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, 2019

HIGHLIGHTS

- Revenue decreased by 10.5% to US$1,832.3 million compared with US$2,047.0 million for the six months ended June 30, 2018
- Profit attributable to equity holders of the Company decreased by 34.3% to US$131.1 million compared with US$199.6 million for six months ended June 30, 2018. Profit attributable to equity holders as a percentage of revenue decreased to 7.2% compared with 9.8% for the same period in 2018
- The Company's backlog of booked business increased to US$25.6 billion as at June 30, 2019, 1.6% higher than year-end 2018

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, 2019, together with the comparative figures for the previous period as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2019

		For the six months ended June 30,	
		2019	2018
	Notes	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	**1,832,273**	2,046,982
Cost of sales	*3*	**(1,543,378)**	(1,677,403)
Gross profit		**288,895**	369,579
Engineering and product development costs	*3*	**(65,373)**	(59,484)
Selling and distribution expenses	*3*	**(9,404)**	(9,793)
Administrative expenses	*3*	**(57,629)**	(62,666)
Other gains, net	*4*	**3,142**	2,183
Operating profit		**159,631**	239,819
Finance income	*5*	**5,452**	3,655
Finance costs	*5*	**(7,789)**	(10,073)
Finance costs, net		**(2,337)**	(6,418)
Share of loss of joint ventures, net		**(2,246)**	(1,974)
Profit before income tax		**155,048**	231,427
Income tax expense	*6*	**(22,750)**	(29,084)
Profit for the period		**132,298**	202,343
Profit attributable to:			
Equity holders of the Company		**131,124**	199,605
Non-controlling interests		**1,174**	2,738
		132,298	202,343
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
– Basic and diluted	*7*	**0.05**	0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2019

	For the six months ended June 30,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**132,298**	202,343
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit plans, net of tax	**(24)**	(17)
Items that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**(1,080)**	(22,104)
	(1,104)	(22,121)
Total comprehensive income for the period	**131,194**	180,222
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**130,016**	178,021
Non-controlling interests	**1,178**	2,201
	131,194	180,222

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
As at June 30, 2019

	Note	**As at June 30, 2019 *US$'000* (Unaudited)**	As at December 31, 2018 *US$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**950,278**	933,244
Right-of-use assets		**63,679**	–
Land use rights		**3,069**	3,520
Intangible assets		**595,356**	561,933
Deferred income tax assets		**8,486**	8,621
Other receivables and prepayments		**25,565**	25,034
Investment in joint ventures		**17,075**	16,944
		1,663,508	1,549,296
Current assets			
Inventories		**257,718**	234,303
Trade receivables	9	**558,673**	528,859
Other receivables and prepayments		**87,301**	124,524
Restricted bank deposits		**3**	3
Cash and cash equivalents		**585,461**	674,526
		1,489,156	1,562,215
Total assets		**3,152,664**	3,111,511
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**32,347**	32,324
Other reserves		**34,240**	73,593
Retained earnings		**1,658,733**	1,565,893
		1,725,320	1,671,810
Non-controlling interests		**39,212**	38,034
Total equity		**1,764,532**	1,709,844

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
As at June 30, 2019

	Note	**As at June 30, 2019** *US$'000* **(Unaudited)**	As at December 31, 2018 *US$'000* (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**333,241**	315,526
Retirement benefits and compensations		**19,339**	19,058
Deferred income tax liabilities		**76,010**	88,410
Provisions		**62,326**	77,730
Deferred revenue		**72,078**	75,824
Other payables and accruals		**5,863**	4,277
		568,857	580,825
Current liabilities			
Trade payables	10	**560,020**	553,191
Other payables and accruals		**112,405**	140,210
Current income tax liabilities		**21,620**	16,192
Retirement benefits and compensations		**3,335**	3,747
Provisions		**23,042**	11,380
Deferred revenue		**26,628**	29,894
Borrowings		**72,225**	66,228
		819,275	820,842
Total liabilities		**1,388,132**	1,401,667
Total equity and liabilities		**3,152,664**	3,111,511

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2019

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 (as amended), of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

The directors of the Board (the **Directors**) regard Aviation Industry Corporation of China, 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 13, 2019.

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, 2018, 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 has adopted the following amendments which are relevant to the Group and mandatory for the accounting period beginning on January 1, 2019.

IFRS 16	Leases
IFRIC Interpretation 23	Uncertainty over income tax treatments
Amendment to IAS 12	Income Taxes
Amendment to IAS 23	Borrowing costs

In January 2016, the IASB issued IFRS 16, *Leases*, which introduces a lessee model that brings most leases on the balance sheet. The new standard establishes a right-of-use (**ROU**) model that requires a lessee to recognise a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months.

The Group has adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach to prepare the Condensed Financial Information. The cumulative effect of initially applying the new leasing standard was recognised as an adjustment of US$2,227,000 to the opening balance of retained earnings as at January 1, 2019. The comparative information has not been restated and continues to be reported under the accounting standards in effect for the prior year.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. Those liabilities were measured at the present value of the remaining lease payments, discounted using the applicable incremental borrowing rate as of January 1, 2019. IFRS 16 requires that the rate implicit in the lease be used if readily determinable. Generally, implicit rates are not readily determinable in our contracts and the incremental borrowing rate is used for each lease arrangement. The incremental borrowing rates are determined using rates specific to the term of the lease, economic environments where lease activity is concentrated, value of lease portfolio, and assuming full collateralisation of the loans. The weighted average lessee's incremental borrowing rate applied to lease liabilities on January 1, 2019 was 5.9%.

The Group has elected the option, on a lease by lease basis, to value the associated ROU assets on a retrospective basis as if the new rules had always been applied. Other ROU assets, for leases where this election was not made, were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the ROU assets at the date of initial application.

The Group elected the package of practical expedients, which permits a lessee to not reassess under the new standard its prior conclusions regarding lease identification, lease classification and initial direct costs. The Group also elected the practical expedient, for all asset classes, to account for each lease component of a contract and its associated non-lease components as a single lease component, rather than allocate a standalone value to each component of the lease. The Group did not elect the practical expedient which permits the use of hindsight when determining the lease term and assessing ROU assets for impairment. The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For the purposes of calculating lease obligations under the standard, the Group's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise such option. The Group's leases do not contain material residual value guarantees or material restrictive covenants.

The majority of the Group's global lease portfolio represents leases of real estate, such as manufacturing facilities and office buildings, while the remainder represents leases of personal property, such as vehicles. The Company determines if an arrangement contains a lease at inception. The majority of the Company's lease arrangements are comprised of fixed payments and a limited number of these arrangements include a variable payment component based on certain index fluctuations.

Adoption of IFRS 16 resulted in the recording ROU assets of approximately US$61,054,000 and incremental lease liabilities of approximately US$58,619,000 recorded as borrowings within the interim condensed consolidated balance sheet, as at January 1, 2019.

The changes made to our interim condensed consolidated balance sheet as at January 1, 2019 for the adoption of IFRS 16 were as follows:

	Balances as at December 31, 2018 *US$'000* **(Audited)**	**Adjustments due to IFRS 16** *US$'000* **(Unaudited)**	**Balances as at January 1, 2019** *US$'000* **(Unaudited)**
Balance sheet			
Assets			
Property, plant and equipment	933,244	(6,241)	927,003
Right-of-use assets	–	61,054	61,054
Liabilities			
Borrowings	381,754	58,619	440,373
Other payables and accruals	144,487	(1,579)	142,908
Equity			
Retained Earnings	1,565,893	(2,227)	1,563,666

IFRIC Interpretation 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatment. 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 adoption of IFRIC Interpretation 23 did not have a significant effect on the Condensed Financial Information.

Amendment to IAS 12, *Income Taxes* 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 adoption of Amendment to IAS 12 did not have a significant effect on the Condensed Financial Information.

Amendment to IAS 23, *Borrowing costs*, 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 borrowing. The adoption of Amendment to IAS 23 did not have a significant effect on the Condensed Financial Information.

The following new standards, amendments to standards, and interpretations relevant to the Group have been issued but are not yet effective for the financial year beginning January 1, 2019 and have not been early adopted:

Amendment to IAS 1 and IAS 8	Presentation of financial statements and Accounting policies, changes in accounting estimates and errors

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

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 (**OEMs**), 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 the Company's customer arrangements for our 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/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 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 June 30, 2019 (Unaudited)	24,508	(27,746)	(72,078)
Balances as at December 31, 2018 (Audited)	28,248	(32,639)	(75,824)
Change in account balance	(3,740)	4,893	3,746

(i) Contract assets are recorded within other receivables and prepayments.

(ii) Contract liabilities are recorded within deferred revenue and other payables and accruals.

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 intangible assets) 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, 2019 (Unaudited)	**North America** *US$'000*	**Asia Pacific** *US$'000*	**EMEA & SA** *US$'000*	**Others** *US$'000*	**Total** *US$'000*
Total revenue	**1,287,171**	**314,599**	**259,113**	**–**	**1,860,883**
Inter-segment revenue	**(12,747)**	**(9,229)**	**(6,634)**	**–**	**(28,610)**
Revenue from external customers	**1,274,424**	**305,370**	**252,479**	**–**	**1,832,273**
Adjusted EBITDA	**189,145**	**59,560**	**33,552**	**(5,343)**	**276,914**
For the six months ended June 30, 2018 (Unaudited)					
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

Revenue transactions 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, 2019 (Unaudited)					
Total assets	**1,964,130**	**884,686**	**402,424**	**(98,576)**	**3,152,664**
Total liabilities	**(753,925)**	**(259,813)**	**(161,570)**	**(212,824)**	**(1,388,132)**
As at December 31, 2018 (Audited)					
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)

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

	For the six months ended June 30,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Adjusted EBITDA from reportable segments	**276,914**	331,004
Depreciation and amortisation expenses	**(113,041)**	(91,185)
Impairments on intangible assets[i]	**(4,242)**	–
Finance costs, net	**(2,337)**	(6,418)
Share of loss of joint ventures, net	**(2,246)**	(1,974)
Profit before income tax	**155,048**	231,427

Note:

(i) Impairment on intangible assets due to declining volumes on specific customer programmes in China.

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, 2019, the North America segment and Asia Pacific segment recognised US$11,436,000 (six months ended June 30, 2018: US$11,243,000) and US$1,773,000 (six months ended June 30, 2018: US$1,164,000), respectively.

The geographic distribution of revenue for the six months ended June 30, 2019 and 2018 is as follows:

	For the six months ended June 30,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
North America:		
US	**778,951**	890,331
Mexico	**495,473**	452,562
Asia Pacific:		
China	**270,022**	388,549
Rest of Asia Pacific	**35,348**	29,696
EMEA & SA:		
Poland	**222,075**	246,850
Rest of EMEA & SA	**30,404**	38,994
	1,832,273	2,046,982

The geographic distribution of non-current assets excluding deferred income tax assets as at June 30, 2019 and December 31, 2018 is as follows:

	As at June 30, 2019 *US$'000* **(Unaudited)**	As at December 31, 2018 *US$'000* (Audited)
North America:		
US	**909,433**	877,691
Mexico	**264,236**	235,646
Asia Pacific:		
China	**257,304**	238,145
Rest of Asia Pacific	**28,865**	20,620
EMEA & SA		
Poland	**143,816**	138,926
Rest of EMEA & SA	**51,026**	29,647
Others	**342**	–
	1,655,022	1,540,675

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, 2019 (Unaudited)	**North America** *US$'000*	**Asia Pacific** *US$'000*	**EMEA & SA** *US$'000*	**Total** *US$'000*
EPS	**759,720**	**222,003**	**240,648**	**1,222,371**
CIS	**255,176**	**11,167**	**2,977**	**269,320**
HPS	**60,018**	**2,869**	**8,145**	**71,032**
DL	**199,510**	**69,331**	**709**	**269,550**
Total	**1,274,424**	**305,370**	**252,479**	**1,832,273**

For the six months ended June 30, 2018 (Unaudited)	North America *US$'000*	Asia Pacific *US$'000*	EMEA & SA *US$'000*	Total *US$'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

Revenue by type

	For the six months ended June 30,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Production Parts	**1,819,231**	2,025,808
Tooling	**7,861**	11,172
Engineering Design and Development/Prototypes	**5,181**	10,002
Total	**1,832,273**	2,046,982

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,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
General Motors Company and Subsidiaries	**778,844**	862,451
Customer A	**395,326**	432,564
Customer B	**312,111**	285,046
	1,486,281	1,580,061

3. EXPENSE BY NATURE

	For the six months ended June 30,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Raw materials used	**1,083,424**	1,204,318
Changes in inventories of finished goods and work-in-progress	**4,734**	(7,144)
Employee benefit costs	**259,777**	292,383
Temporary labour costs	**60,577**	60,672
Supplies and tools	**104,698**	102,348
Depreciation on property, plant and equipment	**58,751**	52,855
Depreciation on right-of-use asset	**6,060**	–
Amortisation on		
– land use rights	**42**	22
– intangible assets	**48,188**	38,308
Impairment (reversals of provisions) charges on		
– inventories	**(2,392)**	2,088
– receivables *(note 9)*	**(9)**	(11)
– intangible assets	**4,242**	–
Warranty expense (reversals)	**1,421**	(190)
Auditors' remuneration		
– audit services	**571**	586
Others	**45,700**	63,111
Total cost of sales, engineering and product development costs, selling and distribution and administrative expenses	**1,675,784**	1,809,346

4. OTHER GAINS, NET

	For the six months ended June 30,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Foreign exchange gains	**624**	312
(Loss) gain on disposal of property, plant and equipment	**(840)**	229
Others	**3,358**	1,642
	3,142	2,183

5. FINANCE COSTS, NET

	For the six months ended June 30,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest on bank deposits	**5,452**	3,655
Finance costs		
Interest on bank borrowings	**4,337**	5,928
Interest on notes	**7,344**	7,344
	11,681	13,272
Interest on leases	**1,833**	172
Other finance costs	**1,333**	3,737
	14,847	17,181
Less: amount capitalised in qualifying assets	**(7,058)**	(7,108)
	7,789	10,073
Finance costs, net	**2,337**	6,418

6. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current income tax	**32,201**	19,010
Deferred income tax	**(9,451)**	10,074
	22,750	29,084

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, 2019 and 2018. 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 14.7% and 12.6% for the six months ended June 30, 2019 and 2018, respectively, vary from the statutory rates primarily due to tax credits, tax holidays, withholding taxes and foreign rate incentives in certain jurisdictions. The increase in the effective tax rate of 2.1 percentage points for the six months ended June 30, 2019 from 12.6% for the six months ended June 30, 2018 is primarily the result of the change in the mix of income earned in each taxing jurisdiction, increases to withholding tax expense and the impact of US tax reform.

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,	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company *(US$'000)*	**131,124**	199,605
Weighted average number of ordinary shares in issue *(thousands)*	**2,506,372**	2,505,133
Basic earnings per share *(in US$)*	**0.05**	0.08

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the share option scheme that are vested as at June 30, 2019. 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, 2019) 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, 2019 and 2018, the details are within the table below.

	For the six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company used to determine diluted earnings per share *(US$'000)*	**131,124**	199,605
Weighted average number of ordinary shares in issue *(thousands)*	**2,506,372**	2,505,133
Adjustment for share options *(thousands)*	**3,059**	5,044
Weighted average number of ordinary shares in issue for calculating diluted earnings per share *(thousands)*	**2,509,431**	2,510,177
Diluted earnings per share *(in US$)*	**0.05**	0.08

8. DIVIDEND

A dividend of approximately US$77,734,000 relating to the Group's year ended December 31, 2018 earnings was paid during the six months ended June 30, 2019 (six months ended June 30, 2018: US$69,954,000). The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2019 (six months ended June 30, 2018: US$nil).

9. TRADE RECEIVABLES

	As at June 30, 2019 *US$'000* (Unaudited)	As at December 31, 2018 *US$'000* (Audited)
Trade receivables, gross	**560,317**	530,512
Less: provision for impairment	**(1,644)**	(1,653)
	558,673	528,859

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, 2019 *US$'000* (Unaudited)	As at December 31, 2018 *US$'000* (Audited)
0 to 30 days	**336,684**	302,180
31 to 60 days	**196,143**	183,478
61 to 90 days	**22,795**	37,844
Over 90 days	**4,695**	7,010
	560,317	530,512

Trade receivables of US$28,500,000 were past due but not impaired as at June 30, 2019 (December 31, 2018: US$30,881,000). 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, 2019 *US$'000* (Unaudited)	As at December 31, 2018 *US$'000* (Audited)
Overdue up to 30 days	**22,010**	24,897
Overdue 31 to 60 days	**2,388**	936
Overdue 61 to 90 days	**1,392**	551
Overdue over 90 days	**2,710**	4,497
	28,500	30,881

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 on shared credit risk characteristics and the days past due. The expected credit losses below incorporate forward looking information.

Trade receivables of US$1,644,000 were impaired as at June 30, 2019 on which full provisions were made (December 31, 2018: US$1,653,000). These individually impaired receivables are relatively long overdue.

The carrying amounts of trade receivables pledged as collateral were US$373,685,000 as at June 30, 2019 (December 31, 2018: US$267,081,000).

10. TRADE PAYABLES

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

	As at June 30, 2019 *US$'000* **(Unaudited)**	As at December 31, 2018 *US$'000* (Audited)
0 to 30 days	**292,389**	261,962
31 to 60 days	**181,207**	201,247
61 to 90 days	**54,834**	53,460
91 to 120 days	**17,226**	22,314
Over 120 days	**14,364**	14,208
	560,020	553,191

FINANCIAL REVIEW

Financial Summary

The Group faced a number of macro-environmental headwinds during the first half of 2019 which challenged the financial performance of the business when compared with last year. The Group's revenue declined by 10.5% in the first half of 2019 compared with the first half of 2018, with all three geographical segments negatively impacted. A decline in OEM production volume across every region and the unfavourable effect of foreign currency translation were the principal factors driving the Company's revenue comparisons. The Company's Asia Pacific segment was most significantly impacted by the macro-environment given both the overall decline in China OEM production volume and further declines in demand from its current customer base. While the Company's North America segment is well positioned in full-size truck and sport utility vehicle (**SUV**) segments, which experienced slightly higher production demand during the first half of 2019 compared with a year ago, lower revenue arising from a customer vehicle platform transition impacting the Company's CIS product line was an offsetting factor.

The Group's continued focus on operational efficiencies cost reduction efforts partially mitigated the impact of lower revenue, resulting in a decrease in net profit attributable to equity holders of 34.3% in the first half of 2019 compared with the same period a year ago. Lower net profit and continued investment for the future contributed to reduced cash flow in the first half of 2019. During the first six months of 2019, the Group successfully launched 21 new customer programmes — 9 programmes in North America, 2 programmes in EMEA & SA and 10 programmes in Asia Pacific.

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.

OEM light vehicle production softened from the first half of 2018 to the first half of 2019 as a result of a slowing global economy and the effect of trade frictions between the US and several foreign countries, most notably China. According to IHS Markit Ltd., global OEM light vehicle production for the six months ended June 30, 2019 decreased 6.7% compared to the six months ended June 30, 2018, with every region experiencing declines. North America light vehicle production for the six months ended June 30, 2019 declined by 2.5%, although North America full-size truck production was 1.7% higher compared with the same period last year. Asia Pacific light vehicle production for the six months ended June 30, 2019 decreased 7.5% compared to the six months ended June 30, 2018, with China light vehicle production declining by 13.5%. Light vehicle production in EMEA & SA decreased 5.3% for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

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 the first half of 2019 were unfavourably impacted by foreign currency translation as the US dollar strengthened against the Euro and 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 have an impact on the financial results of the business in any given period. The Company strives to procure raw materials in the region of consumption and sale of products to its customers to minimise supply chain logistics as well as impacts from changes in foreign currencies and other factors. During 2018 and continuing into 2019, the US has imposed various tariffs on goods imported from several foreign countries, with tariffs on China imports being the most extensive. The purchase of commodities used in the US manufacturing of the Company's products are largely sourced from US suppliers. Accordingly, tariff actions imposed between the US and China have had a minimal impact on the Company's financial results through the first half of 2019 as commodity purchases from China and export sales to China from the Company's US operations are not significant. The Company purchases finished and semifinished components from third-party suppliers in the US, generally under fixed cost contractual arrangements, which contain materials such as aluminum and steel that are subject to current tariff regulations. The Company continues to work closely with its supplier base to mitigate the impact of such tariffs and through the first half of 2019 the impact on the Company's financial results has not been significant.

Revenue

The Group's revenue for the six months ended June 30, 2019 was US$1,832.3 million, a decrease of US$214.7 million or a 10.5% decrease from the six months ended June 30, 2018 of US$2,047.0 million. According to IHS Markit Ltd., global OEM production volume for the six months ended June 30, 2019 decreased 6.7% compared to the six months ended June 30, 2018 with China OEM production lower by 13.5%. Foreign currency translation decreased the Group's revenue by approximately US$40.0 million, principally impacting the Asia Pacific and EMEA & SA segments given the strength of the US dollar compared with the RMB and Euro.

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 changes are driven by the volume of products sold and mix changes are driven by the type of products sold. Price measures the impact of changes within the pricing structure of each product sold. The impact of foreign currency translation is measured by the changes in foreign currencies compared with the US dollar.

Revenue by Geographical Segments

For the six months ended June 30, 2019, the Group experienced a decrease in revenue compared to the six months ended June 30, 2018, with each geographic segment contributing to the decrease.

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

	For the six months ended June 30, 2019 *US$'000* **(Unaudited)**	*%*	For the six months ended June 30, 2018 *US$'000* (Unaudited)	*%*
North America	**1,274,424**	**69.5**	1,342,893	65.6
Asia Pacific	**305,370**	**16.7**	418,245	20.4
EMEA & SA	**252,479**	**13.8**	285,844	14.0
Total	**1,832,273**	**100.0**	2,046,982	100.0

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

- North America segment — Revenue decreased by US$68.5 million, or a 5.1% decrease, for the six months ended June 30, 2019 compared with same period in 2018. Significant factors contributing to the decrease in revenue included lower overall North America OEM light vehicle production of 2.5% for the first six months ended June 30, 2019 compared with the same period in 2018 according to IHS Markit Ltd., and the loss of revenue arising from a customer vehicle platform transition impacting the Company's CIS product line. The increase in North America OEM full-size truck production of 1.7% during the same period, as well as revenue from program launches during the first half of 2019, provided a partial offset to these factors.

- Asia Pacific segment — Revenue decreased by US$112.9 million, or a 27.0% decrease, for the six months ended June 30, 2019 compared with the same period in 2018. Significant factors contributing to the revenue decline included unfavourable foreign currency, lower China OEM production demand and customer pricing. The Asia Pacific segment experienced US$19.8 million of unfavourable foreign currency translation as the US dollar strengthened against the RMB during the first half of 2019 compared with same period in 2018. Overall OEM production volumes in the Asia Pacific segment decreased 7.5%, with China lower by 13.5% for the six months ended June 30, 2019 compared with same period in 2018, according to IHS Markit Ltd., reflecting a slowing China economy as well as the political and economic uncertainty of trade negotiations with the US. Several key China OEM customers of the Asia Pacific segment experienced higher production declines from slowing consumer demand during the period which further contributed to the revenue decline.

- EMEA & SA segment — Revenue decreased US$33.4 million, or a 11.7% decrease, for the six months ended June 30, 2019 compared with the same period in 2018. The EMEA & SA segment experienced US$20.2 million of unfavorable foreign currency translation as the US dollar strengthened against the Euro during the first half of 2019 compared with the same period in 2018. Weaker OEM production volume in Europe and South America, decreasing 5.3% for the six months ended June 30, 2019 compared to the six months ended June 30, 2018, according to IHS Markit Ltd., was a secondary driver contributing to the revenue decrease in the segment.

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, 2019 *US$'000* **(Unaudited)**	*%*	For the six months ended June 30, 2018 *US$'000* (Unaudited)	*%*
EPS	**1,222,371**	**66.7**	1,321,093	64.5
CIS	**269,320**	**14.7**	336,992	16.5
HPS	**71,032**	**3.9**	84,942	4.2
DL	**269,550**	**14.7**	303,955	14.8
Total	**1,832,273**	**100.0**	2,046,982	100.0

The Group experienced a decline in EPS revenue of US$98.7 million for the six months ended June 30, 2019 compared with the same period in 2018, largely reflecting a result of lower OEM production levels in key geographic regions, most notably lower demand from key China OEM customers of the Company's Asia Pacific segment, as well as unfavourable currency and customer pricing. These factors were partially offset from the benefit of higher OEM full-size truck and SUV production in North America. CIS revenue declined by US$67.7 million for the six months ended June 30, 2019 compared with the same period in 2018, largely reflecting the impact of the loss of revenue from a customer vehicle platform transition during the period. This impact was partially offset by higher revenue associated with increased full-size truck production in North America. DL revenue declined by US$34.4 million for the six months ended June 30, 2019 compared with the same period in 2018, with lower Asia Pacific OEM production being the principal driver. 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 six months ended June 30, 2019 was US$131.1 million or 7.2% of total revenue, a decrease of US$68.5 million, or a 34.3% decrease, compared to the six months ended June 30, 2018 of US$199.6 million, representing 9.8% of total revenue. The decrease was primarily attributable to the following factors:

- Unfavourable currency reflecting a stronger US dollar against both the RMB and Euro

- Lower OEM light vehicle production across all regions, in particular weak China demand, and the loss of revenue from a North America customer vehicle platform transition unfavourably impacting revenue derived from the Company's CIS product line

- Unfavourable volume and mix from lower revenue, increased depreciation and amortisation expense related to carry-over and current period new customer programme launches and customer pricing were only partially offset by net material and manufacturing efficiencies and selling, general and administrative cost reductions

- Lower net finance costs driven by on-going debt amortisation and interest income from cash balances and lower income tax expense reflecting jurisdictional profitability provided a further offset to the weaker operating environment

Cost of Sales

The Group's cost of sales for the six months ended June 30, 2019 was US$1,543.4 million, a decrease of US$134.0 million, or a 8.0% decrease, from US$1,677.4 million as compared with the six months ended June 30, 2018. The Group's cost of sales for the six months ended June 30, 2019 primarily included raw material costs of US$1,083.4 million (for the six months ended June 30, 2018: US$1,204.3 million).

The Group's cost of sales decreased principally as a result of lower revenue levels. Material savings initiatives during the first half of 2019 more than offset commodity inflation and tariff specific impacts. The lower OEM demand environment tempered the Company's manufacturing cost reduction initiatives which only partially offset higher depreciation and amortisation and employee wage, benefits and other inflationary factors.

Depreciation and amortisation charged to cost of sales for the six months ended June 30, 2019 was US$107.3 million, an increase of US$22.0 million, or 25.7% from US$85.3 million for the six months ended June 30, 2018.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$45.6 million for the six months ended June 30, 2019, representing 2.5% of revenue, an increase of US$9.8 million, or 27.5% as compared with US$35.8 million, representing 1.7% of revenue for the six months ended June 30, 2018. We expect amortisation to continue to increase in future years with the launch of new customer programmes that are currently in development.

For the six months ended June 30, 2019, the Group recorded a product development intangible asset impairment of US$4.2 million related to declining volumes on specific customer programmes in China. The impairment is recorded in the condensed consolidated income statement as cost of sales in the North America and Asia Pacific segments. A portion of the intangible asset impairment associated with customer programmes in China is recorded in the North America segment due the Company's US domiciled intellectual property holdings.

Gross Profit

The Group's gross profit for the six months ended June 30, 2019 was US$288.9 million, a decrease of US$80.7 million or 21.8% as compared with US$369.6 million for the six months ended June 30, 2018. Gross profit percentage for the six months ended June 30, 2019 was 15.8%, a decrease of 230 basis points as compared to 18.1% for the six months ended June 30, 2018. Unfavourable foreign currency, lower OEM light vehicle production and customer specific vehicle platform demand, customer pricing and higher depreciation and amortisation were only partially mitigated by material and manufacturing cost efficiencies, net of inflation, resulting in a decrease in gross profit for the first half of 2019 compared to the same period in 2018.

Engineering and Product Development Costs

For the six months ended June 30, 2019, the Group's engineering and product development costs charged to the income statement were US$65.4 million, representing 3.6% of revenue, an increase of US$5.9 million, or a 9.9% increase as compared with US$59.5 million, representing 2.9% of revenue for the six months ended June 30, 2018. Capitalised interest related to engineering development costs was US$7.0 million for both the six months ended June 30, 2019 and for the six months ended June 30, 2018.

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 six months ended June 30, 2019, the Group incurred an aggregate investment in engineering and product development costs of US$151.3 million, an increase of US$17.5 million, or a 13.1% increase, as compared with US$133.7 million for the six months ended June 30, 2018. 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 investments in ADAS and AD-enabling technologies.

Administrative Expenses

The Group's administrative expenses for the six months ended June 30, 2019 were US$57.6 million, representing 3.1% of revenue, a decrease of US$5.0 million or a 8.0% decrease, as compared to US$62.7 million, representing 3.1% of revenue for the six months ended June 30, 2018. Continuing efficiency efforts and focus on leveraging the Group's cost base were the principal factors contributing to the decrease. Favourable foreign currency translation and lower employee stock compensation and long-term incentive expense also provided benefits in the current period compared with 2018.

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 six months ended June 30, 2019 were US$3.1 million, an increase of US$1.0 million compared to a gain of US$2.2 million for the six months ended June 30, 2018. The increase was mainly attributable to the receipt of various government grants benefitting the Asia Pacific segment.

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, 2019 were US$2.3 million, a decrease of US$4.1 million as compared to US$6.4 million for the six months ended June 30, 2018. Excluding the impact of the increase in borrowings related to the adoption of IFRS 16, *Leases*, on-going debt repayment and interest income from cash balances were the largest contributors to the reduction in finance costs, net during the six months ended June 30, 2019 compared to 2018.

Share of Loss of Joint Ventures, net

Share of loss of joint ventures, net 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, 2019, the Group's share of (loss) income in joint ventures amounted to (US$1.6 million), (US$1.0 million) and US$0.4 million related to CNXMotion, Dongfeng Nexteer, and Chongqing Nexteer, respectively (six months ended June 30, 2018: (US$1.3 million), (US$1.0 million) and US$0.3 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 six months ended June 30, 2019. Chongqing Nexteer's profitability increased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 as a result of increased revenue driven by increased customer demand.

Income Tax Expense

The Group's income tax expense was US$22.8 million for the six months ended June 30, 2019, representing 14.7% of the Group's profit before income tax, a decrease of US$6.3 million from US$29.1 million, or 12.6% of profit before tax for the six months ended June 30, 2018, which was primarily the result of reduced profits. Other items causing changes in the Group's tax expense include tax credits, the impact of US tax reform, withholding tax expense, and changes in the mix of income generated by US and non-US operations for the six months ended June 30, 2019 compared with 2018.

Provisions

As at June 30, 2019, the Group has provisions of US$85.4 million for restructuring, litigation, environmental liabilities, warranties and decommissioning, a decrease of US$3.7 million as compared to US$89.1 million as at December 31, 2018. The decrease in provisions was primarily due to the net change in warranty reserves due to US$5.1 million in cash payments on historical warranty provisions during the first half of 2019. 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 almost entirely offset new warranty provisions recorded during the first half of 2019.

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, 2019, the Group invested US$114.7 million and US$78.5 million in capital equipment and intangible assets, respectively.

The Group's use of cash for the six months ended June 30, 2019 was directly related to its increased investment in capital and product development to support future growth. We believe that funds generated from operations and cash on hand will be adequate to fund our liquidity and capital requirements.

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

	For the six months ended June 30, 2019 *US$'000* **(Unaudited)**	For the six months ended June 30, 2018 *US$'000* (Unaudited)
Cash generated from (used in):		
Operating activities	**240,261**	322,732
Investing activities	**(194,846)**	(139,748)
Financing activities	**(133,532)**	(166,620)
Net (decrease) increase in cash and cash equivalents	**(88,117)**	16,364

Cash Flows Generated from Operating Activities

For the six months ended June 30, 2019, the Group's net cash generated from operating activities was US$240.3 million, a decrease of US$82.5 million, compared to US$322.7 million for the six months ended June 30, 2018. The decrease in cash flows from operating activities was primarily due to a reduction in net profit and the timing of collection of customer trade receivables, partially offset by a decrease in cash taxes paid, as a result of a significant income tax receivable at December 31, 2018 which was received during the period ended June 30, 2019.

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 periods indicated:

	For the six months ended June 30, 2019 *US$'000* **(Unaudited)**	For the six months ended June 30, 2018 *US$'000* (Unaudited)
Purchase of property, plant and equipment	**(114,721)**	(76,642)
Addition of intangible assets	**(78,486)**	(67,253)
Proceeds from sale of property, plant and equipment	**738**	1,376
Changes in restricted bank deposits	**–**	6,886
Investment in joint ventures	**(2,377)**	(4,115)
Net cash used in investing activities	**(194,846)**	(139,748)

Cash Flows Used in Financing Activities

For the six months ended June 30, 2019, the Group's net cash used in financing activities was US$133.5 million, a decrease of US$33.1 million compared to US$166.6 million for the six months ended June 30, 2018. The main contributor to the decrease is a reduction in net repayments of borrowings as the repayments during the first half of 2018 included the repayment of the Company's US term loan. This was partially offset by an increase in dividends paid as a result of increased profits for the year ended December 31, 2018 as compared to 2017. The cash flows used in financing activities were mainly attributable to the net repayment of borrowings of US$44.8 million, finance costs paid of US$13.5 million, dividends paid to shareholders of the Company (the **Shareholders**) of US$77.7 million, offset by proceeds from exercise of share options of US$2.5 million.

Indebtedness

As at June 30, 2019, the Group's total borrowings were US$405.5 million, an increase of US$23.7 million from US$381.8 million as at December 31, 2018. This increase is primarily due to the adoption of IFRS 16, *Leases*, requiring the Group to record lease liabilities for certain leases with terms extending beyond 12 months. This increase has been partially offset by the payment of maturing debt.

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

	As at June 30, 2019 *US$'000* **(Unaudited)**	As at December 31, 2018 *US$'000* (Audited)
Current borrowings	**59,632**	64,347
Non-current borrowings	**278,686**	312,294
Lease liabilities	**67,148**	5,113
Total borrowings	**405,466**	381,754

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

	As at June 30, 2019 *US$'000* **(Unaudited)**	As at December 31, 2018 *US$'000* (Audited)
Within 1 year	**72,225**	66,228
Between 1 and 2 years	**39,844**	65,067
Between 2 and 5 years	**275,576**	250,459
Over 5 years	**17,821**	–
Total borrowings	**405,466**	381,754

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 and property, plant and equipment. As at June 30, 2019, the Group had approximately US$540.5 million total assets pledged as collateral, an increase of US$111.8 million as compared with US$428.7 million as at December 31, 2018. The increase in collateral pledged is directly related to increases in the balances of the underlying assets pledged. No changes in collateral arrangements have occurred from December 31, 2018 to June 30, 2019.

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, 2019 was 23.0%, an increase of 70 basis points as compared with December 31, 2018 which was 22.3%. The gearing ratio increased compared to 2018 as a result of increased borrowings due to the adoption of IFRS 16, *Leases*.

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 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 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.

Employees Remuneration Policy

As at June 30, 2019, the Group had approximately 13,200 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 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 requirement and contractual obligations.

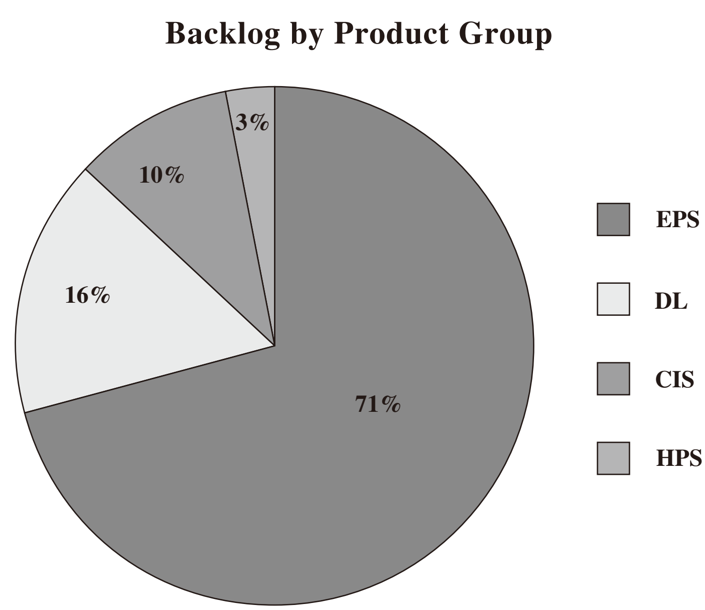
The Group also uses contract personnel to support the workload of the business where considered the most efficient. As at June 30, 2019, we had approximately 800 personnel engaged on a contract basis.

Backlog of Booked Business

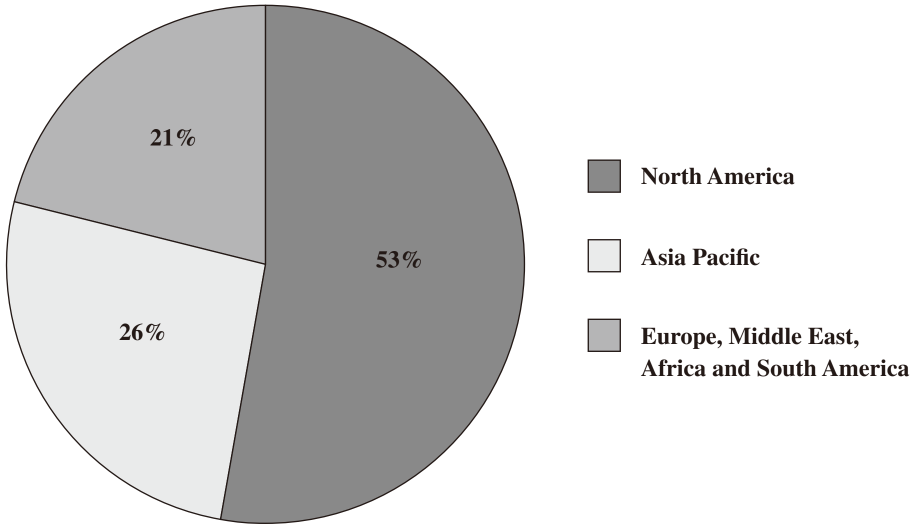
We begin to realise revenue under a new business contract as steering and driveline systems are first shipped to vehicle manufacturers at the time of product launch. Product launches have historically lagged the date of contract award by an average period of 24 to 30 months. We have calculated a booked 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 product, increased by 1.6% to approximately US$25.6 billion (the **Backlog of Booked Business**, **Booked Business Amount** or **Booked Business**) as at June 30, 2019 compared with US$25.2 billion as at December 31, 2018.

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, suspension, or cancellation 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 Geographical Segments



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 of the Board (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, 2019.

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

Chairman and CEO

Under the Code Provision A.2.1 of the Hong Kong CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period from January 1, 2019 to June 2, 2019, Mr. ZHAO Guibin was the Chairman of the Board and the Chief Executive Officer (**CEO**) of the Company. The Board believed that this structure would 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 the Board and senior management levels.

In the context of substantive change to and fierce competition in the global automotive industry, to achieve the Company's vision of "A Leader in Intuitive Motion Control", the Company's CEO, Mr. ZHAO Guibin, needs to focus on the Company's strategy and its execution and ceased to serve as the Chairman of the Board with effect from June 3, 2019. The Board has approved the appointment of Mr. WANG Jian, a non-Executive Director of the Company, as the Chairman of the Board in place of Mr. ZHAO Guibin with effect from June 3, 2019. Upon such appointment, the Company has complied with the Code Provision A.2.1 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 period ended June 30, 2019.

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 from time to time.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2019.

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, 2019. 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, 2019.

SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Group after June 30, 2019 and up to the date of this announcement.

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

Hong Kong, August 13, 2019

As of the date of this announcement, the Company's Executive Directors are Mr. Guibin ZHAO (Chief Executive Officer and Vice Chairman), Mr. Michael Paul RICHARDSON and Mr. Yi FAN, the non-Executive Directors are Mr. Jian WANG (Chairman), Mr. Jianxun ZHANG, Mr. Ping LIU and the Independent non-Executive Directors are Mr. Jianjun LIU, Mr. Kevin Cheng WEI and Mr. Wing Fat Simon YICK.