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: 01316)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2014

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 23.1% to US$1,434.4 million (Six months ended June 30, 2013: US$1,164.8 million)
- Gross profit increased by approximately 20.1% to US$204.4 million (Six months ended June 30, 2013: US$170.2 million)
- Profit attributable to equity holders of the Company increased by approximately 39.1% to US$80.9 million (Six months ended June 30, 2013: US$58.2 million)

RESULTS

The board (the **Board**) of directors (the **Directors**) of Nexteer Automotive Group Limited (the **Company**) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the **Group**) for the six months ended June 30, 2014, together with the comparative figures for the previous period as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended June 30, 2014

		For the six months ended June 30,	
		2014	2013
	Note	***US$'000***	*US$'000*
		(Unaudited)	(Audited)
Revenue	*3*	**1,434,372**	1,164,815
Cost of sales		**(1,230,011)**	(994,639)
Gross profit		**204,361**	170,176
Engineering and product development costs		**(37,009)**	(37,550)
Selling and distribution expenses		**(4,060)**	(3,948)
Administrative expenses		**(40,405)**	(43,837)
Other losses, net	*4*	**(706)**	(1,381)
Operating profit		**122,181**	83,460
Finance income	*5*	**978**	363
Finance costs	*5*	**(11,211)**	(11,049)
Finance costs, net		**(10,233)**	(10,686)
Share of loss of a joint venture		**(198)**	–
Profit before income tax		**111,750**	72,774
Income tax expense	*6*	**(30,149)**	(13,955)
Profit for the period		**81,601**	58,819
Attributable to:			
Equity holders of the Company		**80,900**	58,153
Non-controlling interests		**701**	666
		81,601	58,819
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
Basic and diluted	*7*	**0.03**	0.03
Dividend	*8*	**–**	–

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2014

	For the six months ended June 30,	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Profit for the period	**81,601**	58,819
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
Actuarial (losses)/gains on defined benefit plans, net of tax of US$(271,000) (six months ended June 30, 2013: US$217,000)	**(652)**	502
Items that may be reclassified subsequently to profit or loss		
Exchange differences	**(3,684)**	(7,102)
Cash flow hedges	**(110)**	–
	(4,446)	(6,600)
Total comprehensive income for the period	**77,155**	52,219
Attributable to:		
Equity holders of the Company	**77,162**	51,448
Non-controlling interests	**(7)**	771
	77,155	52,219

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2014

	Note	**June 30, 2014** ***US$'000*** **(Unaudited)**	December 31, *2013* *US$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**585,457**	562,540
Land use rights		**700**	732
Intangible assets		**311,768**	271,358
Investment in a joint venture		**1,733**	–
Deferred income tax assets		**28,626**	23,320
Other receivables and prepayments		**7,341**	8,021
		935,625	865,971
Current assets			
Inventories		**194,582**	185,323
Trade receivables	*9*	**532,684**	363,932
Other receivables and prepayments		**73,070**	71,565
Derivative financial instruments		**799**	462
Restricted bank deposits		**4,192**	3,816
Cash and cash equivalents		**185,517**	314,120
		990,844	939,218
Total assets		**1,926,469**	1,805,189
EQUITY			
Capital and reserves attributable to equity holders			
Share capital		**32,222**	32,222
Share premium		**252,643**	252,643
Other reserves		**106,194**	109,156
Retained earnings		**232,276**	173,682
		623,335	567,703
Non-controlling interests		**23,036**	23,043
Total equity		**646,371**	590,746

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
As at June 30, 2014

	Note	**June 30, 2014** **US$'000** **(Unaudited)**	December 31, *2013* *US$'000* (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**419,484**	458,377
Retirement benefits and compensations		**26,386**	25,614
Deferred income tax liabilities		**41,070**	28,347
Derivative financial instruments		**110**	–
Provisions		**48,962**	42,423
Deferred revenue		**66,172**	65,232
Other payables and accruals		**3,214**	2,904
		605,398	622,897
Current liabilities			
Trade payables	*10*	**399,149**	336,476
Other payables and accruals		**68,962**	72,308
Current income tax liabilities		**16,460**	19,083
Retirement benefits and compensations		**2,175**	2,116
Provisions		**32,578**	18,494
Deferred revenue		**16,147**	13,430
Borrowings		**139,229**	129,639
		674,700	591,546
Total liabilities		**1,280,098**	1,214,443
Total equity and liabilities		**1,926,469**	1,805,189
Net current assets		**316,144**	347,672
Total assets less current liabilities		**1,251,769**	1,213,643

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2014

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on August 21, 2012 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) 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 Group is principally engaged in the design and manufacture of steering and driveline systems 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 it is 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 (**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 (the **Hong Kong Stock Exchange**) since October 7, 2013 (the **Listing Date**).

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 for issue by the Board of Directors on August 28, 2014.

This Condensed Financial Information has not been audited.

2. 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, 2013, which have been prepared in accordance with International Financial Reporting Standards (**IFRS**).

The following amendments to standards and interpretations are mandatory for the first time for the financial year beginning January 1, 2014:

IAS 27 (Amendment)	Investment entities
IAS 32 (Amendment)	Financial instruments: Presentation on asset and liability offsetting
IAS 36 (Amendment)	Impairment of assets
IAS 39 (Amendment)	Novation of derivatives
IFRIC 21	Levies

The adoption of the above does not have any significant impact to the results and financial position of the Group for the six months ended June 30, 2014.

The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning January 1, 2014 and have not been early adopted:

		Effective for accounting periods beginning on or after
IAS 19 (Amendment)	Employee benefits	July 1, 2014
IAS 16 and IAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	January 1, 2016
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation	January 1, 2016
IFRS 14	Regulatory deferral accounts	January 1, 2016
IFRS 15	Revenue from contracts with customers	January 1, 2017
IFRS 9	Financial instruments	January 1, 2018

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

3. 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 (the **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, at a minimum.

The Group classifies its businesses into four reportable segments: North America, Europe, China and Rest of World. All of the Group's operating segments typically offer the same driveline and steering products. The "Others" category represents parent company activities of the Company and its directly held subsidiaries PCM (US) Steering Holding Inc. and PCM (Singapore) Steering Holding Pte. Limited.

The key performance indicators that the Group monitors to run segment operations are:

- EBITDA, which represents operating income before interest, taxes, depreciation and amortisation.

- Net working capital (**NWC**) represents inventory and trade receivables net of trade payables. This measures the Group's net investment in operating assets for each segment. NWC does not include trade payables and receivables between operating segments.

Information about reportable segments and reconciliations of reportable segment revenues is as follows:

	North America *US$'000*	Europe *US$'000*	China *US$'000*	Rest of World *US$'000*	Others *US$'000*	Total *US$'000*
For the six months ended June 30, 2014 (unaudited)						
Total revenue	1,023,073	201,371	187,722	63,919	–	1,476,085
Inter-segment revenue	(20,717)	(10,014)	(3,849)	(7,133)	–	(41,713)
Revenue from external customers	1,002,356	191,357	183,873	56,786	–	1,434,372
EBITDA	118,614	25,830	30,031	(7,280)	3,873	171,068
NWC	189,911	40,309	77,307	23,283	(2,693)	328,117
For the six months ended June 30, 2013 (audited)						
Total revenue	829,527	177,332	128,459	73,414	–	1,208,732
Inter-segment revenue	(18,183)	(14,334)	(4,758)	(6,642)	–	(43,917)
Revenue from external customers	811,344	162,998	123,701	66,772	–	1,164,815
EBITDA	72,379	23,051	20,106	(3,638)	2,303	114,201
NWC	216,344	26,003	37,391	(5,432)	(4,366)	269,940

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

Reconciliations of reportable segment net income to those as determined under IFRS are as follows:

	For the six months ended June 30,	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Audited)
EBITDA from reportable segments	**171,068**	114,201
Depreciation and amortisation expenses	**(48,887)**	(30,741)
Finance costs, net	**(10,233)**	(10,686)
Share of loss of a joint venture	**(198)**	–
Profit before income tax	**111,750**	72,774

In presenting information on the basis of geography, segment revenue is based on the geographical location of subsidiaries and segment assets are based on geographical location of the assets.

The geographic distribution of revenue for the six months ended June 30, 2014 and 2013 respectively is as follows:

	For the six months ended June 30,	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Audited)
North America	**1,002,356**	811,344
Europe:		
Poland	**188,708**	160,364
Rest of Europe	**2,649**	2,634
China	**183,873**	123,701
Rest of World	**56,786**	66,772
	1,434,372	1,164,815

The geographic distribution of non-current assets excluding deferred income tax assets as at June 30, 2014 and December 31, 2013 respectively is as follows:

	June 30, 2014	December 31, 2013
	US$'000	*US$'000*
	(Unaudited)	(Audited)
North America	**657,782**	603,319
Europe:		
Poland	**96,405**	100,181
Rest of Europe	**2,756**	2,874
China	**131,898**	118,665
Rest of World	**18,158**	17,612
	906,999	842,651

Distribution of revenue between product lines for the six months ended June 30, 2014 and 2013 respectively is as follows:

	For the six months ended June 30,	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Steering	**1,170,180**	936,774
Driveline	**264,192**	228,041
	1,434,372	1,164,815

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,	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Audited)
General Motors Group and its affiliates	**801,139**	619,076
Customer A	**235,300**	190,999
Customer B	**148,200**	129,576
	1,184,639	939,651

4. OTHER LOSSES, NET

	For the six months ended June 30,	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Foreign exchange losses	**(575)**	(667)
Loss on disposal of property, plant and equipment	**(257)**	(820)
Fair value gain on derivative financial instruments	**337**	–
Others	**(211)**	106
	(706)	(1,381)

5. FINANCE COSTS, NET

	For the six months ended June 30,	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Finance income		
Interest on bank deposits	**978**	363
Finance costs		
Interest expense on bank borrowings		
– Wholly repayable within 5 years	**3,092**	5,434
– Not wholly repayable within 5 years	**9,868**	9,107
	12,960	14,541
Interest on finance leases	**34**	36
Other finance costs	**812**	674
	13,806	15,251
Less: amount capitalised in qualifying assets	**(2,595)**	(4,202)
	11,211	11,049
Finance costs, net	**10,233**	10,686

6. TAXATION

	For the six months ended June 30,	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Current income tax	**22,958**	5,375
Deferred income tax charges	**7,191**	8,580
	30,149	13,955

Taxation on the Group's profits has been calculated on the estimated assessable profits for the year at the statutory rates of 35%, 25% and 19% in US, China, and Poland, respectively, from where the Group's profits were mainly generated.

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, 2014. 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 27.0% and 19.2% for the six months ended June 30, 2014 and 2013, respectively, vary from the statutory rates primarily due to tax credits and tax holidays in certain jurisdictions. The effective tax rate for the six months ended June 30, 2013 had been reduced as a result of a tax benefit of US$7,000,000 relating to the enactment of the American Taxpayer Relief Act of 2012. which had been enacted on January 2, 2013, retroactively reinstating and extending various tax provisions through the end of 2013, including the research and experimentation (**R&E**) tax credit. For the six months ended June 30, 2014, there was no such R&E tax credit because it has expired.

7. EARNINGS PER SHARE

(a) 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,	
	2014	2013
	(Unaudited)	(Audited)
Profit attributable to the equity holders of the Company *(US$'000)*	**80,900**	58,153
Weighted average number of ordinary shares in issue *(thousands)*	**2,497,804**	1,680,000
Basic earnings per share *(in US$)*	**0.03**	0.03

In determining the number of ordinary shares in issue for the six months ended June 30, 2013, one share of the Company allotted and issued upon incorporation on August 21, 2012 and the 1,679,999,999 shares allotted and issued through capitalisation of the share premium account of the Company on October 4, 2013, had been regarded as if these shares were in issue since January 1, 2013.

(b) Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares for the six months ended June 30, 2014 as the performance-based share options could not be exercised until the performance targets are met. As at the balance sheet date, such performance targets have not been met.

8. DIVIDEND

A dividend of approximately US$21,654,000 relating to the year ended December 31, 2013 was paid in the six months ended June 30, 2014 (six months ended June 30, 2013: Nil). The Board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended June 30, 2014 (six months ended June 30, 2013: Nil).

9. TRADE RECEIVABLES

	June 30, 2014 *US$'000* **(Unaudited)**	December 31, 2013 *US$'000* (Audited)
Trade receivables, gross	**535,763**	366,836
Less: provision for impairment	**(3,079)**	(2,904)
	532,684	363,932

Credit terms range primarily from 30-90 days after the invoice date depending on the customer and the geographical region. Ageing analysis of trade receivables based on credit terms is as follows:

	June 30, 2014 *US$'000* **(Unaudited)**	December 31, 2013 *US$'000* (Audited)
Not overdue	**515,598**	344,212
Overdue up to 30 days	**14,644**	11,606
Overdue 30 to 60 days	**577**	6,267
Overdue 60 to 90 days	**451**	1,608
Overdue over 90 days	**4,493**	3,143
	535,763	366,836

The carrying amounts of trade receivables pledged as collateral were US$299,039,000 as at June 30, 2014 (December 31, 2013: US$302,791,000).

10. TRADE PAYABLES

Ageing analysis of trade payables based on credit terms is as follows:

	June 30, 2014 *US$'000* **(Unaudited)**	December 31, 2013 *US$'000* (Audited)
Not overdue	**357,162**	313,553
Overdue up to 30 days	**17,395**	9,506
Overdue 30 to 60 days	**8,122**	4,725
Overdue 60 to 90 days	**9,479**	2,968
Overdue over 90 days	**6,991**	5,724
	399,149	336,476

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis should be read in conjunction with the unaudited interim condensed consolidated financial information, which has been prepared in accordance with "IAS" 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

GLOBAL AUTOMOTIVE MARKET

The growing global automotive market continues to drive demand in steering and driveline systems. Global light vehicle production increased by 3.8% from 42.4 million units for the six months ended June 30, 2013 to 44.0 million units for the six months ended June 30, 2014, achieving a new record high in this segment. Driven by continued increasing demand for vehicle ownership, China light vehicle production was at 11.3 million units for the six months ended June 30, 2014, an increase of 9.7% or 1.0 million units over the 10.3 million units produced for the six months ended June 30, 2013. North America recorded the fourth consecutive period of growth for the six months ended June 30, 2014 with 8.6 million units, an increase of 3.6% or 0.3 million units over the 8.3 million level achieved for the six months ended June 30, 2013. Europe production showed improvement over the previous year, as of June 30, 2014 at 10.4 million units, an increase of 4.0%, or 0.4 million units, over June 30, 2013 levels of 10.0 million units.

FINANCIAL REVIEW

Consistent with our business plan, the Group was successful in driving significant improvements to its financial position during the six months ended June 30, 2014 by capitalizing on strong market conditions as well as a continued focus on cost optimization. Additionally, the Group continued its commitment to capital spending and research and development in order to facilitate growth.

Operating Environment

The Group's profit attributable to equity holders of the Company for the six months ended June 30, 2014 was US$80.9 million or 5.6% of total revenue, an increase compared to the six months ended June 30, 2013 of US$58.2 million or 5.0% of total revenue. This increase was attributable to the following:

- Significant revenue growth from previously booked business
- Increased customer demands due to market strength
- Cost efficiency initiatives offset by one-time warranty costs
- Improved product line mix (continued conversion from Hydralic Power Steering (**HPS**) to Electric Power Steering (**EPS**))

Revenue

The Group's revenue for the six months ended June 30, 2014 was US$1,434.4 million, a 23.1% increase from the six months ended June 30, 2013 of US$1,164.8 million.

Revenue by Geographical Segments

For the six months ended June 30, 2014, the Group experienced an increase in revenue in North America, Europe, and China segments. This increase was partially offset by a decrease in revenue in the Rest of World segment.

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

	Six months ended June 30, 2014		Six months ended June 30, 2013	
	US$'000	***%***	*US$'000*	*%*
North America	**1,002,356**	**69.9**	811,344	69.7
China	**183,873**	**12.8**	123,701	10.6
Europe	**191,357**	**13.3**	162,998	14.0
Rest of World[(1)]	**56,786**	**4.0**	66,772	5.7
Total	**1,434,372**	**100.0**	1,164,815	100.0

Note:

(1) Includes Brazil, India, Korea, and Australia

The changes in revenue by geographical segments are as follows:

- The North America segment experienced a 23.5% increase from the prior six months ended June 30, 2013 to the six months ended June 30, 2014. This increase is due to increased customer demand and additional revenue from a key EPS program launched in June 2013.

- The China segment experienced a 48.6% increase in revenue from the six months ended June 30, 2013 to the six months ended June 30, 2014. This is due to increased customer demand and revenue from new programs launched in the second half of 2013 and in the first half of 2014.

- The Europe segment experienced a 17.4% increase in revenue from the six months ended June 30, 2013 to the six months ended June 30, 2014. This increase is attributable to an increase in revenue due to recently launched EPS programs and improved industry volumes in Europe.

Revenue by Products

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

	Six months ended June 30, 2014		Six months ended June 30, 2013	
	US$'000	*%*	*US$'000*	*%*
Steering	**1,170,180**	**81.6**	936,774	80.4
Driveline	**264,192**	**18.4**	228,041	19.6
Total	**1,434,372**	**100.0**	1,164,815	100.0

The steering production revenue increase is primarily resulting from the growth of the EPS products sold as the Group transitions from HPS to higher priced EPS systems. This increase is amplified by substantial volume increases due to customer demands.

Cost of Sales

The Group's cost of sales for the six months ended June 30, 2014 was US$1,230.0 million, an increase of US$235.4 million from the six months ended June 30, 2013. The Group's cost of sales as of June 30, 2014 primarily included raw material costs of US$836.8 million, manufacturing expense of US$358.7 million, as well as other costs of sales of US$34.5 million.

The increase in cost of sales from the six months ended June 30, 2013 to the six months ended June 30, 2014 was the result of increased material and labor needed to satisfy customer driven volume increases for existing programs and additional volume for new programs as well as an increase in depreciation and amortisation expense of US$18.2 million to US$48.9 million for the six months ended June 30, 2014 from US$30.7 million for the six months ended June 30, 2013. The increase in depreciation and amortisation expense is due to the increase in capital equipment and capitalized product development costs for new product launches. Additionally, cost of sales was increased due to one-time warranty items of US$15.4 million from customer product recalls offsetting cost efficiency initiatives.

Engineering and Product Development Costs

Engineering and product development costs in the interim condensed consolidated income statement represent costs incurred as part of continuous improvement initiatives and business pursuits. For the six months ended June 30, 2014, the Group's engineering and product development costs charged to the consolidated income statement were US$37.0 million or 2.6% of revenue, a 0.6% decrease as a percentage of revenue from the six months ended June 30, 2013 of 3.2% of revenue, or US$37.6 million. The decrease in percentage of revenue is attributable to significant revenue growth in the six months ended June 30, 2014 compared to the six months ended June 30, 2013.

Administrative Expenses

The Group's administrative expenses for the six months ended June 30, 2014 were US$40.4 million, a decrease of US$3.4 million, or 7.8% compared to the six months ended June 30, 2013. The decrease was the result of higher costs incurred in the six months ended June 30, 2013 from the preparation for the initial public offering that were not incurred during the six months ended June 30, 2014.

Finance Costs, net

Finance costs, net consist of interest income and expense reduced by interest capitalized on qualifying assets and product development. The Group's net finance costs for the six months ended June 30, 2014 were US$10.2 million which is a decrease of US$0.5 million from the six months ended June 30, 2013. This decrease was attributable to a lower average LIBOR rate for the six months ended June 30, 2014 compared to the six months ended June 30, 2013, as well as a reduction in the average outstanding principal balance on borrowings.

Income Tax Expense

The Group's income tax expense was US$30.1 million for the six months ended June 30, 2014, representing 27.0% of the Group's profit before income tax, an increase of US$16.1 million from US$14.0 million, or 19.2% of profit before tax for the six months ended June 30, 2013.

The increase in income tax expense is primarily the result of US$9.4 million of additional income tax expense incurred on the incremental US$39.0 million of profit before tax for the six months ended June 30, 2014 and a US$7.0 million tax benefit reflected in the consolidated income statement for the six months ended June 30, 2013 for a R&E tax credit. For the six months ended June 30, 2014, no R&E tax credit has been included because the credit has expired at the end of 2013.

Gross Profit and Gross Margin

The Group's gross profit for the six months ended June 30, 2014 was US$204.4 million, an increase of US$34.2 million from US$170.2 million for the six months ended June 30, 2013. Gross margin for the six months ended June 30, 2014 was 14.2%, a 0.4% decrease from 14.6% for the six months ended June 30, 2013. This decrease was the result of improved manufacturing cost efficiency initiatives, offset by one time warranty costs related to product recalls of US$15.4 million and an increase in depreciation and amortisation of US$18.2 million.

Profit for the Period

The Group's profit attributable to equity holders of the Company for the six months ended June 30, 2014 was US$80.9 million, an increase of US$22.7 million from US$58.2 million for the six months ended June 30, 2013.

Provisions

As of June 30, 2014, the Group has provisions of US$81.5 million for restructuring, legal disputes, environmental liabilities, warranties, and decommissioning, an increase of US$20.6 million from US$60.9 million as at December 31, 2013. This increase in provisions was primarily due to increased warranty reserves and current safety recalls by the Group's customers.

Warranty

Included in these provisions is an amount of US$18.9 million for product recalls. The product recalls relate to component parts supplied by the Group that were manufactured by the Group's suppliers. The provision amounts were determined by an internal estimate of the Group's financial liability considering a range of outcomes. The amounts could change significantly based upon the final negotiations with the customer and supplier. As at the date hereof, the Group has not paid any amount on account of this recall and the Company is not aware of any litigation filed against the Group by such customer.

Liquidity and Capital Resources

Cash Flows

The Group's business requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials, capital spending for customer programs, and engineering and product development costs. Since the six months ended June 30, 2013, the Group has invested extensively in capital equipment and engineering and product development costs. For the six months ended June 30, 2014, the Group invested US$87.1 million and US$52.9 million in capital equipment and engineering product development, respectively. Due to an increase in cash generated from operations, the Group has reduced the principal balance on some of its borrowings.

In the future, we believe that our liquidity and capital expenditure requirements will be satisfied by cash generated from operating activities and continued debt facilities.

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

	Six months ended June 30, 2014 *US$'000*	Six months ended June 30, 2013 *US$'000*
Cash generated from/(used in):		
Operating Activities	**76,179**	53,678
Investing Activities	**(140,631)**	(146,227)
Financing Activities	**(64,711)**	99,663
Net (decrease)/increase in cash and cash equivalents	**(129,163)**	7,114

Cash Flows Generated from Operating Activities

For the six months ended June 30, 2014, the Group's net cash generated from operating activities was US$76.2 million, an increase of US$22.5 million compared to six months ended June 30, 2013 of US$53.7 million. The increase in cash flows from operating activities is primarily due to increased earnings. This was partially offset by increased demands for working capital driven by higher sales volumes. Increased earnings were also offset by an increase in income taxes paid which was US$25.4 million for six months ended June 30, 2014, an increase of US$21.8 million from US$3.6 million for the six months ended June 30, 2013.

Cash Flows Used in Investing Activities

The Group's cash flow used in investing activities primarily reflect capital spending for customer programs. Our capital expenditures include cash expenditures for the purchases of machinery, equipment, tooling, and investment in product development.

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

	Six months ended June 30, 2014	Six months ended June 30, 2013
	US$'000	*US$'000*
Purchase of property, plant and equipment	**(87,132)**	(91,554)
Addition of intangible assets	**(52,933)**	(50,856)
Proceeds from sale of property, plant and equipment	**1,818**	6,945
Change in restricted bank deposits	**(403)**	(10,762)
Investment in a joint venture	**(1,981)**	–
Net cash used in investing activities	**(140,631)**	(146,227)

Cash Flows Generated from Financing Activities

The Group's cash outflow from financing activities for the six months ended June 30, 2014 was US$64.7 million. This consisted of repayments of borrowings, interest costs paid, and dividends paid to shareholders.

Exposure to Currency Rate Fluctuations and Related Hedges

The Group actively limits its foreign currency exposure through naturally matching its purchase of materials and sale of finish goods in the same currencies. The Group monitors its remaining foreign currency exposure regularly to reduce the risk of foreign currency fluctuations in its operations.

Indebtedness

As at June 30, 2014, the Group's total borrowings were US$558.7 million which is a US$29.3 million decrease from December 31, 2013. This decrease is due to the utilization of cash generated through operations to pay maturing debt.

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

	June 30, 2014	December 31, 2013
	US$'000	*US$'000*
Current borrowings	**138,833**	129,245
Non-current borrowings	**418,968**	457,632
Finance lease obligations	**912**	1,139
Total borrowings	**558,713**	588,016

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

	June 30, 2014	December 31, 2013
	US$'000	*US$'000*
Within 1 year	**139,229**	129,639
Between 1 and 2 years	**111,725**	89,942
Between 2 and 5 years	**212,414**	240,171
Over 5 years	**95,345**	128,264
Total borrowings	**558,713**	588,016

Subsequent Event

Subsequent to June 30, 2014, the Group completed a restructuring of its US debt facility on August 14, 2014. The main terms of the debt restructure are an increase to the facility size from US$275.0 million to US$325.0 million, an extension of the maturity date from February 1, 2016 to August 14, 2019, and a decrease in interest rates of approximately 1.0% to 1.75% based on facility usage.

Pledge of Assets

The Group has several secured borrowings at specific subsidiaries. The assets securing the borrowings differ by site and include accounts receivable, inventory, property, plant and equipment, the equity interests of certain subsidiaries, and intellectual property. As at June 30, 2014 the Group had approximately US$796.2 million total assets pledged as collateral, a decrease of US$18.5 million from US$814.7 million as of December 31, 2013.

Gearing Ratio

The Group monitors its capital structure on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total equity at the end of the respective period. The gearing ratio as of June 30, 2014 was 86.4%, a decrease of 13.1% from December 31, 2013 which was 99.5%. This is due to an increase in total equity of US$55.6 million. In addition, the gearing ratio was further impacted by a decrease in borrowings of US$29.3 million from US$558.7 million as of June 30, 2014 compared to US$588.0 as of December 31, 2013.

OTHER INFORMATION

Future Prospects

We plan to strengthen our business in North America, grow in Europe and expand our business in developing markets, including China, by offering steering and driveline products that are specifically tailored for different markets' product performance and price requirements. In addition, we plan to build upon existing relationships with global and local original equipment manufacturers in these markets. We also may pursue selected strategic acquisitions and alliances globally, including in developing markets. We plan to expand our manufacturing plants in certain countries, such as China, to increase our production capacity. We believe that by offering tailored products, building upon existing relationships, pursuing strategic acquisitions and alliances and expanding our manufacturing plants, our brand recognition and revenue in developing markets will continue to grow.

Employees Remuneration Policy

As of June 30, 2014, the Group had 10,570 employees globally. The Group's remuneration policies are formulated based on the performance of individual employees and company performance and are reviewed regularly. The Group's full time employees participate in various employee benefits and workers compensation plans. In addition, the Group adopted employee incentive plans designed to attract and retain employees with a view of encouraging the participants to commit to enhancing value for the Group and its Shareholders as a whole. For example, the Group has a retention program that includes individual development plans, merit wage adjustments and promotions.

The Group offers training programs to its employees which are designed to develop skills that they need to meet the Group's enterprise goals and customer requirements and to meet certain training requirements such as mandated customer or regulatory requirements and contractual obligations.

USE OF NET PROCEEDS FROM LISTING

On the Listing Date, the shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange and raised net proceeds of approximately US$273 million. As at June 30, 2014, the Company has used approximately US$209 million and has not used the remaining of approximately US$64 million from such proceeds in accordance with the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated September 24, 2013. As at June 30, 2014, the planned and actual uses of such proceeds were as follows:

Use	Approximate percentage of net proceeds	Approximate amount of net proceeds *(in US$ million)*	Approximate amount utilized *(in US$ million)*	Approximate amount remaining *(in US$ million)*
Capital expenditure on new product programs secured from original equipment manufacturers customers or expects to be secured and expansion of manufacturing capacity and facilities	72%	197	133	64
Strengthening of our research and development capabilities, developing new technologies and products, and enhancing key component manufacturing capabilities	21%	57	57	–
Working capital	7%	19	19	–
Total	100%	273	209	64

The remaining proceeds of approximately US$64 million, deposited in normal interest bearing saving accounts, will be applied by the Company for future capital expenditures

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2014.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted its own Internal Control and Corporate Governance Policies, which are based on and more stringent than the principles, provisions and practices set out in the Corporate Governance Code (the **Hong Kong CG Code**) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the **Listing Rules**).

Except for the deviation disclosed in this interim results announcement, in the opinion of the Directors, the Company has complied with all the code provisions as set out in the Hong Kong CG Code throughout the six months ended June 30, 2014.

Chairman and Chief Executive

A.2.1 – Mr. ZHAO Guibin, our chairman also acts as the Chief Executive Officer of the Company which will constitute a deviation from Code Provision A.2.1 of the Hong Kong CG Code. The Board believes that this structure will 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 that our Board includes three Independent Non-Executive Directors out of a total of eight Directors, which is more than the Listing Rules requirement of one-third, and we believe there is sufficient check and balance in the Board; (ii) Mr. ZHAO and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that each Director, including Mr. ZHAO, acts for the benefit and in the best interests of the Group and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic, financial and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and Chief Executive Officer is necessary.

COMPLIANCE WITH CODE ON CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **Model Code**) as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the six months ended June 30, 2014.

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.

AUDIT AND COMPLIANCE COMMITTEE AND REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Audit and Compliance Committee has 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, 2014. 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 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, 2014.

By order of the Board
Nexteer Automotive Group Limited
Guibin ZHAO
Chairman

Hong Kong, August 28, 2014

As of the date of this announcement, the Company's executive directors are Mr. Guibin ZHAO, Mr. Michael Paul RICHARDSON and Mr. Yi FAN, the non-executive directors are Mr. Daen LU and Mr. Xiaobo WANG, and the independent non-executive directors are Mr. Hing Lun TSANG, Mr. Jianjun LIU and Mr. Kevin Cheng WEI.