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, 2019 AND APPOINTMENT OF PRESIDENT

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, 2019, together with the comparative figures for 2018, are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2019

		For the year ended December 31,	
		2019	2018
	Notes	***US$'000***	*US$'000*
Revenue	*2*	**3,575,657**	3,912,170
Cost of sales	*3*	**(3,036,955)**	(3,243,323)
Gross profit		**538,702**	668,847
Engineering and product development costs	*3*	**(129,074)**	(116,438)
Selling and distribution expenses	*3*	**(18,385)**	(19,445)
Administrative expenses	*3*	**(120,101)**	(123,747)
Other gains, net	*4*	**1,520**	14,838
Operating profit		**272,662**	424,055
Finance income	*5*	**9,297**	8,144
Finance costs	*5*	**(14,241)**	(17,427)
Finance costs, net	*5*	**(4,944)**	(9,283)
Share of loss of joint ventures, net		**(3,785)**	(4,381)
Profit before income tax		**263,933**	410,391
Income tax expense	*6*	**(29,275)**	(26,045)
Profit for the year		**234,658**	384,346
Profit attributable to:			
Equity holders of the Company		**232,445**	379,657
Non-controlling interests		**2,213**	4,689
		234,658	384,346
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$0.09**	US$0.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

	For the year ended December 31, **2019** *US$'000*	2018 *US$'000*
Profit for the year	**234,658**	384,346
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit plans, net of tax	**(2,628)**	(247)
Items that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**(13,668)**	(43,227)
	(16,296)	(43,474)
Total comprehensive income for the year	**218,362**	340,872
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**216,721**	338,045
Non-controlling interests	**1,641**	2,827
	218,362	340,872

CONSOLIDATED BALANCE SHEET

As at December 31, 2019

		As at December 31,	
		2019	2018
	Note	***US$'000***	***US$'000***
ASSETS			
Non-current assets			
Property, plant and equipment		**989,754**	933,244
Right-to-use assets		**58,174**	–
Land use rights		**2,985**	3,520
Intangible assets		**627,147**	561,933
Deferred income tax assets		**11,829**	8,621
Investments in joint ventures		**19,507**	16,944
Other receivables and prepayments		**29,949**	25,034
		1,739,345	1,549,296
Current assets			
Inventories		**266,046**	234,303
Trade receivables	*9*	**544,675**	528,859
Other receivables and prepayments		**107,068**	124,524
Restricted bank deposits		**11**	3
Cash and cash equivalents		**601,827**	674,526
		1,519,627	1,562,215
Total assets		**3,258,972**	3,111,511

CONSOLIDATED BALANCE SHEET *(Continued)*
As at December 31, 2019

		As at December 31,	
		2019	2018
	Note	***US$'000***	***US$'000***
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**32,347**	32,324
Other reserves		**22,184**	73,593
Retained earnings		**1,757,450**	1,565,893
		1,811,981	1,671,810
Non-controlling interests		**39,675**	38,034
Total equity		**1,851,656**	1,709,844
LIABILITIES			
Non-current liabilities			
Borrowings		**298,210**	315,526
Retirement benefits and compensations		**22,856**	19,058
Deferred income tax liabilities		**73,786**	88,410
Provisions		**61,804**	77,730
Deferred revenue		**76,474**	75,824
Other payables and accruals		**9,621**	4,277
		542,751	580,825
Current liabilities			
Trade payables	*10*	**592,020**	553,191
Other payables and accruals		**128,630**	140,210
Current income tax liabilities		**19,302**	16,192
Retirement benefits and compensations		**3,385**	3,747
Provisions		**22,269**	11,380
Deferred revenue		**27,843**	29,894
Borrowings		**71,116**	66,228
		864,565	820,842
Total liabilities		**1,407,316**	1,401,667
Total equity and liabilities		**3,258,972**	3,111,511

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

	Share capital *US'000*	Share premium *US'000*	Merger reserve *US'000*	Share-based compensation *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, 2018	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 interests	–	–	–	–	–	–	–	(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
Adoption of IFRS 16	–	–	–	–	–	(2,227)	(2,227)	–	(2,227)
Comprehensive income									
Profit for the year	–	–	–	–	–	232,445	232,445	2,213	234,658
Other comprehensive loss									
Exchange differences, net of tax	–	–	–	–	(13,096)	–	(13,096)	(572)	(13,668)
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	(2,628)	(2,628)	–	(2,628)
Total other comprehensive loss	–	–	–	–	(13,096)	(2,628)	(15,724)	(572)	(16,296)
Total comprehensive (loss) income	–	–	–	–	(13,096)	229,817	216,721	1,641	218,362
Transactions with owners									
Value of employee services provided under share option scheme	–	–	–	946	–	–	946	–	946
Transfer to share premium under exercise of share options	–	970	–	(970)	–	–	–	–	–
Proceeds from exercise of share options	23	2,442	–	–	–	–	2,465	–	2,465
Dividends paid to shareholders	–	(41,701)	–	–	–	(36,033)	(77,734)	–	(77,734)
Total transactions with owners	23	(38,289)	–	(24)	–	(36,033)	(74,323)	–	(74,323)
As at December 31, 2019	32,347	–	113,000	6,916	(97,732)	1,757,450	1,811,981	39,675	1,851,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 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 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 of the Company (the **Board**) on March 29, 2020.

Basis of preparation

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board and requirements of the Hong Kong Companies Ordinance Cap. 622. The Consolidated Financial Statements have been prepared under the historical cost convention.

Prior year balances have been reclassified to conform with current year presentation. Employee benefit costs in the amount of US$6,517,000 have been reclassified from engineering and product development costs to cost of sales in the 2018 Consolidated Income Statement to conform to the 2019 presentation.

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, 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 addition to the above mentioned standards and interpretations adopted by the Group for the year ended December 31, 2019, all other new standards and interpretations have been evaluated and deemed to be either not applicable or immaterial to the Group's financial statements.

(b) *New and amended standards and interpretations not yet adopted by the Group*

The following new amendment to standards relevant to the Group has been issued but are not yet effective for the financial year beginning January 1, 2019 and has 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 Group contracts with customers, which are generally automotive manufacturers and automotive original equipment manufacturers (**OEM**), to sell steering and driveline systems and components. In connection with these contracts the Group provides tooling and prototype parts. The Group does not have material significant payment terms as payment is received 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 Group 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 Group'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 Group'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 Group 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 Group recognises non-production related engineering design and development revenue, which is normally related to ADAS, performance improvement and business pursuit. The Group recognises revenue for non-production engineering design and development/prototypes revenue over time as it satisfies its performance obligations.

Contract balances

The contract assets primarily relate to the Group'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 Group'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 December 31, 2019	33,572	(27,843)	(76,474)
Balances as at December 31, 2018	28,248	(29,894)	(75,824)
Change in account balance	5,324	2,051	(650)

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

(ii) Contract liabilities are recorded within deferred revenue.

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 (**EMEASA**). 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:

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Others US$'000	Total US$'000
For the year ended December 31, 2019					
Total revenue	**2,472,145**	**662,274**	**495,957**	**–**	**3,630,376**
Inter-segment revenue	**(23,353)**	**(19,695)**	**(11,671)**	**–**	**(54,719)**
Revenue from external customers	**2,448,792**	**642,579**	**484,286**	**–**	**3,575,657**
Adjusted EBITDA	**340,056**	**136,889**	**55,832**	**(7,681)**	**525,096**
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

The revenue from external parties reported to the Group's CEO is measured in a manner consistent with that in the consolidated income statement.

Reconciliations of reportable segment total assets and liabilities are as follows:

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Others US$'000	Total US$'000
As at December 31, 2019					
Total assets	**2,001,209**	**973,646**	**410,491**	**(126,374)**	**3,258,972**
Total liabilities	**(740,049)**	**(321,439)**	**(165,248)**	**(180,580)**	**(1,407,316)**
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)

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

	For the year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Adjusted EBITDA from reportable segments	**525,096**	619,564
Depreciation and amortisation expenses	**(226,322)**	(195,509)
Impairment on intangible assets and property, plant and equipment (i)	**(26,112)**	–
Finance costs, net	**(4,944)**	(9,283)
Share of loss of joint ventures, net	**(3,785)**	(4,381)
Profit before income tax	**263,933**	410,391

Note:

(i) Impairment on property, plant and equipment and intangible assets due to declining volumes and cancellations 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 year ended December 31, 2019, the North America segment and Asia Pacific segment recognised US$23,057,000 (2018: US$23,540,000) and US$4,777,000 (2018: US$2,294,000), respectively.

The geographic distribution of revenue for the years ended December 31, 2019 and 2018 is as follows:

	For the year ended December 31,	
	2019	2018
	US$'000	*US$'000*
North America:		
US	**1,455,468**	1,701,197
Mexico	**993,324**	924,112
Asia Pacific:		
China	**569,361**	722,429
Rest of Asia Pacific	**73,218**	59,083
EMEASA:		
Poland	**410,503**	437,297
Rest of EMEASA	**73,783**	68,052
	3,575,657	3,912,170

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

	As at December 31,	
	2019	2018
	US$'000	*US$'000*
North America:		
US	**942,769**	877,691
Mexico	**280,232**	235,646
Asia Pacific:		
China	**270,342**	238,145
Rest of Asia Pacific	**27,370**	20,620
EMEASA		
Poland	**153,927**	138,926
Rest of EMEASA	**52,579**	29,647
Others	**297**	–
	1,727,516	1,540,675

Disaggregation of revenue

	North America	**Asia Pacific**	**EMEASA**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
For the year ended December 31, 2019				
Electric Power Steering (**EPS**)	**1,477,592**	**469,035**	**462,443**	**2,409,070**
Steering Columns and Intermediate Shafts (**CIS**)	**472,300**	**18,021**	**5,433**	**495,754**
Hydraulic Power Steering (**HPS**)	**117,711**	**5,570**	**14,935**	**138,216**
Driveline Systems (**DL**)	**381,189**	**149,953**	**1,475**	**532,617**
	2,448,792	**642,579**	**484,286**	**3,575,657**

	North America	Asia Pacific	EMEASA	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
	2,625,309	781,512	505,349	3,912,170

Revenue by type

	For the year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Production Parts	**3,538,368**	3,870,854
Tooling	**26,195**	22,776
Engineering Design and Development/Prototypes	**11,094**	18,540
	3,575,657	3,912,170

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,	
	2019	2018
	US$'000	*US$'000*
General Motors Company and Subsidiaries (**GM**)	**1,389,817**	1,649,322
Customer A	**773,407**	824,599
Customer B	**640,881**	605,470
	2,804,105	3,079,391

3. EXPENSE BY NATURE

	For the year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Raw materials used	**2,096,406**	2,297,261
Changes in inventories of finished goods and work-in-progress	**13,925**	(13,737)
Employee benefit costs (i)	**497,702**	537,391
Temporary labour costs	**128,722**	127,696
Supplies and tools (i)	**221,381**	234,883
Depreciation on property, plant and equipment	**116,046**	108,780
Depreciation on right-of-use assets	**12,485**	–
Amortisation on		
– land use rights	**79**	91
– intangible assets	**97,712**	86,638
Impairment (reversals) charges on		
– inventories	**(3,583)**	3,186
– trade receivables (note 9)	**96**	448
– intangible assets (ii)	**19,572**	–
– property, plant and equipment (ii)	**6,540**	–
Operating lease expenses	**–**	15,679
Warranty expenses	**5,804**	5,581
Auditors' remuneration		
– audit services	**2,477**	2,495
– non-audit services	**2,325**	1,640
Others	**86,826**	94,921
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**3,304,515**	3,502,953

Note:

(i) Supplies and tools in the amount of US$36,400,000 have been reclassified from employee benefit costs to supplies and tools in 2018 to conform to the 2019 presentation.

(ii) Impairment on property, plant and equipment and intangible assets due to declining volumes and cancellations on specific customer programmes in China.

4. OTHER GAINS, NET

	For the year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Foreign exchange gains, net	**1,182**	4,794
Loss on disposal of property, plant and equipment	**(6,807)**	(54)
Others	**7,145**	10,098
	1,520	14,838

5. FINANCE COSTS, NET

	For the year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Finance income		
Interest on bank deposits	**9,297**	8,144
Finance costs		
Interest expense on bank borrowings	**7,696**	11,271
Interest on notes	**14,687**	14,687
	22,383	25,958
Interest on lease liabilities	**3,803**	317
Other finance costs	**3,260**	4,643
	29,446	30,918
Less: amount capitalised in qualifying assets	**(15,205)**	(13,491)
	14,241	17,427
Finance costs, net	**4,944**	9,283

6. INCOME TAX EXPENSE

	For the year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Current income tax	**45,613**	9,813
Deferred income tax	**(16,338)**	16,232
	29,275	26,045

Taxation on the Group's profits has been calculated on the estimated assessable profits for both years at the statutory rates of 21%, 25% and 19% in US, China and Poland, respectively, from where the Group's profits were mainly generated.

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, 2019 *US$'000*	2018 *US$'000*
Profit before income tax	**263,933**	410,391
Tax calculated at rates applicable to profits in respective countries	**69,065**	103,296
Expenses not deductible for tax purposes	**8,869**	2,776
Non-taxable income	**(27,331)**	(29,771)
Tax credits (note (i))	**(17,347)**	(43,821)
Preferential rates and tax holidays (note (ii))	**(15,009)**	(19,144)
Tax losses and deductible temporary differences for which no deferred tax was recognised	**(55)**	976
US state and withholding taxes	**11,489**	8,625
Others	**(406)**	3,108
Tax charge	**29,275**	26,045

Notes:

(i) Mainly represents research and royalty incentives. A large percentage of the 2018 amount 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.

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, 2019	2018
Profit attributable to the equity holders of the Company (US$'000)	**232,445**	379,657
Weighted average number of ordinary shares in issue (thousands)	**2,506,966**	2,505,312
Basic earnings per share (in US$)	**0.09**	0.15

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, 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 year ended December 31, 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 years ended December 31, 2019 and 2018, the details are within the table below.

	For the year ended December 31,	
	2019	2018
Profit attributable to the equity holders of the Company, used to determine diluted earnings per share (US$'000)	**232,445**	379,657
Weighted average number of ordinary shares in issue (thousands)	**2,506,966**	2,505,312
Adjustment for share options (thousands)	**1,849**	4,176
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**2,508,815**	2,509,488
Diluted earnings per share (in US$)	**0.09**	0.15

8. DIVIDENDS

	For the year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Dividend proposed of US$0.0325 (2018: US$0.031) per share	**81,495**	77,677

This dividend was proposed by the directors at a meeting held on March 29, 2020, 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,	
	2019	2018
	US$'000	*US$'000*
Trade receivables, gross	**546,396**	530,512
Less: provision for impairment	**(1,721)**	(1,653)
	544,675	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 December 31,	
	2019	2018
	US$'000	*US$'000*
0 to 30 days	**305,117**	302,180
31 to 60 days	**215,942**	183,478
61 to 90 days	**20,412**	37,844
Over 90 days	**4,925**	7,010
	546,396	530,512

Trade receivables of US$26,895,000 were past due but not impaired as at December 31, 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 December 31,	
	2019	2018
	US$'000	*US$'000*
Overdue up to 30 days	**18,293**	24,897
Overdue 31 to 60 days	**2,410**	936
Overdue 61 to 90 days	**1,717**	551
Overdue over 90 days	**4,475**	4,497
	26,895	30,881

The provision for impairment of receivables includes estimates and assessments of individual receivables based on the expected credit loss method.

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$1,721,000 were impaired as at December 31, 2019 on which provisions were made (December 31, 2018: US$1,653,000). 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,	
	2019	2018
	US$'000	*US$'000*
As at January 1	**1,653**	1,257
Addition of provision	**96**	448
Exchange differences	**(28)**	(52)
As at December 31	**1,721**	1,653

The carrying amounts of trade receivables pledged as collateral were US$332,631,000 as at December 31, 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 December 31,	
	2019	2018
	US$'000	*US$'000*
0 to 30 days	**337,204**	261,962
31 to 60 days	**171,952**	201,247
61 to 90 days	**48,888**	53,460
91 to 120 days	**9,645**	22,314
Over 120 days	**24,331**	14,208
	592,020	553,191

11. SUBSEQUENT EVENTS

(a) On January 7, 2020, the Company paid the remaining balance of US$60,000,000 of two of its USD denominated term loans. The Company recognised a loss of US$747,000 related to the repayment.

(b) As set out in note 2 to the Consolidated Financial Statements, the Company's China revenue, including both revenue derived from local OEM customers as well as export revenue, totalled US$569.4 million for the year ended December 31, 2019. Due to the evolving developments and impacts associated with the COVID-19 outbreak in China, the Company's manufacturing facilities in China experienced a staggered restart to component production following the Lunar New Year holiday governed by local government restrictions and requirements. While the Company's China manufacturing operations have been able to meet customer production requirements, customer demand has significantly contracted to date adversely impacting OEM production.

Furthermore, the COVID-19 outbreak has also impacted the Company's global suppliers as well as suppliers who operate in China. These suppliers are relied upon for export of components used in the manufacturing of products provided to customers served by our North America, EMEASA and Asia Pacific segments. Working diligently with both customers and suppliers, the Company has been able to meet the production demand of its global OEM customers to date.

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic as the virus has continued to expand throughout Asia, Europe and North America, with many countries and jurisdictions declaring states of emergency and implementing public safety actions in an attempt to contain further spread. The Company has taken commensurate actions outlined by both health agencies, as well as complying with country specific mandates. During the course of March 2020, many of the Company's OEM customers announced plans to temporarily close their production facilities in Europe and North America. As a result, the Company is coordinating closely with each of its impacted customers and has closed or adjusted production at its facilities in the United States, Mexico, Poland and elsewhere as necessary. Given these customer actions, the Company's first half 2020 financial results are expected to be significantly lower compared with same period in 2019, however, the Company is unable to quantify the total financial impact of the on-going global pandemic at this time.

Given the rapidly developing worldwide situation regarding COVID-19 and its potential impacts on the economies of afflicted regions, and the inherent difficulty in predicting the potential impact on the Company's facilities, employees, customers, suppliers and logistics providers, the Company is unable to quantify any further potential impact of the COVID-19 pandemic at this time.

(c) All of the Company's United States hourly production employees are subject to a collective bargaining agreement (**Union** or **Agreement**) that was scheduled to expire on March 21, 2020. The Company and the Union have extended the current Agreement until June 20, 2020 so negotiations can continue. While the Company and the Union continue to work towards a mutually beneficial new Agreement, there can be no assurances that negotiations with the Union will be resolved favourably or that the Company will not experience a work stoppage or disruption that could adversely affect the Company's operating results and financial condition.

FINANCIAL REVIEW

Financial Summary

The Group faced a number of macro-environmental headwinds during 2019 which challenged the financial performance of the business when compared with last year. The Group's revenue declined by 8.6% during 2019 compared with the prior year, with all three geographic segments adversely impacted by slowing original equipment manufacturer (**OEM**) light vehicle production and other customer specific factors. Lower global OEM light vehicle unit production across all served regions and unfavourable foreign currency translation were significant factors impacting the Company's revenue comparisons. The Company's North America segment was further challenged during the course of 2019 by an on-going customer vehicle platform transition impacting revenue derived by the Company's CIS product line, and the unfavourable impact from the GM – United Automobile Workers (**UAW**) hourly employee strike which temporarily halted vehicle production of the Group's largest customer in the third and fourth quarter of 2019.

The Group's continued focus on operational efficiencies and cost reduction efforts only partially mitigated the impact of lower revenue, resulting in a decrease in net profit attributable to equity holders of 38.8% during 2019 compared with a year ago. The Company's 2018 net profit attributable to equity holders included a US$27.1 million non-recurring US tax benefit associated with the company-specific US research tax credit initiatives and represented almost 18.4% of the US$147.3 million unfavourable comparison with 2019.

While the operating environment in 2019 proved to be challenging, the Company continued to execute its strategy for profitable growth including, but not limited to:

- During 2019, the Group successfully launched a record 45 new customer programmes – 13 programmes in North America, 4 programmes in EMEASA and 28 programmes in Asia Pacific.

- The Company secured US$7.0 billion in customer programme awards during 2019, of which 50% reflected conquest business. Furthermore, the Company successfully retained 100 percent of incumbent business which was subject to competitive contest in 2019.

- The Group's Backlog of Booked Business, 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, increased to US$26.4 billion at the end of 2019, an increase of 4.4% when compared with last year.

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, Morocco and Brazil.

Global OEM light vehicle production fell in 2019 when compared with 2018 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. (January 2020), global OEM light vehicle production for the year ended December 31, 2019 decreased by 5.8% compared with 2018. North America light vehicle production for the year ended December 31, 2019 fell by 3.9% compared with 2018, with North America full-size truck production 3.3% lower. Asia Pacific light vehicle production fell by 6.4% for the year ended December 31, 2019 compared with 2018, led by the second conservative year of lower China light vehicle production of 8.5%. Light vehicle production in EMEASA decreased 4.2% for the year ended December 31, 2019 compared to 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 were unfavourably impacted by foreign currency translation as during the course of 2019 the US dollar strengthened against both the Euro and RMB compared with 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. Commencing in 2018 and continuing through 2019, the US imposed various tariffs on goods imported from several foreign countries, with tariffs on China imports being the most extensive. While the purchase of commodities used in the US manufacturing of the Company's products are largely sourced from US suppliers, tariff regimes imposed between the US and China negatively impacted the Company's 2019 profit before income tax by US$7.3 million compared to 2018. The Company continues to work closely with its supplier base to mitigate the impact of such tariffs.

Revenue

The Group's revenue for the year ended December 31, 2019 was US$3,575.7 million, a decrease of US$336.5 million, or 8.6%, compared with US$3,912.2 million for the year ended December 31, 2018. According to IHS Markit Ltd. (January 2020), global OEM production volume decreased 5.8% from the year ended December 31, 2018, with year-to-year declines experienced in all geographic markets served by the Company. Foreign currency translation decreased the Group's revenue by approximately US$55.9 million, principally impacting the Asia Pacific and EMEASA segments given the strengthening of the US dollar against the RMB and Euro during 2019 compared with a year ago.

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 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. Foreign currency translation impact is measured by the changes in foreign currencies measured against the US dollar.

Revenue by Geographical Segments

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

	For the year ended December 31, 2019		For the year ended December 31, 2018	
	US$'000	***%***	*US$'000*	*%*
North America	**2,448,792**	**68.5**	2,625,309	67.1
Asia Pacific	**642,579**	**18.0**	781,512	20.0
EMEASA	**484,286**	**13.5**	505,349	12.9
Total	**3,575,657**	**100.0**	3,912,170	100.0

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

- North America segment – Revenue decreased by US$176.5 million, or 6.7%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. Several factors impacted the revenue comparison. First, according to IHS Markit Ltd. (January 2020), North America OEM light vehicle and full-size truck production during the year ended December 31, 2019 was lower by 3.9% and 3.3%, respectively, compared with a year ago. North America segment revenue was further challenged by an on-going customer vehicle platform transition impacting the Company's CIS product line which lowered revenue by US$128.0 million. This vehicle platform transition is now expected to be completed in the first quarter of 2020. During the third and fourth quarter of 2019, the Company's largest customer, GM, suffered a temporary production interruption as a result of a 40-day UAW hourly employee strike which negatively impacted revenue by US$121.0 million. These factors were partially mitigated by strong programme demand from other customers during the course of 2019 reflecting the favourable impact of carry-over and new programme launches executed by the North America segment in both 2018 and 2019.

- Asia Pacific segment – Revenue decreased by US$138.9 million, or 17.8%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. Significant factors contributing to the revenue decline included unfavourable foreign currency, lower China OEM light vehicle production demand and customer pricing. The Asia Pacific segment experienced US$26.8 million of unfavourable foreign currency translation as the US dollar strengthened against the RMB during 2019 compared with a year ago. According to IHS Markit Ltd. (January 2020), OEM light vehicle production in Asia Pacific declined by 6.4% in 2019 compared with 2018, led by the second consecutive year of declining China OEM light vehicle production which fell by 8.5%, reflecting a slowing China economy as well as the political and economic uncertainty of on-going trade negotiations with the US. Several key China OEM customers of the Asia Pacific segment experienced higher light vehicle production declines from slowing consumer demand during the year which further contributed to the year-over-year revenue decline.

- EMEASA segment – Revenue decreased US$21.1 million, or 4.2%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. The principal driver of the revenue comparison was unfavourable foreign currency translation of US$29.1 million, reflecting the continued strength of the US dollar against the Euro during the course of 2019 compared with a year ago. Although OEM light vehicle production volume in Europe and South America decreased 4.2% for the year ended December 31, 2019 compared with 2018, according to IHS Markit Ltd. (January 2020), favourable volume from carry-over and new programme launches provided an offset to the lower OEM demand environment.

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, 2019		For the year ended December 31, 2018	
	US$'000	*%*	*US$'000*	*%*
EPS	**2,409,070**	**67.4**	2,524,779	64.6
CIS	**495,754**	**13.8**	646,205	16.5
HPS	**138,216**	**3.9**	156,899	4.0
DL	**532,617**	**14.9**	584,287	14.9
	3,575,657	**100.0**	3,912,170	100.0

The Group experienced a decline in EPS revenue of US$115.7 million for the year ended December 31, 2019 compared with 2018, largely reflecting 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 foreign currency translation and customer pricing. The GM-UAW strike, which impacted the North America geographic segment, also contributed to the decline in EPS revenue compared with last year. These factors were partially offset by higher volumes from several key North America customers, including the current and carry-over impact from customer programme launches. CIS revenue declined by US$150.5 million for the year ended December 31, 2019 compared with a year ago, largely reflecting the loss of revenue of US$128.0 million associated with an on-going customer vehicle platform transition, as well as the impact of the North America GM-UAW strike. DL revenue declined by US$51.7 million for the year ended December 31, 2019 compared with last year, with both the North America GM-UAW strike and lower Asia Pacific OEM light vehicle production being the principal drivers of the decline. The decrease in HPS revenue resulted from lower production demand from a key customer as expected given the life-cycle maturity of this product line.

Net Profit Attributable to Equity Holders

The Group's net profit attributable to equity holders of the Company for the year ended December 31, 2019 was US$232.4 million or 6.5% of total revenue, a decrease of US$147.3 million or 38.8% compared to the year ended December 31, 2018 of US$379.7 million, representing 9.7% of total revenue. The decrease was principally attributable to the following factors:

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

- Lower OEM light vehicle production across all regions served by the Company, in particular continued weakness in China demand; the loss of revenue from a North America customer vehicle platform transition unfavourably impacting the Company's CIS product line; and the temporary production interruption resulting from the GM-UAW strike in the third and fourth quarter of 2019 which impacted the Company's North America segment.

- Unfavourable volume and mix from lower revenue, customer pricing, increased depreciation and amortisation expense related to carry-over and current period new customer programme launches and impairment charges for customer programmes not achieving production expectations 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.

- Higher income tax expense principally reflecting a US$27.1 million non-recurring US tax benefit associated with the company-specific US research tax credit initiative recognised in 2018.

Cost of Sales

The Group's cost of sales for the year ended December 31, 2019 was US$3,037.0 million, a decrease of US$206.3 million, or 6.4% from US$3,243.3 million for the year ended December 31, 2018. The Group's cost of sales for the year ended December 31, 2019 primarily included raw material costs of US$2,096.4 million (year ended December 31, 2018: US$2,297.3 million).

Cost of sales decreased principally as a result of lower raw materials costs given the decline in revenue experienced by the Group during 2019 compared with a year ago. Material and manufacturing savings, net of inflationary factors, further lowered cost of sales in 2019, yet were partially mitigated by higher depreciation and amortisation as discussed below.

Depreciation and amortisation charged to cost of sales for the year ended December 31, 2019 was US$207.7 million, an increase of US$24.2 million, or 13.2%, from US$183.5 million for the year ended December 31, 2018. The increase was primarily driven by an increase of US$11.2 million related to increased product development cost amortisation discussed further below and an increase of US$7.5 million related to depreciation of right-of-use assets resulting from the adoption of IFRS16, *Leases*.

For the year ended December 31, 2019, the Group also recorded as cost of sales impairment of property, plant and equipment in the amount of US$6.5 million related to assets deployed in support of certain customer programmes in China with declining volumes.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$92.6 million for the year ended December 31, 2019, representing 2.6% of revenue, an increase of US$11.2 million, or 13.7% from US$81.4 million or 2.1% of revenue, for the year ended December 31, 2018. This increase reflects the impact of customer programmes launched into production during both 2018 and 2019. The Company expects amortisation expense of capitalised product development costs to continue to increase in future years with the start of production of new customer programmes that are currently in development.

For the year ended December 31, 2019, the Group recognised a product development intangible asset impairment of US$19.6 million related to declining volumes on specific customer programmes and programme suspensions in China. The impairment is recorded in the consolidated income statement as cost of sales in the amount US$3.7 million and in engineering and product development costs in the amount of US$15.9 million in the Asia Pacific (US$6.9 million) and North America (US$12.7 million) segments. The intangible asset impairment in the North America segment associated with customer programmes in China is due to the Company's US domiciled intellectual property holdings.

Gross Profit

The Group's gross profit for the year ended December 31, 2019 was US$538.7 million, a decrease of US$130.1 million, or 19.5%, from US$668.8 million for the year ended December 31, 2018. Gross profit margin for the year ended December 31, 2019 was 15.1%, as compared to 17.1% for the year ended December 31, 2018. The effect of unfavourable foreign currency translation, lower OEM light vehicle production and customer specific vehicle platform demand, customer pricing, higher depreciation and amortisation and impairment were only partially mitigated by material and manufacturing cost efficiencies, net of inflationary factors.

Engineering and Product Development Costs

For the year ended December 31, 2019, the Group's engineering and product development costs charged to the income statement were US$129.1 million, representing 3.6% of revenue, an increase of US$12.7 million, or 10.9%, as compared to US$116.4 million, or 3.0% of revenue, for the year ended December 31, 2018. Capitalised interest related to engineering development costs totalled US$14.6 million for the year ended December 31, 2019 and US$13.2 million for the year ended December 31, 2018. Depreciation and amortisation charged to engineering and product development costs for the year ended December 31, 2019 was US$9.8 million, an increase of US$3.5 million, or 55.0%, from US$6.3 million for the year ended December 31, 2018. The increase is primarily related to depreciation recorded on right-of-use assets in accordance with the Group's adoption of IFRS 16, *Leases*.

The Group's aggregate investment in engineering and product development costs is defined as the sum of costs charged to the consolidated income statement (excluding impairment charges associated with costs capitalised in prior periods) and total costs capitalised as intangible assets during the current period which will be amortised in future periods upon launch and start of production of related customer programmes. For the year ended December 31, 2019, the Group incurred an aggregate investment in engineering and product development costs of US$296.3 million, an increase of US$24.3 million, or 8.9%, compared to US$272.0 million for the year ended December 31, 2018. The increase was driven by the Company's continued focus on expanding its global technical capabilities and resources to pursue and acquire new customer programmes as evidenced by the growth in the Backlog of Booked Business, as well as on-going investment in current product portfolio enhancements and ADAS and AD-enabling technologies.

Administrative Expenses

The Group's administrative expenses for the year ended December 31, 2019 were US$120.1 million, representing 3.4% of revenue, a decrease of US$3.6 million, or 2.9%, as compared to US$123.7 million, or 3.2% of revenue, for the year ended December 31, 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, lower employee stock compensation and long-term incentive expense also provided a benefit to 2019 when compared with the prior year. Depreciation and amortisation charged to administrative expenses for the year ended December 31, 2019 was US$8.8 million, an increase of US$3.1 million, or 56.2%, from US$5.7 million for the year ended December 31, 2018. The increase is primarily related to depreciation recorded on right-of-use assets in accordance with the Group's adoption of IFRS 16, *Leases*.

Other Gains, net

Other gains, net represents gains attributable to foreign exchange transactions, losses on disposal of property, plant and equipment and other items. Other gains, net for the year ended December 31, 2019 were US$1.5 million, a decrease of US$13.3 million compared to a gain of US$14.8 million for the year ended December 31, 2018. The decrease was principally attributable to losses on the disposal of property, plant and equipment related to the restructuring of the Group's US DL business and a reduction of realised gains on foreign currency transactions in 2019 compared with the prior year.

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, 2019 were US$4.9 million, a decrease of US$4.4 million, or 46.7%, as compared to US$9.3 million from the year ended December 31, 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 2019 compared with the prior year.

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 year ended December 31, 2019, the Group's share of (loss) income in joint ventures amounted to (US$3.5 million), (US$1.0 million) and US$0.7 million related to CNXMotion, Dongfeng Nexteer and Chongqing Nexteer, respectively (year ended December 31, 2018: (US$2.8 million), (US$2.2 million) and US$0.6 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 for the foreseeable future, 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 while production began during 2019, the joint venture has not yet commenced significant customer production to offset the current cost structure and investment as at December 31, 2019. Chongqing Nexteer's profitability during the year ended December 31, 2019 was consistent with the prior year.

Income Tax Expense

The Group's income tax expense was US$29.3 million for the year ended December 31, 2019, representing 11.1% of the Group's profit before income tax, an increase of US$3.3 million from US$26.0 million, or 6.3% of profit before income tax, for the year ended December 31, 2018. Adjusting for the US$27.1 million non-recurring benefit recognised in 2018 associated with the company-specific US research tax credit initiatives, income tax expense was lower in 2019 by US$23.8 million reflecting lower pre-tax operating profit when compared with last year.

COVID-19

As set out in note 2 to the Consolidated Financial Statements, the Company's China revenue, including both revenue derived from local OEM customers as well as export revenue, totalled US$569.4 million for the year ended December 31, 2019. Due to the evolving developments and impacts associated with the COVID-19 outbreak in China, the Company's manufacturing facilities in China experienced a staggered restart to component production following the Lunar New Year holiday governed by local government restrictions and requirements. While the Company's China manufacturing operations have been able to meet customer production requirements, customer demand has significantly contracted to date adversely impacting OEM production. According to estimates from IHS Markit Ltd., February 2020 year-to-date OEM light vehicle production in China declined by 43% when compared with the same period in 2019, and for the first quarter ending March 31, 2020, IHS Markit Ltd. estimates China OEM light vehicle production to fall by 37% compared with the same period in 2019. The Company currently estimates Asia Pacific segment revenue will be unfavourably impacted by up to US$40.0 million to US$45.0 million, or 25% to 28%, for the first quarter of 2020 when compared with 2019 as a result of the COVID-19 outbreak in China.

Furthermore, the COVID-19 outbreak has also impacted the Company's global suppliers as well as suppliers who operate in China. These suppliers are relied upon for export of components used in the manufacturing of products provided to customers served by our North America, EMEASA and Asia Pacific segments. Working diligently with both customers and suppliers, the Company has been able to meet the production demand of its global OEM customers to date.

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic as the virus has continued to expand throughout Asia, Europe and North America, with many countries and jurisdictions declaring states of emergency and implementing public safety actions in an attempt to contain further spread. The Company has taken commensurate actions outlined by both health agencies, as well as complying with country specific mandates. During the course of March 2020, many of the Company's OEM customers announced plans to temporarily close their production facilities in Europe and North America. As a result, the Company is coordinating closely with each of its impacted customers and has closed or adjusted production at its facilities in the United States, Mexico, Poland and elsewhere as necessary. Given these customer actions, the Company's first half 2020 financial results are expected to be significantly lower compared with same period in 2019, however, the Company is unable to quantify the total financial impact of the on-going global pandemic at this time.

Given the rapidly developing worldwide situation regarding COVID-19 and its potential impacts on the economies of afflicted regions, and the inherent difficulty in predicting the potential impact on the Company's facilities, employees, customers, suppliers and logistics providers, the Company is unable to quantify any further potential impact of the COVID-19 pandemic at this time.

Provisions

As at December 31, 2019, the Group had provisions for restructuring, litigation, environmental liabilities, warranties and decommissioning of US$84.1 million, a decrease of US$5.0 million as compared to US$89.1 million as at December 31, 2018. The decrease in provisions was principally due to the net change in warranty reserves reflecting US$11.3 million in cash payments on historical warranty provisions during 2019. Additionally, the Company has continued its efforts and focus on improving product quality and manufacturing traceability and, 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 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 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 in support of customer programmes. For the year ended December 31, 2019, the Group invested US$200.6 million and US$167.7 million in capital equipment and capitalised engineering product development costs, respectively.

The Group's use of cash for the year ended December 31, 2019 was directly related to its investment in capital and engineering 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 consolidated statement of cash flows for the Group for the years indicated:

	For the year ended December 31, 2019	For the year ended December 31, 2018
	US$'000	*US$'000*
Cash generated from (used) in:		
Operating activities	**491,241**	613,202
Investing activities	**(373,356)**	(303,705)
Financing activities	**(184,160)**	(212,277)
Net (decrease) increase in cash and cash equivalents	**(66,275)**	97,220

Cash Flows Generated from Operating Activities

For the year ended December 31, 2019, the Group's net cash generated from operating activities was US$491.2 million, a decrease of US$122.0 million compared with US$613.2 million for the year ended December 31, 2018. The decrease in cash flows from operating activities was primarily attributable to lower net profit and the timing of collection of customer trade receivables, partially offset by a decrease in net cash taxes paid as a result of a significant income tax receivable as at December 31, 2018, which was collected during 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 years indicated:

	For the year ended December 31, 2019 *US$'000*	For the year ended December 31, 2018 *US$'000*
Purchase of property, plant and equipment	**(200,607)**	(158,306)
Addition of intangible assets and land use rights	**(167,720)**	(144,744)
Proceeds from sale of property, plant and equipment	**1,328**	2,744
Change in restricted bank deposits	**(8)**	6,905
Investments in joint ventures	**(6,349)**	(10,304)
Net cash used in investing activities	**(373,356)**	(303,705)

Cash Flows Used in Financing Activities

For the year ended December 31, 2019, the Group's net cash used in financing activities was US$184.2 million, a decrease of US$28.1 million compared to US$212.3 million for the year ended December 31, 2018. The main contributor to the decrease in net cash used in financing activities was lower net repayments of borrowings during 2019 as the Company repaid in full the outstanding balance of a US term loan in 2018. Lower net repayments of borrowings were partially offset by an increase in dividends paid during 2019 as a result of increased net profits for the year ended December 31, 2018 as compared to 2017. In 2019, cash flows used in financing activities were mainly comprised of net repayment of borrowings of US$82.3 million, finance costs paid of US$26.6 million, dividends paid to shareholders of the Company of US$77.7 million, partially offset by proceeds from exercise of share options of US$2.5 million.

Indebtedness

As at December 31, 2019, the Group's total borrowings was US$369.3 million, a decrease of US$12.5 million from US$381.8 million as at December 31, 2018. This decrease is primarily due to the repayment of maturing debt, partially offset by the adoption of IFRS 16, *Leases*, which required the Group to record lease liabilities for certain leases with terms extending beyond 12 months.

The following table sets forth the balances of current and non-current borrowing obligations within the Group for the years indicated:

	December 31, 2019 *US$'000*	December 31, 2018 *US$'000*
Current borrowings	**58,825**	64,347
Non-current borrowings	**248,829**	312,294
Lease liabilities	**61,672**	5,113
Total borrowings	**369,326**	381,754

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

	For the year ended December 31, 2019 *US$'000*	For the year ended December 31, 2018 *US$'000*
Within 1 year	**71,116**	66,228
Between 1 and 2 years	**259,648**	65,067
Between 2 and 5 years	**24,386**	250,459
Over 5 years	**14,176**	–
Total borrowings	**369,326**	381,754

Pledge of Assets

The Group has secured borrowings at certain subsidiaries. Assets securing the borrowings differ by site and include accounts receivable, inventories, property, plant and equipment. As at December 31, 2019, the Group had total assets pledged as collateral of US$491.3 million, an increase of US$62.6 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 significant changes in collateral arrangements have occurred from December 31, 2018 to December 31, 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 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, 2019 was 19.9%, a decrease of 240 basis points as compared to 22.3% as at December 31, 2018. The gearing ratio decreased as a result of the paydowns on existing borrowings partially offset by an increase in lease liabilities 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 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 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.

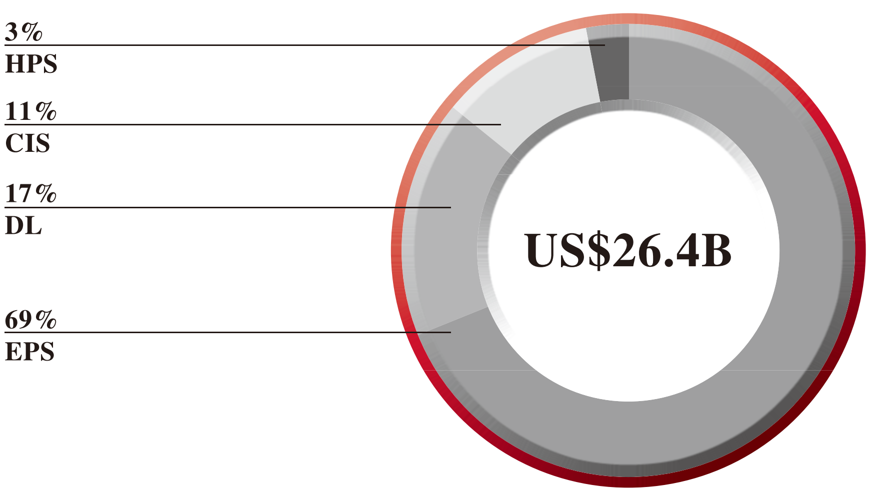
Backlog of Booked Business

We begin to realise revenue under a new business contract as steering systems and DL 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 (the **Backlog of Booked Business**, **Booked Business Amount**, **Booked Business** or **Backlog**), increased by 4.4% to approximately US$26.4 billion as at December 31, 2019 compared with US$25.2 billion as at December 31, 2018.

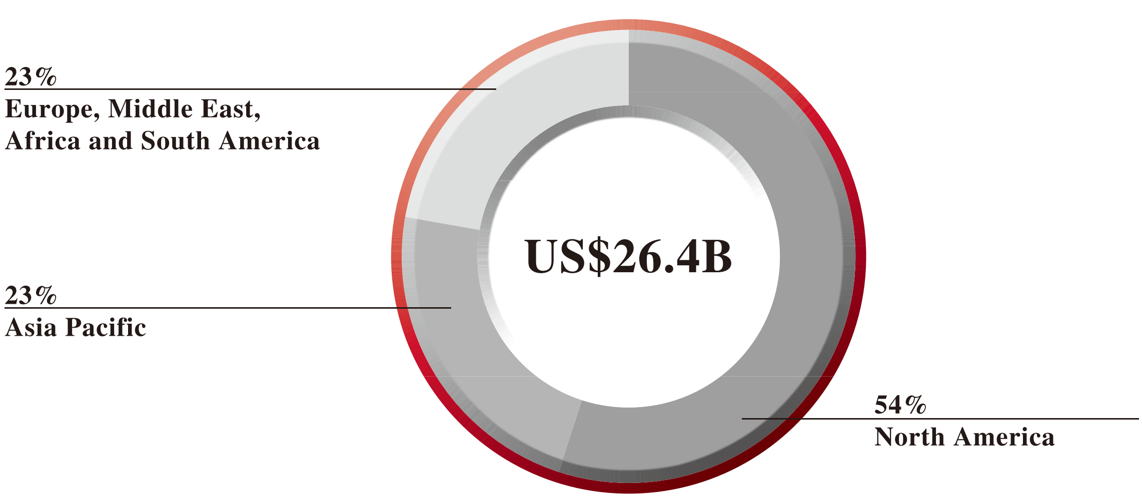
The value of Booked Business is not a measure defined by IFRS, and our methodology for determining the Backlog may not be comparable to the methodology used by other companies in determining the value of their booked business. Assumptions relative to estimated lifetime programme volumes and contract 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 Backlog. While we believe that our current Backlog is a relevant financial metric, we must emphasise that the information set out in this section in relation to the Backlog shall not constitute any forecast or prediction of the revenue and profits of the Group and the actual future value may differ from the estimated Backlog due to various factors beyond the Group's control.

Backlog of Booked Business:

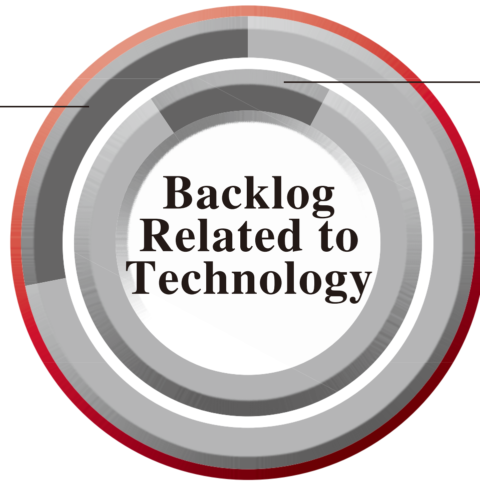
Backlog by Product Group



Backlog by Geographical Segments



Backlog by Product Related to ADAS/AD Functionality & Electric Vehicles (EVs)



Employees and Remuneration Policy

As at December 31, 2019, the Group had approximately 12,800 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, 2019, we had approximately 1,000 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, 2019.

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

Chairman and Chief Executive Officer

Under the Code Provision A.2.1 of the Hong Kong CG Code, the roles of chairman and CEO 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 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 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, needed 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 and was appointed as Vice Chairman. The Board had 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 year ended December 31, 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 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 section D.2 of the Hong Kong CG Code. 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 (retired with effect from June 3, 2019), Mr. LIU, Ping (appointed with effect from June 3, 2019) 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 2019 annual results and the annual financial statements of the Group for the year ended December 31, 2019.

The Audit and Compliance Committee also approved the annual results and the audited Consolidated Financial Statements for the year ended December 31, 2019 and submitted them to the Board for approval.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended December 31, 2019, 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$81.5 million, or US$0.0325 per Share, which represents slightly above 35% of net profit for the year ended December 31, 2019 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 30, 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from June 24, 2020 to June 30, 2020, 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 June 23, 2020.

The final dividend is payable on July 20, 2020 and the record date for entitlement to the proposed final dividend is July 9, 2020. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from July 7, 2020 to July 9, 2020, 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 July 6, 2020.

PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules up to the date of this announcement.

APPOINTMENT OF PRESIDENT

The Board announces the appointment of Mr. Tao LIU, the Company's Global Chief Operating Officer, as the Company's President and Global Chief Operating Officer, with effect from March 29, 2020.

The biographical details of Mr. Tao LIU are set out below:

LIU, Tao (柳濤), aged 55, was appointed as our President and Global Chief Operating Officer on March 29, 2020. Mr. LIU has approximately 20 years of relevant experience in the automotive industry. He is a member of the Company's Global Strategy Council. He is responsible for reporting to the Chief Executive Officer and overseeing our Group's global functions including sales, engineering, operations and global supply management and is in charge of overseeing our Group's product lines. After October 1, 2016 Mr. LIU served as Senior Vice President and Global Chief Operating Officer. From August 2013 to October 2016, Mr. LIU served as our Vice President and Chief Operating Officer – China Division. He was responsible for the business plan, the overall financial position and advising on strategic direction of the division. From May 2012 to July 2013, Mr. LIU was an Executive Director of the China Division, where he was responsible for the business plan and the overall financial position of the China Division. He served as the China Operations Manager and Executive Director of China Operations from October 2009 to May 2012 and Managing Director of Saginaw Steering (Suzhou) Co., Ltd. from February 2008 to October 2009. Prior to this, Mr. LIU worked at Delphi Automotive Systems (China) Holding Co., Ltd., where he served as China Operations Manager of Delphi Steering, responsible for the manufacturing facilities in Suzhou and overseeing manufacturing operations of the China Division from 2006 to 2008. He served as General Manager of China Operations of Metaldyne Powertrain Group from January 2005 to May 2006, and was the Asia Pacific Delphi Manufacturing System Manager of Energy, Chassis and Steering System and a Manufacturing Manager of Delphi Shanghai Dynamics & Propulsion Systems Co., Ltd. from 2001 to 2004 and from 1997 to 2001, respectively. He also worked at Shanghai Machine Tool Works Plant from August 1987 to December 1996. Mr. LIU obtained a bachelor's degree in industrial automation from Tsinghua University, China, in 1987 and a master's degree in business administration from Purdue University, the USA, in 2001.

FORWARD LOOKING STATEMENTS

Any forward-looking statements and opinions contained within this announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Company, the Directors and the employees of the Company assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

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

Hong Kong, March 30, 2020

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