 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,	
	2018	2017
Profit attributable to the equity holders of the Company (US$'000)	**379,657**	351,769
Weighted average number of ordinary shares in issue (thousands)	**2,505,312**	2,502,980
Basic earnings per share (in US$)	**0.15**	0.14

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, 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 year ended December 31, 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 years ended December 31, 2018 and 2017, the details are within the table below.

	For the year ended December 31,	
	2018	2017
Profit attributable to the equity holders of the Company, used to determine diluted earnings per share (US$'000)	**379,657**	351,769
Weighted average number of ordinary shares in issue (thousands)	**2,505,312**	2,502,980
Adjustment for share options (thousands)	**4,176**	6,369
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**2,509,488**	2,509,349
Diluted earnings per share (in US$)	**0.15**	0.14

8. DIVIDENDS

	For the year ended December 31,	
	2018	2017
	US$'000	*US$'000*
Dividend proposed of US$0.031 (2017: US$0.028) per share	**77,677**	70,354

This dividend was proposed by the directors at a meeting held on March 12, 2019, 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,	
	2018	2017
	US$'000	*US$'000*
Trade receivables, gross	**530,512**	612,056
Less: provision for impairment	**(1,653)**	(1,257)
	528,859	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 December 31,	
	2018	2017
	US$'000	*US$'000*
0 to 30 days	**302,180**	328,761
31 to 60 days	**183,478**	235,812
61 to 90 days	**37,844**	23,490
Over 90 days	**7,010**	23,993
	530,512	612,056

Trade receivables of US$30,881,000 were past due but not impaired as at December 31, 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 December 31,	
	2018	2017
	US$'000	*US$'000*
Overdue up to 30 days	**24,897**	20,568
Overdue 31 to 60 days	**936**	858
Overdue 61 to 90 days	**551**	933
Overdue over 90 days	**4,497**	7,008
	30,881	29,367

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.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses below incorporate forward looking information.

Trade receivables of US$1,653,000 were impaired as at December 31, 2018 on which full provisions were made (December 31, 2017: US$1,257,000). These individually impaired receivables are relatively long overdue.

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

	For the year ended December 31,	
	2018	2017
	US$'000	*US$'000*
As at January 1	**1,257**	1,005
Addition of provision	**448**	133
Exchange differences	**(52)**	119
As at December 31	**1,653**	1,257

The carrying amounts of trade receivables pledged as collateral were US$267,081,000 as at December 31, 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 December 31,	
	2018	2017
	US$'000	*US$'000*
0 to 30 days	**261,962**	292,502
31 to 60 days	**201,247**	209,771
61 to 90 days	**53,460**	48,782
91 to 120 days	**22,314**	22,183
Over 120 days	**14,208**	9,112
	553,191	582,350

FINANCIAL REVIEW

Financial Summary

The Group advanced its solid financial position during 2018. While global automotive original equipment manufacturer (**OEM**) production volumes were slightly below 2017, favourable product mix and foreign currency translation contributed to higher Group revenue growth of 0.9% during 2018 compared to 2017, with two of three geographical segments achieving increased revenue. During 2018, the Group successfully launched 22 new customer programmes – 11 programmes in North America and 11 programmes in Asia Pacific – further driving the Group's revenue growth. Higher revenue, as well as the Group's continued focus on operational efficiencies, cost reduction efforts, lower net finance costs and a benefit from research tax credits and deductions in the US, contributed to an increase in net profit attributable to equity holders of 7.9% in 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 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 softened slightly from 2017 to 2018 as a result of a slowing global economy. According to IHS Markit Ltd., global light vehicle production for the year ended December 31, 2018 decreased 1.0% compared to the year ended December 31, 2017, with a decrease in North America of 0.6%, although North America full-size truck production in 2018 was 0.9% higher compared with a year ago. Light vehicle production for the Asia Pacific segment for the year ended December 31, 2018 decreased 1.2% compared to the year ended December 31, 2017. Light vehicle production in EMEA & SA decreased 0.7% for the year ended December 31, 2018 compared to the year ended December 31, 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, principally the European euro (**Euro**) and Chinese renminbi (**RMB**). The Group's financial results during 2018 were favourably impacted by foreign currency translation as the US dollar weakened against the Euro and RMB compared with the same period a year ago even though the US dollar experienced a strong upward trend during the second half of 2018.

Raw material cost represent a significant portion of the Company's cost of goods sold and changes in commodity costs 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 manufacturing of the Company's products are largely 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 which are subject to current tariff-regulations. Through 2018, commodity costs have not been significantly impacted by tariff actions imposed through December 31, 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 2018.

Revenue

The Group's revenue for the year ended December 31, 2018 was US$3,912.2 million, an increase of US$34.2 million or a 0.9% increase from the year ended December 31, 2017 of US$3,878.0 million. According to IHS Markit Ltd., global OEM production volume decreased 1.0% from the year ended December 31, 2017 to the year ended December 31, 2018. Favourable foreign currency translation increased the Group's revenue by approximately US$26.6 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, price and foreign currency translation impact. 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. Foreign currency translation impact is measured by the changes in foreign currencies measured against the US dollar.

Revenue by Geographical Segments

For the year ended December 31, 2018, the Group experienced an increase in global revenue compared to the year ended December 31, 2017.

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

	For the year ended December 31, 2018		For the year ended December 31, 2017	
	US$'000	***%***	*US$'000*	*%*
North America	**2,625,309**	**67.1**	2,533,912	65.3
Asia Pacific	**781,512**	**20.0**	854,470	22.0
EMEA & SA	**505,349**	**12.9**	489,627	12.7
Total	**3,912,170**	**100.0**	3,878,009	100.0

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

- North America segment – Revenue increased by US$91.4 million, or a 3.6% increase, for the year ended December 31, 2018 compared to the year ended December 31, 2017. The North America segment held strong in 2018, despite a decline in overall OEM light vehicle production and a modest increase in full-size truck production compared with a year ago. According to IHS Markit Ltd., OEM light vehicle production volumes decreased 0.6% in North America for the year ended December 31, 2018 compared to the year ended December 31, 2017, which was offset by an increase in full-size truck production of 0.9%. 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 decreased by US$73.0 million, or an 8.5% decrease, for the year ended December 31, 2018 compared to the year ended December 31, 2017. The Asia Pacific segment experienced US$14.4 million of favourable foreign currency translation as the US dollar weakened against the RMB during 2018 compared to the year ended December 31, 2017. OEM production volumes in the Asia Pacific segment decreased 1.2%, with China lower by 3.7%, according to IHS Markit Ltd. Lower OEM production and customer pricing unfavourably impacted the Asia Pacific segment.

- EMEA & SA segment – Revenue increased US$15.7 million, or a 3.2% increase, for the year ended December 31, 2018 compared to the year ended December 31, 2017. Favourable foreign currency translation provided a benefit of US$12.2 million as the US dollar weakened against the Euro during the year ended December 31, 2018 compared to the year ended December 31, 2017. Weaker OEM production volume in Europe and South America, decreasing 0.7% for the year ended December 31, 2018 compared to the year ended December 31, 2017, according to IHS Markit Ltd., was offset by the carryover benefit from customer programme launches in 2017 contributing to the increase in revenue during the year ended December 31, 2018.

Revenue by Products

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

	For the year ended December 31, 2018		For the year ended December 31, 2017	
	US$'000	***%***	*US$'000*	*%*
EPS	**2,524,779**	**64.6**	2,482,301	64.0
CIS	**646,205**	**16.5**	636,711	16.4
HPS	**156,899**	**4.0**	177,356	4.6
DL	**584,287**	**14.9**	581,641	15.0
	3,912,170	**100.0**	3,878,009	100.0

The Group experienced continued growth in EPS revenue of US$42.5 million, reflecting strong North America full-size truck and SUV production which offset lower Asia Pacific OEM production which decelerated during the second half of 2018. The principal contributors of the increase in revenue during 2018 compared to 2017, were 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 demand 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 year ended December 31, 2018 was US$379.7 million or 9.7% of total revenue, an increase of 7.9% compared to the year ended December 31, 2017 of US$351.8 million, representing 9.1% of total revenue. The increase was attributable to the following:

- Successful customer programme launches
- Richer product line mix with EPS representing a larger proportion of total revenue
- Improvements in material costs offsetting commodity and other inflation factors
- Sustainable improvements in product quality and manufacturing traceability
- Lower net finance costs resulting from strong cashflow and accelerated debt repayments
- Lower US federal corporate income tax rate in connection with US tax reform legislation and a benefit from research tax credits and deductions in the US driving a reduction in income tax expense

Cost of Sales

The Group's cost of sales for the year ended December 31, 2018 was US$3,236.8 million, an increase of US$33.1 million, or 1.0% from US$3,203.7 million for the year ended December 31, 2017. The Group's cost of sales for the year ended December 31, 2018 primarily included raw material costs of US$2,297.3 million (year ended December 31, 2017: US$2,257.8 million).

The Group's cost of sales increased principally as a result of increased revenue. Material savings initiatives during the year ended 2018 more than offset higher commodity costs, driven principally by higher steel and aluminum costs. Manufacturing efficiencies and lower warranty expense were mitigated by higher wages and related costs.

Depreciation and amortisation charged to cost of sales for the year ended December 31, 2018 was US$183.5 million, an increase of US$10.2 million from US$173.3 million for the year ended December 31, 2017.

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 related to equipment purchased and in construction to be used for specific customer programmes that were cancelled during 2017, as discussed in the section headed "Other Information – Backlog of Booked Business".

Amortisation of capitalised product development costs recorded as cost of sales amounts to US$81.4 million for the year ended December 31, 2018, representing 2.1% of revenue, an increase of US$4.6 million from US$76.8 million or 2.0% of revenue for the year ended December 31, 2017. We expect amortisation expense to continue to increase in future years with the launch of new customer programmes that are currently in development.

Gross Profit

The Group's gross profit for the year ended December 31, 2018 was US$675.4 million, an increase of US$1.1 million or 0.2% from US$674.3 million for the year ended December 31, 2017. Gross profit percentage for the year ended December 31, 2018 was 17.3%, a decrease of 10 basis points as compared to 17.4% for the year ended December 31, 2017. Benefits from favourable foreign currency translation, higher revenue in certain geographical segments and net cost efficiencies were partially mitigated by customer pricing and commodity inflation, resulting in a slight increase in gross profit for the year ended December 31, 2018 compared to the year ended December 31, 2017.

Engineering and Product Development Costs

For the year ended December 31, 2018, the Group's engineering and product development costs charged to the income statement were US$123.0 million, representing 3.1% of revenue, a decrease of US$1.0 million as compared to US$124.0 million or 3.2% of revenue for the year ended December 31, 2017. Capitalised interest related to engineering development costs totalled US$13.2 million for the year ended December 31, 2018 and US$10.5 million for the year ended December 31, 2017.

The Group's aggregate investment in engineering and product development costs is defined as the sum of costs charged to the consolidated income statement and total costs capitalised as intangible assets which will be amortised in future periods upon launch of related customer programmes. For the year ended December 31, 2018, the Group incurred an aggregate investment in engineering and product development costs of US$278.5 million, an increase of US$29.2 million as compared to US$249.3 million for the year ended December 31, 2017. The increase was 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 on-going and increasing investment in ADAS and AD-enabling technologies.

Administrative Expenses

The Group's administrative expenses for the year ended December 31, 2018 were US$123.7 million, representing 3.2% revenue, an increase of US$13.1 million as compared to US$110.6 million or 2.9% of revenue for the year ended December 31, 2017. Continuing efficiency efforts and focus on leveraging the Group's cost base largely offset inflationary factors, with unfavourable foreign currency translation and increased employee health and welfare costs, stock compensation and long-term incentive expense being the principal factors for the increase in 2018 compared with 2017.

Other Gains, net

Other gains, net represents gains attributable to foreign exchange transactions, losses on disposal of property, plant and equipment and others. Other gains for the year ended December 31, 2018 were US$14.8 million an increase of US$10.6 million compared to a gain of US$4.2 million for the year ended December 31, 2017. The increase was due primarily to a gain on foreign exchange transactions of US$4.8 million for the year ended December 31, 2018, compared to a loss of US$5.6 million for the year ended December 31, 2017, principally driven by the revaluation of US dollar cash balances domiciled in countries where the functional currency is other than the US dollar, namely the RMB in China.

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, 2018 were US$9.3 million, a decrease of US$12.0 million as compared to US$21.3 million from the year ended December 31, 2017. The amount of capitalised interest on qualifying assets was US$13.5 million for the year ended December 31, 2018 (year ended December 31, 2017: US$10.7 million). Lower debt borrowings due to scheduled debt maturities, accelerated 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 during the year ended December 31, 2018 compared to 2017.

Share of Loss of Joint Ventures

Share of loss of joint ventures relates to the Company's investments CNXMotion, LLC (**CNXMotion**), Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd. (**Dongfeng Nexteer**) and Chongqing Nexteer Steering Systems Co., Ltd. (**Chongqing Nexteer**). For the year ended December 31, 2018, the Group's share of (loss) income in joint ventures amounted to (US$2.8 million), (US$2.2 million) and US$0.6 million related to CNXMotion, Dongfeng Nexteer and Chongqing Nexteer, respectively (year ended December 31, 2017: (US$1.5 million), (US$0.4 million) and US$0.1 million). CNXMotion was formed during the first half of 2017 and has incurred research and development (**R&D**) costs focused on integrating lateral and longitudinal controls for mixed mode and AD applications. As a R&D entity, CNXMotion is not anticipated to generate direct revenue, but rather benefit the Company from the development and transfer of R&D that may be commercialised and used in the manufacture of future products. Dongfeng Nexteer was formed during 2017 and has not yet commenced production but has incurred organisational costs for the year ended December 31,

2018. Chongqing Nexteer's profitability increased during the year ended December 31, 2018 compared to the year ended December 31, 2017 as a result of increased revenue driven by increased customer demand.

Income Tax Expense

The Group's income tax expense was US$26.0 million for the year ended December 31, 2018, representing 6.3% of the Group's profit before income tax, a decrease of US$23.2 million from US$49.2 million, or 12.1% of profit before tax for the year ended December 31, 2017. The Group's normalised effective tax rate is expected to be in a range between 16% and 18%.

The US$23.2 million decrease in income tax expense is primarily the result of a reduction in the US federal corporate income tax rate of US$18.6 million, as well as an increase in Company-specific US research tax credits and related deductions generated in prior year open tax periods of US$27.1 million. Compared to 2017, these benefits were partially offset by a net income tax expense benefit of US$39.0 million from the remeasurement of deferred tax assets and liabilities reported as at December 31, 2017 as discussed further below. The remaining reduction primarily reflected changes in withholding tax expense and changes in the mix of income generated by US and non-US operations which favourably impacted income tax expense for the year ended December 31, 2018 compared with 2017.

On December 22, 2017, US President Donald Trump signed into law "H.R.1", commonly known as the "Tax Cuts 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 at December 31, 2017, which was 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 December 31, 2018, the Group has provisions of US$89.1 million for restructuring, litigation, environmental liabilities, warranties and decommissioning, a decrease of US$18.6 million as compared to US$107.7 million as at December 31, 2017. The decrease in provisions was primarily due to the net change in warranty reserves due to US$21.9 million in cash payments on historical warranty provisions during 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 partially offset new warranty provisions recorded during 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 our 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 year ended December 31, 2018, the Group invested US$158.3 million and US$144.7 million in capital equipment and intangible assets, respectively.

The Company has a positive total cash flow for the years ended December 31, 2018 and 2017. We believe that funds generated from operations and cash on hand will be adequate to fund our liquidity and capital requirements.

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

	For the year ended December 31, 2018 *US$'000*	For the year ended December 31, 2017 *US$'000*
Cash generated from (used) in:		
Operating activities	**613,202**	624,770
Investing activities	**(303,705)**	(357,418)
Financing activities	**(212,277)**	(168,843)
Net increase in cash and cash equivalents	**97,220**	98,509

Cash Flows Generated from Operating Activities

For the year ended December 31, 2018, the Group's net cash generated from operating activities was US$613.2 million, a decrease of US$11.6 million compared to US$624.8 million for the year ended December 31, 2017. The decrease in cash flows from operating activities is primarily due to an increase in cash taxes paid, resulting in a significant prepaid income tax balance as at December 31, 2018.

Cash Flows Used in Investing Activities

The Group's cash flows used in investing activities primarily reflect capital spending for purchases of machinery, equipment and tooling and capitalised engineering and product development costs as intangible assets to support customer programmes.

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

	For the year ended December 31, 2018	For the year ended December 31, 2017
	US$'000	*US$'000*
Purchase of property, plant and equipment	**(158,306)**	(236,389)
Addition of intangible assets	**(144,744)**	(115,089)
Proceeds from sale of property, plant and equipment	**2,744**	2,051
Change in restricted bank deposits	**6,905**	(5,742)
Investment in joint ventures	**(10,304)**	(2,249)
Net cash used in investing activities	**(303,705)**	(357,418)

Cash Flows Used in Financing Activities

For the year ended December 31, 2018, the Group's net cash used in financing activities was US$212.3 million, an increase of US$43.5 million compared to US$168.8 million for the year ended December 31, 2017. The cash flows used in financing activities were mainly attributable to net repayment of borrowings of US$112.0 million, finance costs paid of US$28.3 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 exercise of share options of US$1.0 million.

Indebtedness

As at December 31, 2018, the Group's total borrowings was US$381.8 million, a decrease of US$109.4 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 current and non-current borrowing obligations within the Group for the years indicated:

	December 31, 2018	December 31, 2017
	US$'000	*US$'000*
Current borrowings	**64,347**	76,030
Non-current borrowings	**312,294**	412,378
Finance lease obligations	**5,113**	2,773
Total borrowings	**381,754**	491,181

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

	For the year ended December 31, 2018	For the year ended December 31, 2017
	US$'000	*US$'000*
Within 1 year	**66,228**	77,036
Between 1 and 2 years	**65,067**	99,171
Between 2 and 5 years	**250,459**	314,974
Over 5 years	**–**	–
Total borrowings	**381,754**	491,181

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. As at December 31, 2018, the Group had approximately US$428.7 million total assets pledged as collateral, a decrease of US$604.2 million as compared with US$1,032.9 million as at December 31, 2017. In connection with the early repayment of the Company's US based term loan in February 2018 of US$42.9 million, the Company also 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 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, 2018 was 22.3%, a decrease of 1,180 basis points as compared to December 31, 2017, which was 34.1%. The gearing ratio decreased compared to 2017 as a result of the 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 Nexteer differentiators in a competitive landscape:

1. Relentless innovation

2. Depth and breadth of our product portfolio

3. Systems integration experience

4. In-house ownership and R&D, design testing and manufacturing

5. Global manufacturing footprint and prowess

Our global footprint continues to enable our capitalisation of 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 well positioned to capitalise on the "next conversion wave" to ADAS and AD-enabling technologies such as Steer-by-Wire. The Company's strong financial position also provides the opportunity to pursue selected strategic alliances and/or acquisitions to expand our technical capabilities and resources, product portfolio and geographic market and customer access.

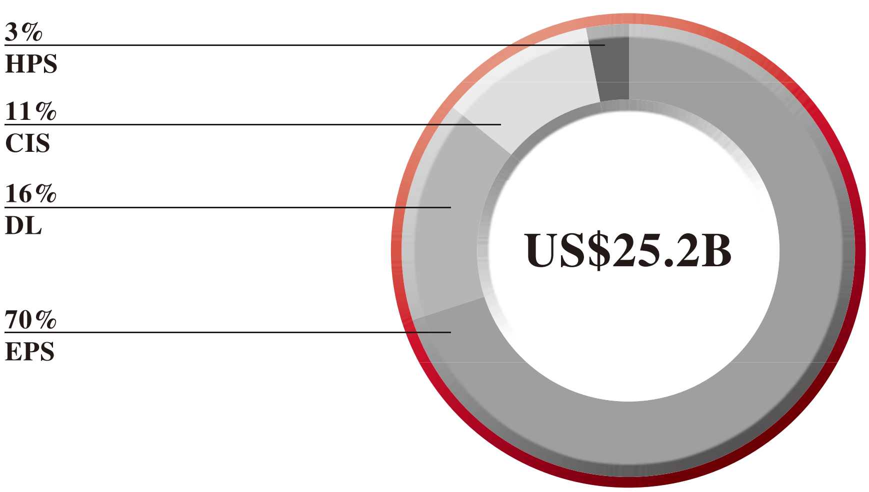
Backlog of Booked Business

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 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. We estimate the value of all booked business under contracts that have been awarded, but for which we have undelivered products, increased by 5.4% to approximately US$25.2 billion (the **Backlog of Booked Business**, **Booked Business Amount** or **Booked Business**) as at December 31, 2018 compared with US$23.9 billion as at December 31, 2017.

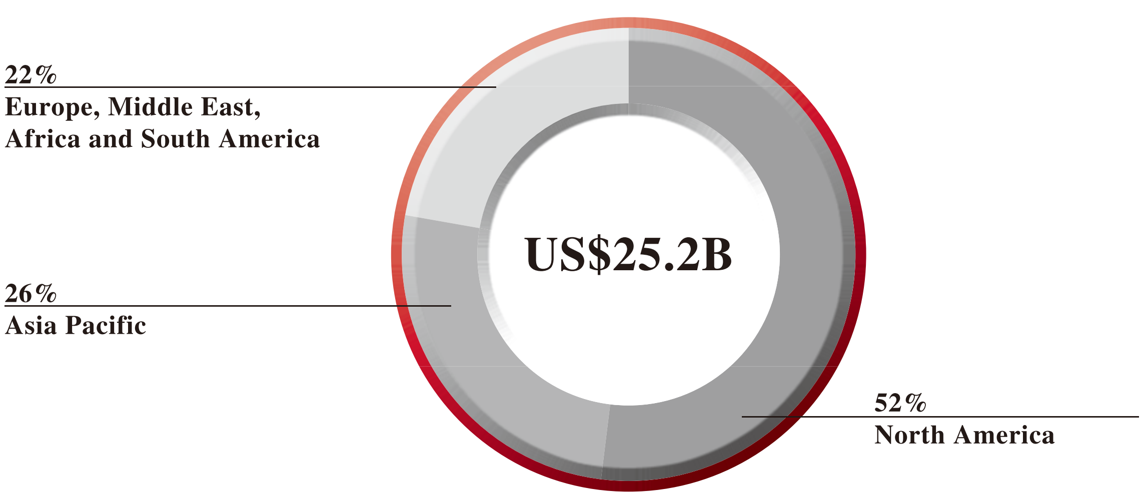
The value of Booked Business is not a measure defined by IFRS, and our methodology for determining the Booked Business Amount may not be comparable to the methodology used by other companies in determining the value of their booked business. Assumptions relative to estimated lifetime programme volumes 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.

Backlog of Booked Business:

Backlog by Product Group



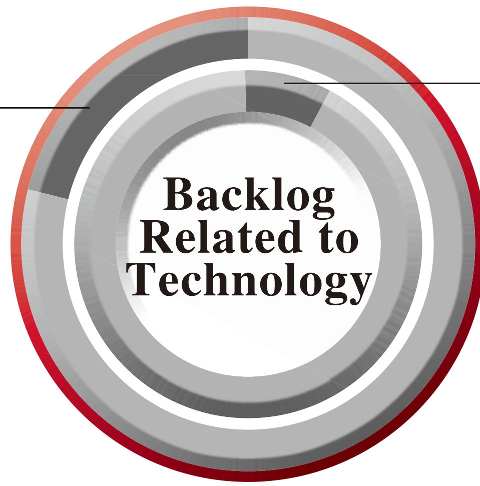
Backlog by Geographical Segments



Backlog by Product Related to ADAS/AD Functionality & EVs

21%

% of the EPS Backlog that Enables L3-5 ADAS/AD Functions



9%

estimated % of EPS, CIS & DL Backlog for EV* Applications

*EV Analysis includes:

- Battery Electric Vehicles
- Hybrid Electric Vehicles (Mild to Full Hybrids, including Plug-in Hybrids)

Employees and Remuneration Policy

As at December 31, 2018, the Group had approximately 13,000 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 as a whole. For example, the Group has retention programmes that include individual development plans, merit wage adjustments, annual incentive plans and promotions. We offer training programmes to our full-time employees and contract personnel 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.

The Group also uses contract personnel to support the workload of the business where considered the most efficient. As at December 31, 2018, we had approximately 800 personnel engaged on a contract basis.

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 year ended December 31, 2018.

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 and at such time when appropriate, the Company plans to separate the roles of Chairman and CEO.

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 primarily responsible for chairing the Board and shareholder meetings and setting agendas, as well as facilitating communication between the Board and management. The CEO is primarily responsible for setting our strategic vision, direction and goals and overseeing the overall execution of the Group's strategy, including setting the strategic direction of the Company, acting as "bridge" between senior management and the Board, being responsible for the Company's new product lines and advanced engineering (business development), joint ventures and merger and acquisition activities, maintaining relationships with major external stakeholders, choosing and managing the senior management team, determining overall incentive compensation targets and communicating internally.

With the support of the Executive Directors and the Company Secretary, 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 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 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 year ended December 31, 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 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.

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 March 12, 2019) 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. YANG, Shengqun and Mr. YICK, Wing Fat Simon. 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 2018 annual results and the annual financial statements of the Group for the year ended December 31, 2018.

The Audit and Compliance Committee also approved the annual results and the audited Consolidated Financial Statements for the year ended December 31, 2018 and submitted them to the Board for approval.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended December 31, 2018, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of approximately US$77.7 million, or US$0.031 per Share, which represents slightly above 20% of net profit for the year ended December 31, 2018 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 3, 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from May 29, 2019 to June 3, 2019, 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 28, 2019.

The final dividend is payable on June 20, 2019 and the record date for entitlement to the proposed final dividend is June 11, 2019. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from June 7, 2019 to June 11, 2019, 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 6, 2019.

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, Company Secretary

Hong Kong, March 12, 2019

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.