INTERIM REPORT 2014

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)

CONTENTS

COMPANY PROFILE

Nexteer Automotive Group Limited (the **Company**) together with its subsidiaries (together with the Company collectively referred to as **we**, **us**, **Nexteer** or the **Group**) is a global leader in advanced steering and driveline systems. Nexteer's in-house development and integration of hardware, software and electronics gives us a competitive advantage as a full service steering supplier.

Nexteer draws upon a 100-year heritage of product development, manufacturing and vehicle integration expertise while maintaining enduring customer relationships. We have a strong foundation and a reputation for providing dependable steering and driveline solutions.

Nexteer provides real-world, vehicle-level thinking that is always ahead of the curve.

- **Customer Focused:** Respected and trusted for delivering on promises
- **Innovative:** Market leader in steering and driveline innovation
- **Agile:** Respond quickly with high-quality, cost-effective solutions
- **Expert:** Know and understand customer requirements
- **Experienced:** Provide demonstrated high performance, custom engineered systems for every application
- **Global:** Committed to exceeding customer and vehicle needs every time, everywhere

We design, engineer, manufacture and distribute steering and driveline systems and components, primarily for original equipment manufacturers (**OEM**) and our product families include electric power steering (**EPS**), hydraulic power steering (**HPS**), steering columns and intermediate shafts (**CIS**) and driveline systems.

With more than fifty (50) customers in every major region of the world, Nexteer has twenty (20) manufacturing plants, five (5) regional engineering centers, and nine (9) customer service centers strategically located in North and South America, Europe and Asia. Nexteer's customers include BMW, Fiat Chrysler, Ford, General Motors (**GM**), PSA Peugeot Citroen and Toyota, as well as domestic automakers in India and China.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

ZHAO, Guibin (趙桂斌)
(Chairman and Chief Executive Officer)
RICHARDSON, Michael Paul
FAN, Yi (樊毅)

Non-Executive Directors

LU, Daen (錄大恩)
WANG, Xiaobo (王曉波)

Independent Non-Executive Directors

TSANG, Hing Lun (曾慶麟)
LIU, Jianjun (劉健君)
WEI, Kevin Cheng (蔚成)

JOINT COMPANY SECRETARIES

FAN, Yi
MOK Ming Wai (FCIS, FCS)

AUTHORIZED REPRESENTATIVES

FAN, Yi
MOK Ming Wai (FCIS, FCS)

LEGAL ADVISORS

As to Hong Kong Law

Jones Day

As to Cayman Islands Law

Maples and Calder

COMPLIANCE ADVISOR

Somerley Capital Limited

AUDITOR

PricewaterhouseCoopers

AUDIT AND COMPLIANCE COMMITTEE

WEI, Kevin Cheng *(Chairman)*
TSANG, Hing Lun
LU, Daen

REMUNERATION AND NOMINATION COMMITTEE

TSANG, Hing Lun *(Chairman)*
LIU, Jianjun
WANG, Xiaobo

HEADQUARTERS AND GLOBAL ENGINEERING CENTER

Nexteer Automotive
3900 E. Holland Road
Saginaw, MI 48601-9494
United States

REGISTERED OFFICE

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road Central East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Wells Fargo Capital Finance
Bank of China Suzhou Industrial Park Sub-Branch
Shanghai Pudong Development Bank, Suzhou Branch
CITIC New & Hi-tech Industrial Development Zone
The Export-Import Bank of China
MAC N2814–220PKO Bank Polski
Bank Pekao SA

STOCK CODE

1316

COMPANY WEBSITE

http://www.nexteer.com/

BUSINESS OVERVIEW

FIRST HALF OF 2014 BUSINESS HIGHLIGHTS

- Successfully launched new production of awarded customer programs
- Achieved a strong backlog to drive continued growth and diversification
- Invested in research and development (**R&D**) to strengthen product, technology and quality leadership
- Focused on continuous improvement in operating efficiency and cost competitiveness

NEW PRODUCTION LAUNCHES

With the launch of five major customer programs during the first six months of 2014, we introduced new or improved product applications in steering columns, drivelines, rack-assist EPS (**REPS**), single pinion-assist EPS (**SPEPS**), and column-assist EPS (**CEPS**). These programs included incumbent and conquest business to increase and further diversify our revenue base. Customer programs that launched or began production during the six month period ended June 30, 2014 included:

OEMs	Vehicle Nameplate	Our Products
North America		
General Motors	Tahoe and Yukon	Column
Ford	Expedition	REPS
Ford	Mustang	REPS
China		
Dongfeng Peugeot Citroën Auto.	Peugeot 2008	Halfshafts
SAIC GM Wuling	Wuling Baojun 730	Brush CEPS

BACKLOG OF BOOKED BUSINESS

We begin to derive revenue under a new business contract at start of production, which is generally 24 to 30 months from the date when the new business is contractually awarded. As of June 30, 2014, we have secured new contracts for a number of customer programs which are expected to begin production starting in the second half of 2014. We estimate the value of all booked business under contracts that have been awarded, but which have not yet begun production, as of June 30, 2014 amounts to approximately US$9.0 billion over the lifetime of the relevant vehicle programs (the **Booked Business Amount**). The Booked Business Amount is based on estimated lifetime volume of the programs derived from indicative production arrangements provided by the applicable OEM customers and information provided by third-party industry sources. In calculating the Booked Business Amount, we also assume that the relevant contracts will be performed in accordance with their terms. 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. The value of booked business is not a measure defined by International Financial Reporting Standards (**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.

While we believe that our current Booked Business Amount is a relevant financial metric, we must emphasize that the above information in relation to the booked business and the Booked Business Amount shall not constitute any forecast or prediction of the 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.

PRODUCT RESEARCH & DEVELOPMENT

We have accumulated extensive technical knowledge and developed a high degree of technical expertise through our 100-year history as a steering and driveline systems supplier with a consistent focus on research and development. Our technological innovation is supported by advanced engineering and testing capabilities.

To support our growing global customer base, we increased our development and testing capability at our European and China Technology Centers. This move will enable our regional teams to be more responsive to the needs of our customers. In Europe we invested in additional SPEPS test and validation equipment and transferred program launch responsibility from the U.S. to Europe for most European programs. We also strengthened our German customer support centers to meet increasing demands from customers. Similarly in China, we invested in additional CEPS test and validation equipment and transferred program launch responsibility from the U.S. to China for most China programs. In addition, the China Technology Center is becoming the engineering center of expertise responsible for brush motor development for the company.

We also began in-house production of brushless motors in North America. The new brushless motor is a proprietary design with a tightly-packed, high-precision wound stator. The in-house motor delivers higher output in a smaller package. This new addition to our product portfolio also increases our vertical integration and opens up additional growth options for our business.

We have a quality culture that aspires to achieve perfect quality. In 2014, we achieved significant improvements on key quality metrics. During the first six months of 2014, first time quality improved by 8% from first time quality in the previous year ended December 31, 2013. Formal customer complaints were also reduced by 10% in the first half of 2014 from the previous year ended December 31, 2013. With increased sensitivity on product safety in the automotive industry, we are also working to further enhance our quality performance and minimize recall risk under the leadership of the Nexteer Product Safety Compliance Committee. We also continue to implement product traceability programs and review contractual terms and conditions to reduce potential financial exposure in product warranty.

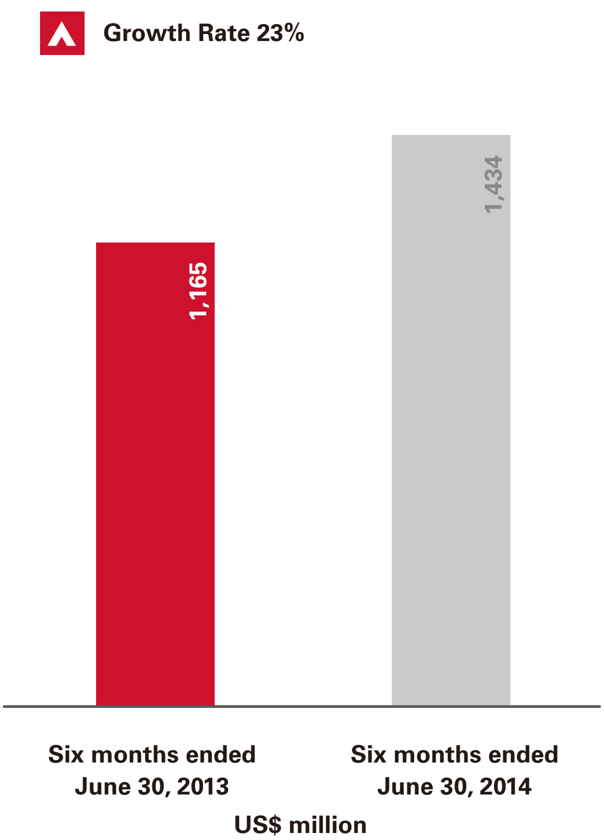
FOCUS ON OPERATIONAL EFFICIENCY AND COST COMPETITIVENESS

During the first half of 2014, we implemented a new web-based product lifecycle management system. The system will provide high quality information to our global product development process. Users will have access to engineering drawings, specifications, change documents and be able to better manage project timelines. This will result in improved enterprise efficiency and effectiveness.

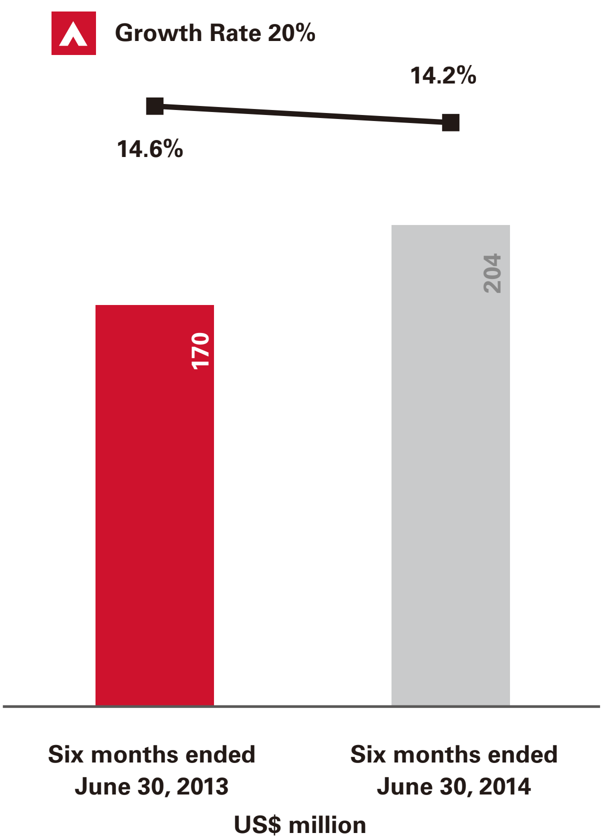
FINANCIAL HIGHLIGHTS

Results (US$000)	Six months ended June 30, 2014	Six months ended June 30, 2013
Revenue	**1,434,372**	1,164,815
Gross Profit	**204,361**	170,176
Profit before income tax	**111,750**	72,774
Income tax expense	**(30,149)**	(13,955)
Net profit attributable to equity holders	**80,900**	58,153
Net profit	**81,601**	58,819
EBITDA	**171,068**	114,201

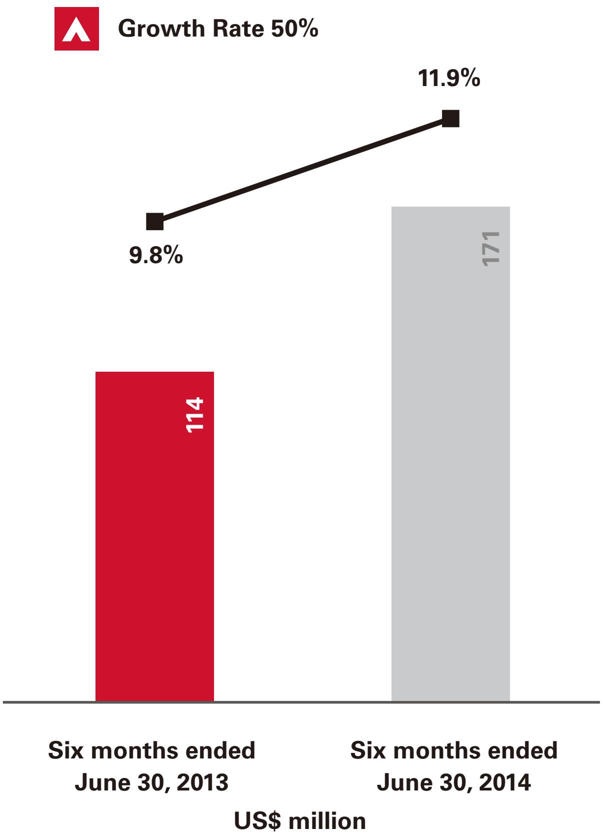
REVENUE



GROSS PROFIT



EBITDA



Assets and Liabilities (US$000)	**June 30, 2014**	December 31, 2013
Non-current assets	**935,625**	865,971
Current assets	**990,844**	939,218
Non-current liabilities	**605,398**	622,897
Current liabilities	**674,700**	591,546
Equity attributable to the Company's equity holders	**623,335**	567,703

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, International Accounting Standard (**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 HPS to 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 US$'000	**%**	Six months ended June 30, 2013 US$'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 US$'000	**%**	Six months ended June 30, 2013 US$'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 as of 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 research & experimentation tax credit (**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 our 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 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 US$'000	Six months ended June 30 2013 US$'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
Changes 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 US$'000	December 31, 2013 US$'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 US$'000	December 31, 2013 US$'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 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.

CORPORATE GOVERNANCE/OTHER INFORMATION

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 Stock Exchange of Hong Kong Limited (the **Stock Exchange**) (the **Listing Rules**).

Except for the deviation disclosed in this interim report, 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.

INTERIM DIVIDEND

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

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 interim condensed consolidated 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.

USE OF NET PROCEEDS FROM LISTING

On October 7, 2013 (the **Listing Date**), the shares of the Company were listed on the Main Board of the 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 OEM 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.

SHARE OPTION SCHEME

On June 5, 2014, the Company adopted a share option scheme (the **Share Option Scheme**).

The Board may, at its discretion, invite any Directors (excluding independent non-executive Directors), senior management as well as other key employees approved by the Board; as the Participants (as defined under the Share Option Scheme).

An Option may be accepted by a participant within 5 days from the date of the offer of the grant of the Option.

The period within which the Options (as defined under the Share Option Scheme) may be exercised must expire no later than 10 years from the relevant Date of Grant. The Option must be held for one year from the Date of Grant before it can be exercised. The vesting period shall be three years and one-third shall be vested at each anniversary from the Date of Grant. The consideration payable for acceptance of the Option by each Participant is HK$1.00.

The Subscription Price (as defined under the Share Option Scheme) shall be such price determined by the Board in its absolute discretion and notified to the Participant in the Offer and shall be no less than the higher of:

(a) the closing price of a share as stated in the daily quotations sheet issued by the Stock Exchange on the Date of Grant;

(b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; or

(c) the nominal value of a share.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme became unconditional and has a remaining term of approximately 10 years as at the date of this report.

The summary of the Options initially granted under the Share Option Scheme that were still outstanding as of June 30, 2014 are as follows:

	Grant date	Options granted during the interim period	Options exercised during the interim period ended June 30, 2014	Options cancelled/ lapsed during the period	Options held at June 30, 2014	Exercise period[1]	Exercise price per share HK$	Share price on the grant date[2] HK$	Share price on the exercise date[3] HK$
Director									
ZHAO, Guibin	June 11, 2014	1,667,970	–	–	1,667,970	June 11, 2014 – June 10, 2024	5.15	5.15	N/A
FAN, Yi	June 11, 2014	526,730	–	–	526,730	June 11, 2014 – June 10, 2024	5.15	5.15	N/A
LU, Daen	June 11, 2014	351,150	–	–	351,150	June 11, 2014 – June 10, 2024	5.15	5.15	N/A
WANG, Xiaobo	June 11, 2014	351,150	–	–	351,150	June 11, 2014 – June 10, 2024	5.15	5.15	N/A
Sub-total		**2,897,000**	**–**	**–**	**2,897,000**				
Senior Management									
BRESSON, Laurent Robert[4]	June 11, 2014	2,633,650	–	–	2,633,650	June 11, 2014 – June 10, 2024	5.15	5.15	N/A
Senior Management (in aggregate)	June 11, 2014	5,706,210	–	(702,300)	5,003,910	June 11, 2014 – June 10, 2024	5.15	5.15	N/A
Sub-total		**8,339,860**	**–**	**(702,300)**	**7,637,560**				
Total		**11,236,860**	**–**	**(702,300)**	**10,534,560**				

Notes:

(1) The Options must be held for one year from June 11, 2014. The Options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third at each anniversary of the Date of Grant of Options.

(2) The Subscription Price was the closing price of the shares quoted on the Stock Exchange on the trading day on the Date of the Grant of the Options.

(3) No Option was exercised during the period ended June 30, 2014.

(4) Mr BRESSON, Laurent Robert is the President and global chief operating officer of the Company.

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2014, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the **SFO**)) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Interest in the Company

Name	Capacity	Nature of interest	No. of underlying Shares of the Company held[(1)]	Approximate Percentage of Total Issued Shares %
ZHAO Guibin	Director and Chief Executive Officer	Beneficial owner	1,667,970(L)	0.07
WANG Xiao Bo	Director	Beneficial owner	351,150(L)	0.01
LU Daen	Director	Beneficial owner	351,150(L)	0.01
FAN Yi	Director	Beneficial owner	526,730(L)	0.02
BRESSON Laurent Robert	President and Global Chief Operating Officer	Beneficial owner	2,633,650(L)	0.11

Note:
(1) These represent the interests in underlying shares in respect of the Options granted by the Company.

(L) denotes a long position in shares of the Company.

Except as disclosed above, as at June 30, 2014, none of our Directors and chief executives of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except as otherwise disclosed in this interim report, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the six months ended June 30, 2014.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2014, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) were taken or deemed to have an interests and/or short position in the shares or the underlying shares which fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of Interest	No. of Shares	Approximate Percentage of Total Issued Shares %
Nexteer Automotive (Hong Kong) Holdings Limited (**Nexteer Hong Kong**)[1]	Beneficial owner	1,680,000,000(L)	67.26%
Pacific Century Motors, Inc. (**PCM China**)[1]	Interest of controlled corporation	1,680,000,000(L)	67.26%
AVIC Automotive Systems Holding Co., Ltd.(**AVIC Auto**)[1][2]	Interest of controlled corporation	1,680,000,000(L)	67.26%
Aviation Industry Corporation of China (**AVIC**)[2]	Interest of controlled corporation	1,680,000,000(L)	67.26%

Notes:

(1) Nexteer Hong Kong is wholly-owned by PCM China, which is in turn owned as to 51% by AVIC Auto and 49% by Beijing E-Town International Investment & Development Co. Ltd. Each of PCM China and AVIC Auto is deemed to be interested in the 1,680,000,000 shares held by Nexteer Hong Kong.

(2) AVIC Auto is wholly-owned by AVIC. AVIC is deemed to be interested in the 1,680,000,000 shares held by Nexteer Hong Kong.

(L) denotes a long position in shares of the Company.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF NEXTEER AUTOMOTIVE GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 54, which comprises the interim condensed consolidated balance sheet of Nexteer Automotive Group Limited (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2014 and the related interim condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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羅兵咸永道

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 28, 2014

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2014

	Notes	**June 30, 2014 US$'000 (Unaudited)**	December 31, 2013 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**585,457**	562,540
Land use rights	7	**700**	732
Intangible assets	7	**311,768**	271,358
Investment in a joint venture		**1,733**	–
Deferred income tax assets		**28,626**	23,320
Other receivables and prepayments	10	**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	10	**73,070**	71,565
Derivative financial instruments	8	**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

The notes on pages 29 to 54 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet

As at June 30, 2014

	Notes	June 30, 2014 US$'000 (Unaudited)	December 31, 2013 US$'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	11	**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
LIABILITIES			
Non-current liabilities			
Borrowings	12	**419,484**	458,377
Retirement benefits and compensations		**26,386**	25,614
Deferred income tax liabilities		**41,070**	28,347
Derivative financial instruments	8	**110**	–
Provisions	13	**48,962**	42,423
Deferred revenue	14	**66,172**	65,232
Other payables and accruals	16	**3,214**	2,904
		605,398	622,897
Current liabilities			
Trade payables	15	**399,149**	336,476
Other payables and accruals	16	**68,962**	72,308
Current income tax liabilities		**16,460**	19,083
Retirement benefits and compensations		**2,175**	2,116
Provisions	13	**32,578**	18,494
Deferred revenue	14	**16,147**	13,430
Borrowings	12	**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

The notes on pages 29 to 54 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2014

	Notes	For the six months ended June 30, 2014 US$'000 (Unaudited)	2013 US$'000 (Audited)
Revenue	6	**1,434,372**	1,164,815
Cost of sales	18	**(1,230,011)**	(994,639)
Gross profit		**204,361**	170,176
Engineering and product development costs	18	**(37,009)**	(37,550)
Selling and distribution expenses	18	**(4,060)**	(3,948)
Administrative expenses	18	**(40,405)**	(43,837)
Other losses, net	17	**(706)**	(1,381)
Operating profit		**122,181**	83,460
Finance income	20	**978**	363
Finance costs	20	**(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	21	**(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	22	**0.03**	0.03
Dividend	23	**–**	–

The notes on pages 29 to 54 are an integral part of this interim condensed consolidated financial information.

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

The notes on pages 29 to 54 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2014

	Attributable to equity holders of the Company								Non-controlling interests	
	Share capital	Share premium	Merger reserve	Share-based compensation reserve	Exchange reserve	Hedging reserve	Retained earnings	Sub-total		Total
	US$'000 (Note 11)	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
For the six months ended June 30, 2014 (unaudited)										
Balance at January 1, 2014	32,222	252,643	113,000	–	(3,844)	–	173,682	567,703	23,043	590,746
Comprehensive income										
Profit for the period	–	–	–	–	–	–	80,900	80,900	701	81,601
Other comprehensive loss	–	–	–	–	(2,976)	(110)	(652)	(3,738)	(708)	(4,446)
Total comprehensive (loss)/income	–	–	–	–	(2,976)	(110)	80,248	77,162	(7)	77,155
Transactions with owners										
Value of employee services provided under share option scheme (Note 19)	–	–	–	124	–	–	–	124	–	124
Dividends (Note 23)	–	–	–	–	–	–	(21,654)	(21,654)	–	(21,654)
Balance at June 30, 2014	32,222	252,643	113,000	124	(6,820)	(110)	232,276	623,335	23,036	646,371
For the six months ended June 30, 2013 (audited)										
Balance at January 1, 2013	–	–	113,000	–	(5,107)	–	63,038	170,931	20,878	191,809
Comprehensive income										
Profit for the period	–	–	–	–	–	–	58,153	58,153	666	58,819
Other comprehensive (loss)/income	–	–	–	–	(7,207)	–	502	(6,705)	105	(6,600)
Total comprehensive (loss)/income	–	–	–	–	(7,207)	–	58,655	51,448	771	52,219
Balance at June 30, 2013	–	–	113,000	–	(12,314)	–	121,693	222,379	21,649	244,028

The notes on pages 29 to 54 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2014

	For the six months ended June 30, 2014 US$'000 (Unaudited)	2013 US$'000 (Audited)
Cash flows from operating activities		
Cash generated from operations	**101,596**	57,229
Income tax paid	**(25,417)**	(3,551)
Net cash generated from operating activities	**76,179**	53,678
Cash flows from investing activities		
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
Changes 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 from financing activities		
Proceeds from borrowings	**31,752**	152,082
Repayments of borrowings	**(61,055)**	(36,110)
Finance costs paid	**(13,754)**	(15,027)
Payment of listing expenses	**–**	(1,282)
Dividends paid to equity holders of the Company	**(21,654)**	–
Net cash (used in)/generated from financing activities	**(64,711)**	99,663
Net (decrease)/increase in cash and cash equivalents	**(129,163)**	7,114
Cash and cash equivalents at January 1	**314,120**	64,080
Exchange gains/(losses) on cash and cash equivalents	**560**	(457)
Cash and cash equivalents at June 30	**185,517**	70,737

The notes on pages 29 to 54 are an integral part of this interim condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2014

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 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 since October 7, 2013 (the **Listing**).

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**).

3 ACCOUNTING POLICIES

In addition to those described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2013, as described in those annual financial statements.

(a) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. All of the Group's hedging instruments are designated as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

3 ACCOUNTING POLICIES (Continued)

(a) Derivative financial instruments and hedging activities (Continued)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 8. Movements on the hedging reserve in shareholder's equity are shown in the interim condensed consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other losses, net'.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative unrecognised gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other losses, net'.

(b) Share-based payments

The Group established a new equity-settled, share-based compensation plan in June 2014, under which the Group receives services from certain employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and retaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions.

3 ACCOUNTING POLICIES (Continued)

(b) Share-based payments (Continued)

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(c) Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisitions profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Any distributions the Group receives from the joint ventures reduce the carrying amount of the investment.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been aligned where necessary to ensure consistency with the policies adopted by the Group.

3 ACCOUNTING POLICIES (Continued)

(d) New/revised standards, amendments to standards and interpretations

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.

4 ESTIMATES

The preparation of Condensed Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Condensed Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2013.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

This Condensed Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2013.

(a) Market risk

(i) Cash flow interest rate risk

The Group's interest rate risk primarily arises from current and non-current borrowings. Changes in interest rates on borrowings issued at variable rates potentially expose the Group to cash flow interest rate risk. The Group manages certain of its cash flow interest rate risk by using a floating-to-fixed interest rate swap. In 2014 the Group entered into an interest rate swap for one of its floating rate non-current borrowings which was designated as a cash flow hedge (Note 8).

As at June 30, 2014, if the interest rates had been 100 basis points higher/(lower) than the prevailing rate, with all other variables held constant, net profit for the six months ended June 30, 2014 would have been US$2,817,000 (June 30, 2013: US$3,148,000) lower/(higher).

There have been no other changes in risk management policies since December 31, 2013.

5.2 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities, including cash and cash equivalents, restricted bank deposits, trade and other receivables, trade and other payables and current borrowings approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Fair value estimation (Continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's assets/(liabilities) that are measured at fair value at June 30, 2014 and December 31, 2013:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at June 30, 2014 (unaudited)				
Forward foreign exchange contracts	**–**	**799**	**–**	**799**
Interest rate swaps	**–**	**(110)**	**–**	**(110)**
As at December 31, 2013 (audited)				
Forward foreign exchange contracts	–	462	–	462

There were no transfers of financial assets between fair value hierarchy classifications.

There were no changes in valuation techniques during the period.

5.3 Valuation techniques used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts and an interest rate swap. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

6 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.

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 and depreciation and amortisation; and
- 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.

6 SEGMENT INFORMATION (Continued)

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

	For the six months ended June 30, 2014 US$'000 (Unaudited)	2013 US$'000 (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 US$'000 (Unaudited)	2013 US$'000 (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

6 SEGMENT INFORMATION (Continued)

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 US$'000 (Unaudited)	December 31, 2013 US$'000 (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 US$'000 (Unaudited)	2013 US$'000 (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 US$'000 (Unaudited)	2013 US$'000 (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

7 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INTANGIBLE ASSETS

	Property, plant and equipment US$'000	Land use rights US$'000	Intangible assets US$'000
Six months ended June 30, 2014 (unaudited)			
Net book amount at January 1, 2014	**562,540**	**732**	**271,358**
Additions	**63,933**	**–**	**55,529**
Disposals	**(2,075)**	**–**	**–**
Depreciation and amortisation	**(33,923)**	**(13)**	**(14,951)**
Exchange differences	**(5,018)**	**(19)**	**(168)**
Net book amount at June 30, 2014	**585,457**	**700**	**311,768**
Six months ended June 30, 2013 (audited)			
Net book amount at January 1, 2013	434,103	737	179,082
Additions	84,980	–	54,453
Disposals	(7,766)	–	–
Depreciation and amortisation	(25,604)	(13)	(5,124)
Exchange differences	(5,039)	4	–
Net book amount at June 30, 2013	480,674	728	228,411

Certain of the Group's property, plant and equipment have been pledged as collateral under the Group's borrowing arrangements. The carrying amounts of property, plant and equipment pledged as collateral were US$398,746,000 as at June 30, 2014 (December 31, 2013: US$366,396,000).

8 DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2014		December 31, 2013	
	Assets US$'000 (Unaudited)	**Liabilities US$'000 (Unaudited)**	Assets US$'000 (Audited)	Liabilities US$'000 (Audited)
Forward foreign exchange contracts	**799**	**–**	462	–
Interest rate swaps	**–**	**110**	–	–
	799	**110**	462	–
Less: non-current portion	**–**	**(110)**	–	–
Current portion	**799**	**–**	462	–

The notional principal amounts of the outstanding forward foreign exchange contracts as at June 30, 2014 were US$19,800,000 (December 31, 2013: US$26,400,000).

The notional principal amounts of the outstanding interest rate swap contracts as at June 30, 2014 were US$57,861,000 (December 31, 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

9 TRADE RECEIVABLES (Continued)

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 OTHER RECEIVABLES AND PREPAYMENTS

	June 30, 2014 US$'000 (Unaudited)	December 31, 2013 US$'000 (Audited)
Amounts reimbursable from customers on tools	**35,753**	28,912
Other taxes recoverable (1)	**22,166**	26,102
Prepaid assets	**13,375**	15,554
Deposits to vendors	**4,888**	3,672
Reimbursable engineering expenses	**3,725**	3,470
Others	**504**	1,876
	80,411	79,586
Less: non-current portion	**(7,341)**	(8,021)
Current portion	**73,070**	71,565

(1) Balance mainly represents value-added tax recoverable and certain incentives granted to the Group for investing capital and maintaining jobs in the State of Michigan, USA.

11 SHARE CAPITAL

	Number of ordinary shares	Amount
Authorised at HK$0.10 each:		
At June 30, 2014 and December 31, 2013	4,000,000,000	HK$400,000,000
Issued and fully paid at HK$0.10 each:		
At June 30, 2014 and December 31, 2013	2,497,804,000	HK$249,780,000

12 BORROWINGS

	June 30, 2014 US$'000 (Unaudited)	December 31, 2013 US$'000 (Audited)
Non-current		
Borrowings from banks		
– unsecured (note (1.a))	**350,468**	376,326
– secured (note (1.b))	**68,500**	81,306
Finance lease obligations (note (1.d))	**516**	745
	419,484	458,377
Current		
Borrowings from banks		
– secured, others	**2,214**	16,659
– unsecured (note (1.c))	**45,717**	26,115
Add: current portion of		
– non-current unsecured borrowings from banks (note (1.a))	**67,051**	62,894
– non-current secured borrowings from banks (note (1.b))	**23,851**	23,577
– finance lease obligations (note (1.d))	**396**	394
	139,229	129,639
Total borrowings	**558,713**	588,016

12 BORROWINGS (Continued)

(1) Note:

(a) This mainly includes:

(i) bank loans totaling US$395,500,000 as at June 30, 2014 (December 31, 2013: US$426,000,000), which are guaranteed by AVIC and Beijing E-Town International Investment & Development Co., Ltd. (shareholder of Pacific Century Motors, Inc., the intermediate holding company of the Company), bear interest at LIBOR+3.5% per annum and due in semi-annual installments of US$30,500,000 which mature in October 2020 with the last repayment to be made then; and

(ii) bank loans of US$18,666,000 as at June 30, 2014 (December 31, 2013: US$14,774,000) bearing interest at LIBOR plus 2.95%-5.60% per annum for USD denominated balances and 6.72% per annum for RMB denominated balances.

(b) As at June 30, 2014, this primarily includes long-term borrowings of US$57,861,000 (December 31, 2013: US$67,106,000) which bear interest at LIBOR plus 3.5% per annum and matures in 2016, and of US$32,689,000 (December 31, 2013: US$35,609,000) which bear interest at EURIBOR plus 3.1% and matures in 2020.

(c) As at June 30, 2014, this primarily includes bank loans of US$42,501,000 (December 31, 2013: US$13,424,000) borrowed by a subsidiary of the Group which bear interest at LIBOR plus 2.60-4.60% per annum for USD denominated balances and LIBOR plus 5.0% for RMB denominated balances.

(d) Finance lease obligations

(i) Gross finance leases liabilities – minimum lease payments:

	June 30, 2014 US$'000 (Unaudited)	December 31, 2013 US$'000 (Audited)
Within 1 year	**433**	476
Between 1 and 2 years	**438**	524
Between 2 and 5 years	**109**	533
	980	1,533
Less: future finance charges	**(68)**	(394)
	912	1,139

12 BORROWINGS (Continued)

(1) Note: (Continued)

(d) Finance lease obligations

(ii) Present value of finance lease obligations:

	June 30, 2014 US$'000 (Unaudited)	December 31, 2013 US$'000 (Audited)
Within 1 year	**396**	394
Between 1 and 2 years	**415**	479
Between 2 and 5 years	**101**	266
	912	1,139

(2) Maturity of borrowings

As at June 30, 2014, the Group had total undrawn facilities at floating rates of US$342,369,000. The amount expiring within one year was US$144,583,000 and the amount expiring beyond one year was US$197,786,000.

	June 30, 2014 US$'000 (Unaudited)	December 31, 2013 US$'000 (Audited)
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
	558,713	588,016

12 BORROWINGS (Continued)

(3) The carrying amount and fair value of non-current borrowings are as follows:

	Carrying amount		Fair value	
	June 30, 2014 US$'000 (Unaudited)	December 31, 2013 US$'000 (Audited)	**June 30, 2014 US$'000 (Unaudited)**	December 31, 2013 US$'000 (Audited)
Bank borrowings	**418,968**	457,632	**405,673**	449,514
Finance lease obligations	**516**	745	**516**	745
	419,484	458,377	**406,189**	450,259

The fair values are based on discounted cash flows using applicable discount rates based upon the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics as at the balance sheet dates. Such discount rates ranged from 1.540% – 3.940% as at June 30, 2014 (December 31, 2013: 1.229% – 4.469%), depending on the type of the debt, and were within level 2 of the fair value hierarchy.

The carrying amounts of current borrowings approximate their fair value.

(4) Weighted average annual interest rates

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Bank borrowings	**4.6%**	4.8%

(5) Currency denomination

	June 30, 2014 US$'000 (Unaudited)	December 31, 2013 US$'000 (Audited)
US$	**517,957**	545,342
Euro	**32,689**	36,517
RMB	**8,041**	4,135
Others	**26**	2,022
	558,713	588,016

13 PROVISIONS

	As at June 30, 2014 (unaudited)			As at December 31, 2013 (audited)		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Restructuring	1,033	–	1,033	1,089	–	1,089
Litigation (note (a))	689	–	689	824	–	824
Environmental liabilities (note (b))	150	12,115	12,265	211	12,197	12,408
Warranties (note (c))	30,706	30,415	61,121	16,370	24,033	40,403
Decommissioning (note (d))	–	6,432	6,432	–	6,193	6,193
	32,578	48,962	81,540	18,494	42,423	60,917

Movement of provisions is as follows:

	Restructuring US$'000	Litigation (note (a)) US$'000	Environmental liabilities (note (b)) US$'000	Warranties (note (c)) US$'000	Decom-missioning (note (d)) US$'000	Total US$'000
Six months ended June 30, 2014 (unaudited)						
At January 1, 2014	1,089	824	12,408	40,403	6,193	60,917
(Reversals)/additions	(11)	59	–	23,482	241	23,771
Payments	(45)	(214)	(143)	(2,824)	–	(3,226)
Exchange differences	–	20	–	60	(2)	78
At June 30, 2014	1,033	689	12,265	61,121	6,432	81,540
Six months ended June 30, 2013 (audited)						
At January 1, 2013	5,715	442	12,504	32,398	5,714	56,773
(Reversals)/additions	(348)	203	–	4,085	241	4,181
Payments	(3,661)	(160)	(15)	(2,685)	–	(6,521)
Exchange differences	(71)	(3)	(10)	(510)	(21)	(615)
At June 30, 2013	1,635	482	12,479	33,288	5,934	53,818

13 PROVISIONS (Continued)

Note:

(a) Litigation

The balance represents a provision primarily for certain labour claims brought against the Group. Management is of the view that, after taking appropriate legal advice, the outcome of these legal claims will not give rise to significant losses beyond the amounts provided at each reporting date.

(b) Environmental liabilities

A provision is recognised for the present value of remediation costs to be incurred for the restoration of the manufacturing sites upon the initial recognition of the related assets.

(c) Warranties

A provision is recognised for warranty costs associated with products sold to the customer principally at the time of sale or when it is determined that such obligations are probable and can be reasonably estimated.

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 our 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 ware of litigation filed against the Group by such customer.

(d) Decommissioning

This represents asset retirement obligations at certain of the Group's manufacturing sites.

14 DEFERRED REVENUE

	June 30, 2014 (unaudited)			December 31, 2013 (audited)		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Prototype and engineering	**16,147**	**66,172**	**82,319**	13,430	65,232	78,662

14 DEFERRED REVENUE (Continued)

Movement of deferred revenue is as follows:

	US$'000
Six months ended June 30, 2014 (unaudited)	
At January 1, 2014	**78,662**
Additions	**9,310**
Amortisation	**(5,577)**
Exchange differences	**(76)**
At June 30, 2014	**82,319**
Six months ended June 30, 2013 (audited)	
At January 1, 2013	52,941
Additions	13,191
Amortisation	(2,472)
Exchange differences	7
At June 30, 2013	63,667

15 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

16 OTHER PAYABLES AND ACCRUALS

	June 30, 2014 US$'000 (Unaudited)	December 31, 2013 US$'000 (Audited)
Accrued expenses	**63,107**	65,373
Deposits from customers	**6,209**	7,067
Other taxes payable	**2,397**	1,935
Others	**463**	837
	72,176	75,212
Less: non-current portion	**(3,214)**	(2,904)
Current portion	**68,962**	72,308

17 OTHER LOSSES, NET

	For the six months ended June 30,	
	2014 US$'000 (Unaudited)	2013 US$'000 (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)

18 EXPENSE BY NATURE

	For the six months ended June 30, 2014 US$'000 (Unaudited)	2013 US$'000 (Audited)
Raw materials used	**836,834**	666,549
Changes in inventories of finished goods and work-in-progress	**7,410**	7,521
Employee benefit costs	**219,084**	201,102
Temporary labour costs	**35,277**	18,941
Restructuring costs (Note 13)	**(11)**	(348)
Supplies and tools	**69,509**	72,466
Depreciation on property, plant and equipment (Note 7)	**33,923**	25,604
Amortisation on		
– land use rights (Note 7)	**13**	13
– intangible assets (Note 7)	**14,951**	5,124
Impairment charges/(reversal of provisions) on		
– inventories	**1,098**	1,565
– receivables	**175**	(59)
Utilities	**20,765**	21,705
Transportation expenses	**4,131**	1,075
Operating lease expenses	**6,204**	5,682
Warranty expenses (Note 13)	**23,482**	4,085
Auditors' remuneration	**339**	851
Listing expenses	**–**	2,832
Others	**38,301**	45,266
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**1,311,485**	1,079,974

Certain comparative figures relating to expense categories have been reclassified to conform with current period's presentation.

19 SHARE-BASED PAYMENTS

Pursuant to a shareholders' resolution passed on June 5, 2014, the Company adopted a share option scheme (the **Scheme**). The Scheme will remain in force for a period of 10 years commencing from June 5, 2014.

The subscription price for the shares under the option to be granted will be determined by the Board of Directors and will be the highest of: (a) the closing price of the shares of the Company as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheet on the grant date; (b) the average closing price of the shares of the Company as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheets for the five business days immediately preceding the grant date; and (c) the nominal value of the shares of the Company.

The options will vest and become exercisable gradually after the grantees complete a period of service of 1 to 3 years from the grant date, and subject to the Group achieving its performance target.

On June 11, 2014, the Board of Directors approved an initial grant of share options under the Scheme, pursuant to which options to subscribe for 11,236,860 shares, representing approximately 0.4499% of the issued share capital of the Company, were granted to 15 selected participants at the exercise price of HK$5.15 per share.

Movements in the number of share options outstanding and their average exercise prices are as follows:

	Average exercise price (per share) HK$	Outstanding options (thousands)
At January 1, 2014	–	–
Granted	5.15	11,237
Forfeited	5.15	(702)
At June 30, 2014	5.15	10,535
Exercisable as at June 30, 2014	–	–

Share options outstanding at the end of the period have the following vesting dates and exercise prices:

	Average exercise price (per share) HK$	Outstanding options (thousands)
June 11, 2015	5.15	3,512
June 11, 2016	5.15	3,512
June 11, 2017	5.15	3,511

19 SHARE-BASED PAYMENTS (Continued)

The weighted average fair value of options granted during the period determined using a binomial valuation model was HK$2.71 per option. The significant inputs into the model were share price at the measurement date of HK$5.15, exercise price of HK$5.15, volatility of 50%, dividend yield of nil, an expected term of 8.06 years, and an annual risk-free interest rate of 1.88%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily trading prices of the Company's shares since the date of listing (October 7, 2013) as well as the daily trading prices of benchmarked publicly traded companies in the same industry. Considering there is limited information on the historical share price of the Company, the Group referred to benchmarked companies' historical share price in addition to our share price history to determine the historical volatility.

The fair value of the share options charged to the interim condensed consolidated income statement was US$124,000 during the six months ended June 30, 2014.

20 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

21 INCOME TAX EXPENSE

	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 as it has expired.

22 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

22 EARNINGS PER SHARE (Continued)

(a) (Continued)

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 (Note 19) could not be exercised until the annual performance targets are met. As at the balance sheet date, such performance targets have not been met.

23 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).

24 COMMITMENTS

(a) Capital commitments

The Group has capital commitments of US$136,211,000 as at June 30, 2014 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2013: US$139,502,000).

(b) Operating lease commitments

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	June 30, 2014 US$'000 (Unaudited)	December 31, 2013 US$'000 (Audited)
Up to 1 year	**10,167**	10,205
1 to 5 years	**36,125**	26,864
Over 5 years	**9,617**	1,334
	55,909	38,403

25 RELATED PARTY TRANSACTIONS

(a) Transactions with Yubei Steering System Co., Ltd., an associate of AVIC

	For the six months ended June 30, 2014 US$'000 (Unaudited)	2013 US$'000 (Audited)
Purchase of goods	**2,571**	45

(b) Key management compensation

The remunerations of the CEO, directors and other key management members were as follows:

	For the six months ended June 30, 2014 US$'000 (Unaudited)	2013 US$'000 (Audited)
Basic salaries, other allowances and benefits	**3,068**	2,423
Bonuses	**1,949**	5,390
Others	**–**	562
	5,017	8,375

These remunerations are determined based on the performance of individuals and market trends.

26 SUBSEQUENT EVENTS

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.