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, 2016

HIGHLIGHTS

- Revenue increased by approximately 17.1% to US$1,923.8 million (six months ended June 30, 2015: US$1,642.3 million)
- Gross profit increased by approximately 31.2% to US$334.4 million (six months ended June 30, 2015: US$254.8 million)
- Profit attributable to equity holders of the Company increased by approximately 54.2% to US$148.9 million (six months ended June 30, 2015: US$96.5 million)
- Achieved a strong new business backlog of US$24.0 billion

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 (collectively the **Group**) for the six months ended June 30, 2016, together with the comparative figures for the previous period as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended June 30, 2016

		For the six months ended June 30,	
		2016	2015
	Notes	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	**1,923,800**	1,642,321
Cost of sales	*3*	**(1,589,403)**	(1,387,480)
Gross profit		**334,397**	254,841
Engineering and product development costs	*3*	**(64,413)**	(42,258)
Selling and distribution expenses	*3*	**(7,226)**	(5,701)
Administrative expenses	*3*	**(55,049)**	(50,206)
Other gains (losses), net	*4*	**7,739**	(7,406)
Operating profit		**215,448**	149,270
Finance income	*5*	**611**	1,362
Finance costs	*5*	**(16,442)**	(16,675)
Finance costs, net		**(15,831)**	(15,313)
Share of income of a joint venture		**1,494**	457
Profit before income tax		**201,111**	134,414
Income tax expense	*6*	**(48,189)**	(35,349)
Profit for the period		**152,922**	99,065
Attributable to:			
Equity holders of the Company		**148,869**	96,519
Non-controlling interests		**4,053**	2,546
		152,922	99,065
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
– Basic and diluted	*7*	**0.06**	0.04

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2016

	For the six months ended June 30,	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**152,922**	99,065
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit plans, net of tax of US$34,000 (six months ended June 30, 2015: US$47,000)	**34**	107
Items that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**(6,806)**	(15,104)
Cash flow hedges	**890**	11
	(5,882)	(14,986)
Total comprehensive income for the period	**147,040**	84,079
Attributable to:		
Equity holders of the Company	**143,610**	81,555
Non-controlling interests	**3,430**	2,524
	147,040	84,079

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
As at June 30, 2016

	Note	**As at June 30, 2016** *US$'000* **(Unaudited)**	As at December 31, 2015 *US$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**699,015**	685,275
Land use rights		**608**	634
Intangible assets		**422,719**	407,671
Investment in a joint venture		**11,396**	9,902
Deferred income tax assets		**9,284**	11,083
Other receivables and prepayments		**7,702**	6,107
		1,150,724	1,120,672
Current assets			
Inventories		**258,104**	253,942
Trade receivables	*9*	**673,021**	569,978
Other receivables and prepayments		**93,244**	94,523
Derivative financial instruments		**–**	659
Restricted bank deposits		**177**	148
Cash and cash equivalents		**348,566**	416,900
		1,373,112	1,336,150
Total assets		**2,523,836**	2,456,822
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**32,231**	32,231
Other reserves		**211,673**	255,575
Retained earnings		**688,519**	539,616
		932,423	827,422
Non-controlling interests		**30,373**	26,943
Total equity		**962,796**	854,365

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
As at June 30, 2016

	Note	**As at June 30, 2016** *US$'000* **(Unaudited)**	As at December 31, 2015 *US$'000* (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**523,740**	560,539
Retirement benefits and compensations		**18,843**	17,544
Deferred income tax liabilities		**46,947**	51,503
Provisions		**75,307**	65,955
Deferred revenue		**89,656**	92,416
Other payables and accruals		**5,768**	7,174
		760,261	795,131
Current liabilities			
Trade payables	*10*	**552,068**	558,769
Other payables and accruals		**92,321**	97,562
Current income tax liabilities		**26,207**	12,503
Retirement benefits and compensations		**3,688**	2,949
Derivative financial instruments		**–**	5,878
Provisions		**21,325**	23,771
Deferred revenue		**23,396**	24,710
Borrowings		**81,774**	81,184
		800,779	807,326
Total liabilities		**1,561,040**	1,602,457
Total equity and liabilities		**2,523,836**	2,456,822

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2016

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, 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 Company, together with its subsidiaries (collectively referred to as the **Group**), are principally engaged in the design and manufacture of steering and driveline systems, advanced driver assist systems (**ADAS**) and autonomous vehicle technologies. 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 South America and Asia Pacific.

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 since October 7, 2013.

This condensed consolidated interim financial information (**Condensed Financial Information**) is presented in thousands of US dollars (**US$'000**), unless otherwise stated. This Condensed Financial Information was approved for issue by the Board of Directors on August 17, 2016.

This Condensed Financial Information has not been audited.

Basis of Preparation

This Condensed Financial Information has been prepared in accordance with International Accounting Standard (**IAS**) 34 "Interim Financial Reporting". This Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with all applicable International Financial Reporting Standards (**IFRS**).

New/revised standards, amendments to standards and interpretations

The Group has adopted the following amendments and interpretations which are relevant to the Group and mandatory for the accounting period beginning on January 1, 2016:

IAS 1 (Amendment)	Disclosure Initiative
Annual Improvements 2014	Annual Improvements 2012-2014 cycle

The adoption of above amendments does not have any significant financial effect on this Condensed Financial Information.

The following new standards and amendments to standards relevant to the Group have been issued but are not yet effective for the financial year beginning January 1, 2016 and have not been early adopted:

		Effective for accounting periods beginning on or after
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019

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

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, at a minimum.

In January 2016, the Company restructured its internal organisation and management structure which resulted in a change in reportable segments. Brazil operations previously reported within the Rest of World segment were combined with the previously reported Europe segment, the result of which is the Europe and South America segment. The operations for all other entities within the Rest of World segment were combined with the previously reported China segment, the result of which is the Asia Pacific segment. Comparative information for the 2015 reporting periods has been restated under the new segment structure.

Under the segment structure implemented in 2016, the Group classifies its businesses into three reportable segments: North America, Europe and South America, and Asia Pacific. 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 activities of its non-operating direct and indirect subsidiaries, as well as elimination entries between segments.

The key performance indicators that the Group uses to monitor segment operations are:

- Adjusted EBITDA, which represents operating income before interest, taxes and depreciation and amortisation and share of results of a joint venture

- Total assets and total liabilities represent total current and non-current assets and total current and non-current liabilities of the segments and include assets and liabilities between operating segments

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

For the six months ended June 30, 2016 (Unaudited)	**North America**	**Asia Pacific**	**Europe and South America**	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total revenue	**1,284,070**	**450,656**	**229,893**	**–**	**1,964,619**
Inter-segment revenue	**(21,554)**	**(18,667)**	**(598)**	**–**	**(40,819)**
Revenue from external customers	**1,262,516**	**431,989**	**229,295**	**–**	**1,923,800**
Adjusted EBITDA	**205,297**	**75,201**	**13,775**	**(1,991)**	**292,282**
For the six months ended June 30, 2015 (Restated)(Unaudited)					
Total revenue	1,122,083	364,730	192,857	–	1,679,670
Inter-segment revenue	(25,159)	(11,773)	(417)	–	(37,349)
Revenue from external customers	1,096,924	352,957	192,440	–	1,642,321
Adjusted EBITDA	162,801	54,048	4,104	(3,132)	217,821

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

	North America US$'000	Asia Pacific US$'000	Europe and South America US$'000	Others US$'000	Total US$'000
As at June 30, 2016 (Unaudited)					
Total assets	**1,589,872**	**643,737**	**346,786**	**(56,559)**	**2,523,836**
Total liabilities	**(810,202)**	**(318,220)**	**(147,214)**	**(285,404)**	**(1,561,040)**
As at December 31, 2015 (Restated) (Audited)					
Total assets	1,546,181	663,484	330,524	(83,367)	2,456,822
Total liabilities	(842,635)	(384,473)	(122,340)	(253,009)	(1,602,457)

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

	For the six months ended June 30, 2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Adjusted EBITDA from reportable segments	**292,282**	217,821
Depreciation and amortisation expenses	**(76,834)**	(68,551)
Finance costs, net	**(15,831)**	(15,313)
Share of income of a joint venture	**1,494**	457
Profit before income tax	**201,111**	134,414

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 and liabilities.

Adjusted EBITDA includes non-cash component for deferred revenue amortisation. For the period ended June 30, 2016, the North America segment and Asia Pacific segment recognised US$12,353,000 (six months ended June 30, 2015: US$10,052,000) and US$1,159,000 (six months ended June 30, 2015: US$917,000), respectively.

The geographic distribution of revenue for the six months ended June 30, 2016 and 2015 respectively is as follows:

	For the six months ended June 30,	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Restated) (Unaudited)
North America:		
US	**872,016**	762,347
Mexico	**390,500**	334,577
Asia Pacific:		
China	**412,137**	329,822
Rest of Asia Pacific	**19,852**	23,135
Europe and South America:		
Poland	**207,950**	174,648
Rest of Europe and South America	**21,345**	17,792
	1,923,800	1,642,321

The geographic distribution of non-current assets excluding deferred income tax assets as at June 30, 2016 and December 31, 2015 respectively is as follows:

	As at June 30, 2016	As at December 31, 2015
	US$'000	*US$'000*
	(Unaudited)	(Restated) (Audited)
North America:		
US	**714,236**	708,403
Mexico	**118,674**	111,833
Asia Pacific:		
China	**177,136**	174,103
Rest of Asia Pacific	**7,174**	6,791
Europe and South America:		
Poland	**105,526**	99,384
Rest of Europe and South America	**18,694**	9,075
	1,141,440	1,109,589

Distribution of revenue between product lines for the six months ended June 30, 2016 and 2015 respectively is as follows:

	For the six months ended June 30,			
	2016		2015	
	US$'000		*US$'000*	
	(Unaudited)	%	(Unaudited)	%
Steering				
Electric Power Steering (**EPS**)	**1,189,846**	**61.8**	973,100	59.3
Column and Intermediate Shafts (**CIS**)	**318,891**	**16.6**	301,135	18.3
Hydraulic Power Steering (**HPS**)	**96,752**	**5.0**	80,971	4.9
Driveline (**DL**)	**318,311**	**16.6**	287,115	17.5
Total	**1,923,800**	**100.0**	1,642,321	100.0

Revenues from customers amounting to 10% or more of the Group's revenue are as follows and reported in all segments:

	For the six months ended June 30,	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
General Motors Group and its affiliates	**844,799**	799,749
Customer A	**404,748**	306,638
Customer B	**264,163**	204,369
	1,513,710	1,310,756

3. EXPENSE BY NATURE

	For the six months ended June 30,	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Raw materials used	**1,111,537**	936,162
Changes in inventories of finished goods and work-in-progress	**1,556**	7,525
Employee labour benefit costs	**249,839**	238,618
Temporary labour costs	**36,890**	40,034
Restructuring costs	**(727)**	(64)
Supplies and tools	**91,242**	92,303
Depreciation on property, plant and equipment	**44,884**	43,446
Amortisation on		
– land use rights	**13**	13
– intangible assets	**31,937**	25,092
Impairment charges (reversal of provisions) on		
– inventories	**731**	3,920
– receivables *(note 9)*	**(132)**	(789)
– intangible assets	**12,249**	–
Utilities	**17,411**	19,455
Transportation expenses	**7,633**	5,733
Operating lease expenses	**7,010**	6,212
Warranty expenses	**14,395**	13,742
Auditors' remuneration		
– Audit services	**538**	424
Others	**89,085**	53,819
Total cost of sales, engineering and product development costs, selling and distribution and administrative expenses	**1,716,091**	1,485,645

4. OTHER (GAINS) LOSSES, NET

	For the six months ended June 30,	
	2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Foreign exchange (gains) losses	**(9,181)**	2,616
Loss on disposal of property, plant and equipment	**412**	782
Fair value losses on derivative financial instruments	**1,542**	4,054
Others	**(512)**	(46)
	(7,739)	7,406

5. FINANCE COSTS, NET

	For the six months ended June 30, 2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Finance income		
Interest on bank deposits	**611**	1,362
Finance costs		
Interest expense on bank borrowings	**8,431**	9,195
Interest on notes	**7,344**	7,425
	15,775	16,620
Interest on finance leases	**85**	35
Realised losses on interest rate swap	**–**	406
Other finance costs	**3,769**	2,380
	19,629	19,441
Less: amount capitalised in qualifying assets	**(3,187)**	(2,766)
	16,442	16,675
Finance costs, net	**15,831**	15,313

6. INCOME TAX EXPENSE

	For the six months ended June 30, 2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Current income tax	**46,242**	27,054
Deferred income tax charges	**1,947**	8,295
	48,189	35,349

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, 2016. 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 24.0% and 26.3% for the six months ended June 30, 2016 and 2015, respectively, vary from the statutory rates primarily due to tax credits, tax holidays, and foreign rate differentials in certain jurisdictions.

7. EARNINGS PER SHARE

a. Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company *(US$'000)*	**148,869**	96,519
Weighted average number of ordinary shares in issue *(thousands)*	**2,498,477**	2,497,804
Basic earnings per share (in US$)	**0.06**	0.04

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the share option scheme that are vested as of June 30, 2016. 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) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares within the denominator for calculating diluted earnings per share. For the six months ended June 30, 2016 and 2015, the details are within the table below.

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company used to determine diluted earnings per share *(US$'000)*	**148,869**	96,519
Weighted average number of ordinary shares in issue *(thousands)*	**2,498,477**	2,497,804
Adjustment for share options *(thousands)*	**1,869**	1,298
Weighted average number of ordinary shares in issue for calculating diluted earnings per share *(thousands)*	**2,500,346**	2,499,102
Diluted earnings per share *(in US$)*	**0.06**	0.04

8. DIVIDEND

A dividend of approximately US$39,913,000 relating to the Group's year ended December 31, 2015 earnings was paid in the six months ended June 30, 2016 (six months ended June 30, 2015: US$32,395,000). The Board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended June 30, 2016 (six months ended June 30, 2015: Nil).

9. TRADE RECEIVABLES

	As at June 30, 2016 *US$'000* **(Unaudited)**	As at December 31, 2015 *US$'000* (Audited)
Trade receivables, gross	**674,291**	571,379
Less: provision for impairment	**(1,270)**	(1,401)
	673,021	569,978

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

	As at June 30, 2016 *US$'000* **(Unaudited)**	As at December 31, 2015 *US$'000* (Audited)
0 to 30 days	**417,077**	261,526
31 to 60 days	**192,252**	220,182
61 to 90 days	**37,189**	51,467
Over 90 days	**27,773**	38,204
	674,291	571,379

Trade receivables of US$89,111,000 were past due but not impaired as at June 30, 2016 (December 31, 2015: US$34,831,000). These relate mainly to a number of customers for whom there is no history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	As at June 30, 2016 *US$'000* **(Unaudited)**	As at December 31, 2015 *US$'000* (Audited)
Overdue up to 30 days	**54,477**	21,872
Overdue 30 to 60 days	**11,398**	9,010
Overdue 60 to 90 days	**11,482**	2,425
Overdue over 90 days	**11,754**	1,524
	89,111	34,831

The carrying amounts of trade receivables pledged as collateral were US$383,586,000 as at June 30, 2016 (December 31, 2015: US$294,981,000).

10. TRADE PAYABLES

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

	As at June 30, 2016 *US$'000* **(Unaudited)**	As at December 31, 2015 *US$'000* (Audited)
0 to 30 days	**314,632**	313,247
31 to 60 days	**177,007**	193,339
61 to 90 days	**41,357**	32,328
91 to 120 days	**11,583**	13,532
Over 121 days	**7,489**	6,323
	552,068	558,769

FINANCIAL REVIEW

Financial Summary

The Group advanced its strong financial position in the first half of 2016. Robust industry production and improved markets in North America, China and Europe led to increased volume. The Group also continued to successfully launch new products to deliver continued top line revenue growth. The Company's strong top line growth through successful launches and focus on operational efficiency, coupled with a strong automotive market, continues to drive earnings and cash flow accretion.

Operating Environment

The global automotive market has a direct impact on our business and operating results. The factors affecting the industry include macro-economic factors such as consumer confidence, fluctuations in commodity, currency, fuel prices, and regulatory environments. The Group operates primarily in North America, China, Europe, India and Brazil. Automotive industry production levels increased in the first half of 2016 over the first half of 2015 despite stable, yet lackluster, growth in the global economy. Improvements were seen in North America where global light vehicle production increased 3.8% from the six months ended June 30, 2015 to the six months ended June 30, 2016. In China, the automotive market continues to expand and thus provide a benefit to the Group. Global light vehicle production for the Asia Pacific segment in total increased 2.6% from the six months ended June 30, 2015 to the six months ended June 30, 2016, while the China market light vehicle growth alone increased 5.9% for the same period. Additionally, the Group has benefitted from strong mix with Sport Utility Vehicles (**SUV**) in China. Global light vehicle production for the Europe and South America segment in total increased 1.1% related to a modest increase in the Europe market of 4.2%, offset by a decline in the South America market.

The Group's profit attributable to equity holders of the Company for the six months ended June 30, 2016 was US$148.9 million or 7.7% of total revenue, an increase of 54.2% compared to the six months ended June 30, 2015 of US$96.5 million or 5.9% of total revenue. This increase was attributable to the following:

- Successfully launched new production of awarded customer programs across multiple product segments, regions and customers
- Increased customer demand due to market strength
- Increased penetration in China through new program launches and strength of SUV, multi-purpose vehicle and minivan related sales
- Focus on continuous improvement in operating efficiency and cost competitiveness
- Improved product line mix (continued conversion from HPS to EPS)

Revenue

The Group's revenue for the six months ended June 30, 2016 was US$1,923.8 million, an increase of US$281.5 million or a 17.1% increase from the six months ended June 30, 2015 of US$1,642.3 million. The Group's revenue was negatively impacted by approximately US$18.6 million of foreign exchange. The Group's revenue would have increased an additional 1.1% from the six months ended June 30, 2015 excluding the foreign exchange impact.

We measure the results of our operations by geographic segment regions. The change in revenue is analysed by volume, mix, and price. Volume measure changes are driven by the volume of products sold. Mix changes are driven by the type of products sold. Price measures the impact of changes within the pricing structure of each product sold.

Revenue by Geographical Segments

For the six months ended June 30, 2016, the Group realised an increase in revenue in each of its geographical segments.

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

	Six months ended June 30, 2016 *US$'000* **(Unaudited)**	*%*	Six months ended June 30, 2015 *US$'000* (Restated) (Unaudited)	*%*
North America	**1,262,516**	**65.6**	1,096,924	66.8
Asia Pacific	**431,989**	**22.5**	352,957	21.5
Europe and South America	**229,295**	**11.9**	192,440	11.7
Total	**1,923,800**	**100.0**	1,642,321	100.0

(i) The change to the segment structure is discussed further in note 2 to the Interim Results Announcement.

The change in revenue by geographical segments is primarily as follows:

- The North America segment experienced a 15.1% increase from the six months ended June 30, 2015 to the six months ended June 30, 2016, consistent with strong North America automotive industry production. The North America segment benefitted from increased volume as a result of increased end-user customer demand for new vehicles and new customer program launches, combined with increased North American truck production. The North America segment launched 11 new customer programs in 2015 and 7 in the first half of 2016. The increased volume is primarily attributed to DL, EPS and CIS programs.

- The Asia Pacific segment experienced a 22.4% increase in revenue from the six months ended June 30, 2015 to the six months ended June 30, 2016. The increase is directly attributable to our increased exposure in the China market, which resulted in 25.0% revenue growth in China. The Asia Pacific segment launched 13 new customer programs in 2015 and 10 new customer programs in the first half of 2016. Additionally, main model sales to key customers were strong, providing for sales above the overall market.

- The Europe and South America segment experienced a 19.2% increase in revenue from the six months ended June 30, 2015 to the six months ended June 30, 2016. This increase is attributable to improved customer schedules offset by US$4.0 million negative foreign exchange impact. Europe and South America segment revenue would have increased 21.2% from the six months ended June 30, 2015 to the six months ended June 30, 2016, excluding the negative foreign exchange impact.

Revenue by Products

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

	Six months ended June 30, 2016 *US$'000* **(Unaudited)**	*%*	Six months ended June 30, 2015 *US$'000* (Unaudited)	*%*
Steering				
EPS	**1,189,846**	**61.8**	973,100	59.3
CIS	**318,891**	**16.6**	301,135	18.3
HPS	**96,752**	**5.0**	80,971	4.9
DL	**318,311**	**16.6**	287,115	17.5
Total	**1,923,800**	**100.0**	1,642,321	100.0

The increase in steering revenue resulted primarily from the growth of EPS products sold as the Group continues to transition from HPS to higher priced EPS systems. Substantial volume increases have amplified due to customer demands, as well as successful launch of conquest business from the backlog of booked business.

Cost of Sales

The Group's cost of sales for the six months ended June 30, 2016 was US$1,589.4 million, an increase of US$201.9 million from the six months ended June 30, 2015. The Group's cost of sales for the six months ended June 30, 2016 primarily included raw material costs of US$1,111.5 million (six months ended June 30, 2015: US$936.2 million), manufacturing expense of US$442.6 million (six months ended June 30, 2015: US$416.8 million), as well as other costs of sales of US$35.3 million (six months ended June 30, 2015: US$34.5 million).

The Group's cost of sales increased as a result of increased sales volume, partially offset by cost efficiencies in raw material. The Group experienced increased depreciation on property, plant and equipment, and increased amortisation of capitalised product development costs in the six months ended June 30, 2016 when compared to the first six months of 2015. The increase in depreciation and amortisation is consistent with the addition of programs launched. Depreciation and amortisation charged to cost of sales for the six months ended June 30, 2016 was US$73.7 million, an increase of US$8.4 million from the six months ended June 30, 2015.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$31.7 million for the six months ended June 30, 2016, representing 1.6% of revenue, an increase of US$6.9 million from US$24.8 million or 1.5% of revenue for the six months ended June 30, 2015. We expect amortisation expense to continue to increase in future years with the launch of new programs that are currently under development.

Engineering and Product Development Costs

For the six months ended June 30, 2016, the Group's engineering and product development costs charged to the income statement was US$64.4 million, representing 3.3% of revenue, an increase of US$22.1 million from US$42.3 million or 2.6% of revenue for the six months ended June 30, 2015. The absolute increase in engineering and product development costs includes additional global headcount as the Company continues its strong focus on engineering and product development in support of current and future business.

Engineering development costs capitalised as intangible assets, including capitalised interest, for the six months ended June 30, 2016 were US$57.4 million (six months ended June 30, 2015: US$53.9 million).

The Group recorded a product development intangible asset impairment of US$12.2 million related to further declines in the Brazilian economy. The impairment is recorded in the condensed consolidated income statement as engineering and product development costs in the North American segment. The intangible asset impairment associated with the Brazil operations is recorded in the North American segment due to the Company's US domiciled intellectual property holdings.

Other Gains (Losses), net

Other gains (losses), net represents gains attributable to foreign exchange transactions, loss on disposal of property, plant and equipment, and fair value losses on derivative financial instruments. Other gains for the six months ended June 30, 2016 were US$7.7 million, an increase of US$15.1 million compared to the six months ended June 30, 2015. The increase is driven by favorable foreign exchange transaction gain offset by losses on disposal of property, plant and equipment, and derivative financial instruments associated with forward exchange contracts.

Administrative Expenses

The Group's administrative expenses for the six months ended June 30, 2016 were US$55.0 million, an increase of US$4.8 million compared to the six months ended June 30, 2015 reflecting increased support aligned to our strategy of continued growth.

Finance Costs, net

Finance costs, net, consist of interest income and expense reduced by interest capitalised on qualifying assets and product development. The Group's net finance costs for the six months ended June 30, 2016 were US$15.8 million, which is consistent with US$15.3 million for the six months ended June 30, 2015.

Income Tax Expense

The Group's income tax expense was US$48.2 million for the six months ended June 30, 2016, representing 24.0% of the Group's profit before income tax, an increase of US$12.9 million from US$35.3 million, or 26.3% of profit before tax for the six months ended June 30, 2015.

The US$12.9 million increase in income tax expense is primarily the result of additional income tax expense incurred on the incremental US$66.7 million of profit before tax for the six months ended June 30, 2016. The change in the mix of income generated by US and non-US operations favorably impacted the effective tax rate for the six months ended June 30, 2016.

Gross Profit

The Group's gross profit for the six months ended June 30, 2016 was US$334.4 million, an increase of US$79.6 million or 31.2% from US$254.8 million for the six months ended June 30, 2015. Gross profit percentage for the six months ended June 30, 2016 was 17.4%, a 1.9% increase from 15.5% for the six months ended June 30, 2015. The increase in both gross profit and gross profit percentage was attributable to increased market growth, continued rotation to EPS and the effect of cost improvement initiatives. Their benefits were partially offset by depreciation on property, plant and equipment and amortisation of capitalised product development costs.

Provisions

As at June 30, 2016, the Group has provisions of US$96.6 million for legal disputes, environmental liabilities, warranties and decommissioning, an increase of US$6.9 million from US$89.7 million as at December 31, 2015. This increase in provisions was primarily due to the net change in warranty reserves.

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 programs, and engineering and product development costs. We have historically met our working capital and other capital requirements principally from cash generated from operations and loans from banks. In recent years, the Group has invested extensively in capital equipment and engineering and product development costs. For the six months ended June 30, 2016, the Group invested US$88.1 million and US$57.1 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 certain of its borrowings.

The Company was free cash flow positive for the period ended June 30, 2016. We believe that in the future our liquidity and capital expenditure requirements will be satisfied by cash generated from operating activities and existing debt facilities.

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

	Six months ended June 30, 2016 *US$'000* **(Unaudited)**	Six months ended June 30, 2015 *US$'000* (Unaudited)
Cash generated from (used in):		
Operating Activities	**168,572**	188,117
Investing Activities	**(144,372)**	(132,103)
Financing Activities	**(96,564)**	(109,923)
Net decrease in cash and cash equivalents	**(72,364)**	(53,909)

Cash Flows Generated from Operating Activities

For the six months ended June 30, 2016, the Group's net cash generated from operating activities was US$168.6 million, a decrease of US$19.5 million compared to US$188.1 million for the six months ended June 30, 2015. The decrease in cash flows from operating activities is primarily due to increased working capital to support higher income and increased taxes related to our earnings growth.

Cash Flows Used in Investing Activities

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

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

	Six months ended June 30, 2016 *US$'000* **(Unaudited)**	Six months ended June 30, 2015 *US$'000* (Unaudited)
Purchase of property, plant and equipment	**(88,056)**	(80,438)
Addition of intangible assets	**(57,134)**	(54,380)
Proceeds from sale of property, plant and equipment	**839**	3,705
Changes in restricted bank deposits	**(21)**	634
Investment in a joint venture	**–**	(1,624)
Net cash used in investing activities	**(144,372)**	(132,103)

Cash Flows Used in Financing Activities

The Group's net cash used in financing activities was US$96.6 million for the six months June 30, 2016, which was mainly attributable to the net repayment of borrowings of US$36.8 million, finance costs paid of US$19.8 million, and dividends paid of US$39.9 million.

Indebtedness

As at June 30, 2016, the Group's total borrowings were US$605.5 million which is a US$36.2 million decrease from December 31, 2015. This decrease is primarily due to the utilisation of cash generated from 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:

	As at June 30, 2016	As at December 31, 2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Current borrowings	**81,116**	80,483
Non-current borrowings	**522,296**	559,349
Finance lease obligations	**2,102**	1,891
Total borrowings	**605,514**	641,723

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

	As at June 30, 2016	As at December 31, 2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Within 1 year	**81,774**	81,184
Between 1 and 2 years	**75,227**	75,115
Between 2 and 5 years	**198,782**	236,051
Over 5 years	**249,731**	249,373
Total borrowings	**605,514**	641,723

Pledge of Assets

The Group has several secured borrowings at specific subsidiaries. The assets securing the borrowings differ by site and include accounts receivable, inventories, property, plant and equipment, equity interests of certain subsidiaries, and intellectual property. As at June 30, 2016, the Group had approximately US$1,072.6 million total assets pledged as collateral, an increase of US$103.7 million from US$968.9 million as of December 31, 2015.

Exposure to Currency Rate Fluctuations and Related Hedges

The Group actively limits its foreign currency exposure through focusing on 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. Historically, the Group hedged its USD exposure risk to the Mexican Peso, Polish Zloty and European Euro by participating in a hedging program that included forward exchange contracts. During June 2016, the Company settled all outstanding foreign currency forward contracts for US$5.9 million.

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 period.

The gearing ratio as of June 30, 2016 was 62.9%, a decrease of 12.2% from December 31, 2015 which was 75.1%. The ratio decreased compared to 2015 due to improved profits and lower total borrowings.

OTHER INFORMATION

Future Prospects

The Group strives to be a leader in global advanced steering and driveline systems, ADAS and autonomous vehicle technologies by leveraging technology leadership. Our global footprint allows us to capitalise on the transition of the market to EPS and continued growth in China and other emerging markets. In addition to strengthening and expanding our current business and customer relationships, we are positioned to pursue selected strategic acquisitions and/or alliances globally.

Backlog of Booked Business

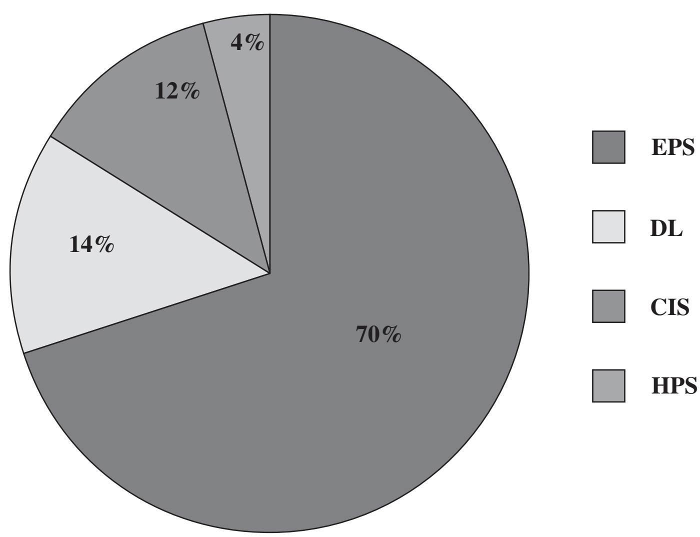
We begin to realise revenue under a new business contract at the start of production as steering systems and driveline products are first shipped to vehicle manufacturers at the time of product launch. Product launches have historically lagged the date of contract award by an average period of 24 to 30 months. We have historically presented the value of our backlog of booked business as the aggregate value of vehicle manufacturer awarded business for which we have not yet launched product. At the time of a product launch pursuant to the "order to launch" backlog valuation model, we remove the total value of the booked business from the backlog presented.

Consistent with our "order to launch" backlog valuation model, as of June 30, 2016, we estimate the value of all booked business under contracts that have been awarded, but which have not yet begun production, amounts to approximately US$10.8 billion (the **Booked Business Amount**), compared to approximately US$11.0 billion as of December 31, 2015. Since the time of the initial public offering, the presentation of an "order to launch" backlog most reasonably represented the growth of our EPS market share as vehicles converted from hydraulic to electric reflecting the conversion driven expansion of the EPS market. However, the "order to launch" model fails to reflect the value of revenue associated with product delivered during the period between production launch and platform end of life. Consequently in this interim reporting period, 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 ("order to delivery" backlog valuation model). We believe this to be a more prevalent method used by automotive suppliers in corresponding industry disclosures. We estimate the value of all booked business under contracts that have been award, but for which we have undelivered product, amounts to approximately US$24.0 billion.

The value of booked business is not a measure defined by IFRS, and our methodology for determining the Booked Business Amount may not be comparable to the methodology used by other companies in determining the value of their booked business. Assumptions relative to estimated lifetime program volumes and contract performance remain unchanged from our disclosures in prior periods. Any modification or suspension of the contracts related to the booked business by the Group's customers may have a substantial and immediate effect on the value of the booked business. While we believe that our current Booked Business Amount is a relevant financial metric, we must emphasise that the information set out in this section in relation to the booked business and the Booked Business Amount shall not constitute any forecast or prediction of the revenue or profits of the Group and the actual value may differ to the estimated Booked Business Amount due to various factors beyond the Group's control.

Cumulative Booked Business:

Backlog by Product Group



Employees Remuneration Policy

As of June 30, 2016, the Group had over 13,000 full-time equivalents. The Group's remuneration policies are formulated based on the performance of individual employees and the Group's performance and are reviewed on a regular basis. 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 programs that include individual development plans, merit wage adjustments, annual incentive plans and promotions.

We offer training programs to our employees which are designed to develop the skills that we need to meet our enterprise goals and customer requirements and to meet certain training requirements such as mandated customer or regulatory requirements and contractual obligations.

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 our 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 throughout the six months ended June 30, 2016.

Chairman and Chief Executive Officer

A.2.1 – Mr. ZHAO Guibin, our chairman also acts as the Chief Executive Officer of the Company, which constitutes a deviation from Code Provision A.2.1 of the Hong Kong CG Code. The Board of Directors (the **Board**) believes that this structure does not impair the balance of power and authority between the Board and the management of the Company or the Group, given that: (i) decisions made by our Board require approval by at least a majority of our Directors and 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 is comprised of 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.

COMPLIANCE WITH CODE ON CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (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 six months ended June 30, 2016.

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.

RISK MANAGEMENT

The Company has adopted an internal control system and risk management system and associated procedures and shall conduct reviews of the effectiveness of the risk management and internal control system of the Group.

APPOINTMENT OF CHIEF FINANCIAL OFFICER

The Board appointed Mr. William Quigley as a senior vice president and chief financial officer of the Company effective from June 6, 2016.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2016.

AUDIT AND COMPLIANCE COMMITTEE AND REVIEW OF INTERIM CONDENSED CONSOLIDATED 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, 2016. There has been no disagreement between the Audit and Compliance Committee or the auditor with the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES BY THE COMPANY

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended June 30, 2016.

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

Hong Kong, August 17, 2016

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.