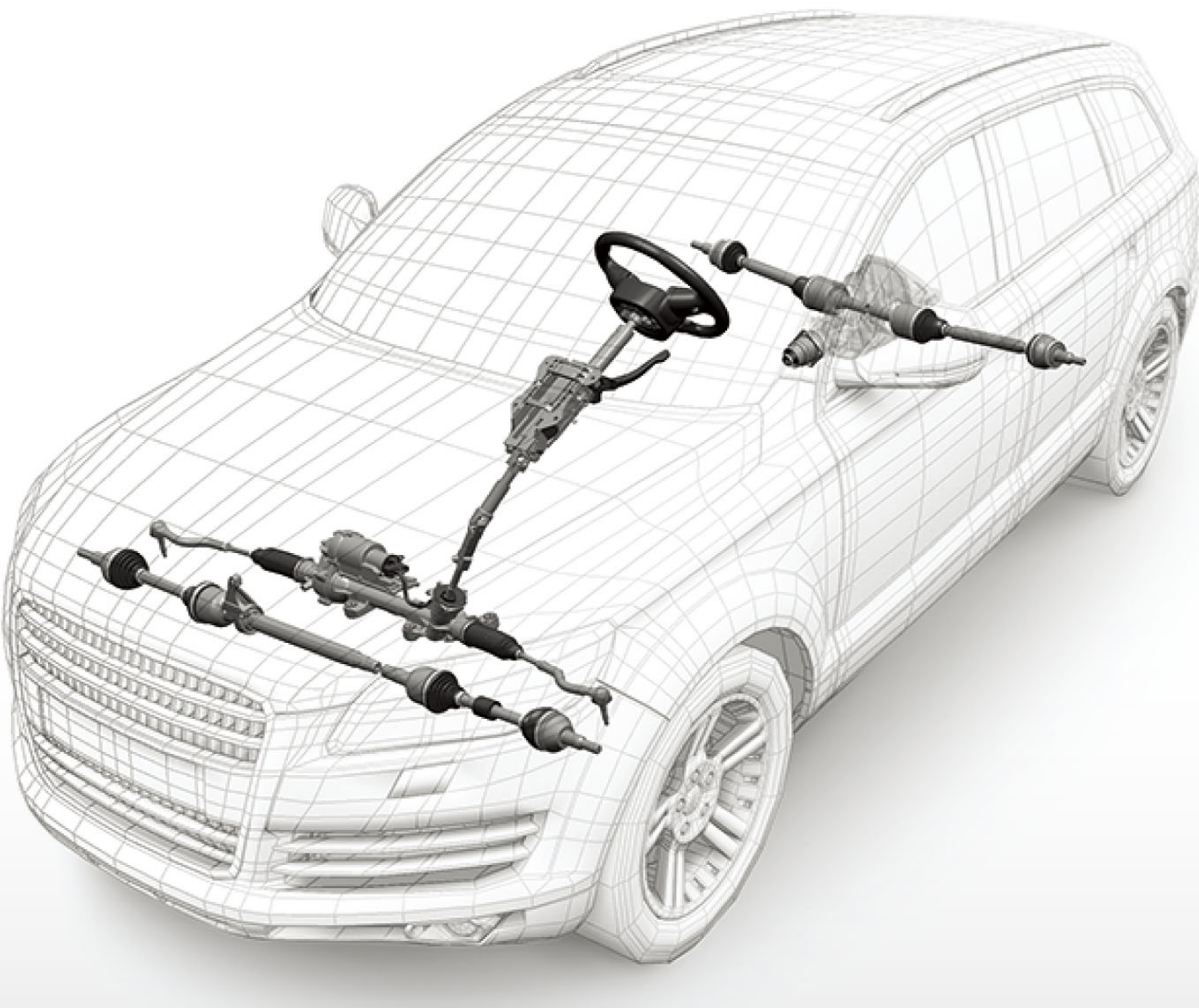
a leader in intuitive motion control

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)



ANNUAL REPORT 2016

Contents

Corporate Profile

Nexteer Automotive Group Limited (the **Company**) together with its subsidiaries are collectively referred to as **we**, **us**, **our, Nexteer**, **Nexteer Automotive** or the **Group**. Nexteer Automotive is a global leader in advanced steering and driveline systems, advanced driver assistance systems (**ADAS**) and autonomous vehicle technologies. In-house development and full integration of hardware, software and electronics give Nexteer a competitive advantage as a full service supplier.

Our vision is to remain a leader in intuitive motion control – leveraging our strengths in advanced steering and driveline systems. We maintain product focus on electric power steering (**EPS**), a socially responsible technology that offers automakers increased fuel economy and reduced emissions. Nexteer Automotive has put more than 40 million EPS units on the road, since 1999, saving more than 4 billion gallons of fuel.

Our ability to integrate our systems seamlessly into automotive original equipment manufacturer (**OEM**) vehicles is a testament of our 110-year heritage of vehicle integration expertise and product craftsmanship. Our corporate culture inspires employees to achieve personal and corporate growth by focusing on the Company's core values across all aspects of the enterprise: people, operational excellence and sustainable growth.

We seek to be the partner of choice for our customers and suppliers by delivering dependable safety-critical products and building enduring relationships.

Nexteer provides real-world, vehicle-level solutions:

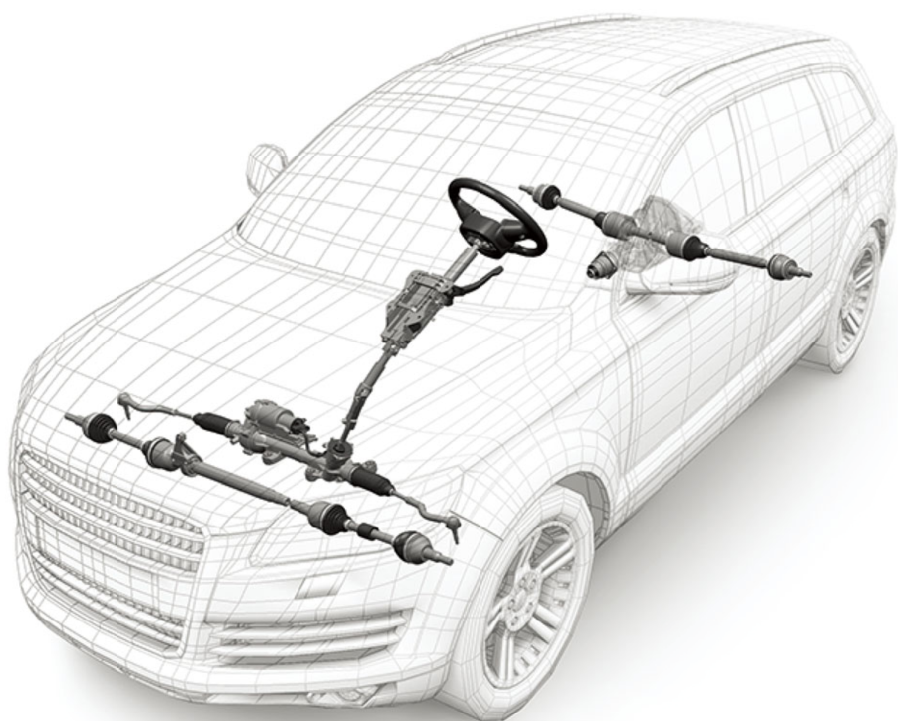
- **Customer Focused**: Respected and trusted for delivering on commitments
- **Proactive**: We listen carefully to understand customer requirements
- **Innovative**: A market leader in steering and driveline innovation
- **Agile**: Able to respond quickly with high-quality, cost-effective solutions
- **Global**: Committed to exceeding customer and vehicle needs every time, everywhere

Corporate Profile

GLOBAL FOOTPRINT

World Headquarters:	Auburn Hills, Michigan, United States of America
Manufacturing Plants:	23
Manufacturing Plants of Non-Consolidated Joint Venture:	1
Application Engineering Centres:	5
Customer Service Centres:	11
Full-Time Equivalent Global Workforce:	13,700+
Global Customers:	50+, including BMW Group (**BMW**), Fiat Chrysler Automobiles N.V. (**FCA**), Ford Motor Company (**Ford**), General Motors Company and Subsidiaries (**GM**), SAIC General Motors Co., Ltd. (**SGM** or **Shanghai GM**), SAIC-GM-Wuling Automobile Co. Ltd. (**SGMW**), PSA Groupe (**PSA**), Toyota Motor Corporation (**Toyota**) and Volkswagen Group (**Volkswagen**) as well as domestic automakers in India, China and South America

OUR PRODUCTS



ELECTRIC POWER STEERING

COLUMNS & INTERMEDIATE SHAFTS

DRIVELINE SYSTEMS

HYDRAULIC POWER STEERING

ADAS & AUTONOMOUS TECHNOLOGIES

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) (resigned with effect from and upon the conclusion of the Board meeting held on March 14, 2017)
WANG, Xiaobo (王曉波)
YANG, Shengqun (楊勝群) (appointed with effect from March 14, 2017)

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 (樊毅)
MOK, Ming Wai (莫明慧) (FCIS, FCS)

AUTHORISED REPRESENTATIVES

FAN, Yi (樊毅)
MOK, Ming Wai (莫明慧) (FCIS, FCS)

LEGAL ADVISERS

As to Hong Kong Law
DLA Piper Hong Kong

As to Cayman Islands Law
Maples and Calder

AUDITOR

PricewaterhouseCoopers

AUDIT AND COMPLIANCE COMMITTEE

WEI, Kevin Cheng *(Chairman)*
TSANG, Hing Lun
LU, Daen (resigned with effect from and upon the conclusion of the Board meeting held on March 14, 2017)
YANG, Shengqun (appointed with effect from March 14, 2017)

REMUNERATION AND NOMINATION COMMITTEE

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

HEADQUARTERS

1272 Doris Road
Auburn Hills, Michigan 48326
United States of America

REGISTERED OFFICE

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

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
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 East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Wells Fargo Capital Finance
Bank of China
Shanghai Pudong Development Bank
China CITIC Bank
The Export-Import Bank of China
PKO Bank Polski
Bank Pekao SA
China Construction Bank

STOCK CODES

Share Listing
Ordinary Shares
The Stock Exchange of Hong Kong Limited
(Stock code: 1316)

Senior Notes Listing
US$250,000,000 5.875%
Senior Notes due 2021
The Stock Exchange of Hong Kong Limited
(Stock code: 5826)

COMPANY WEBSITE

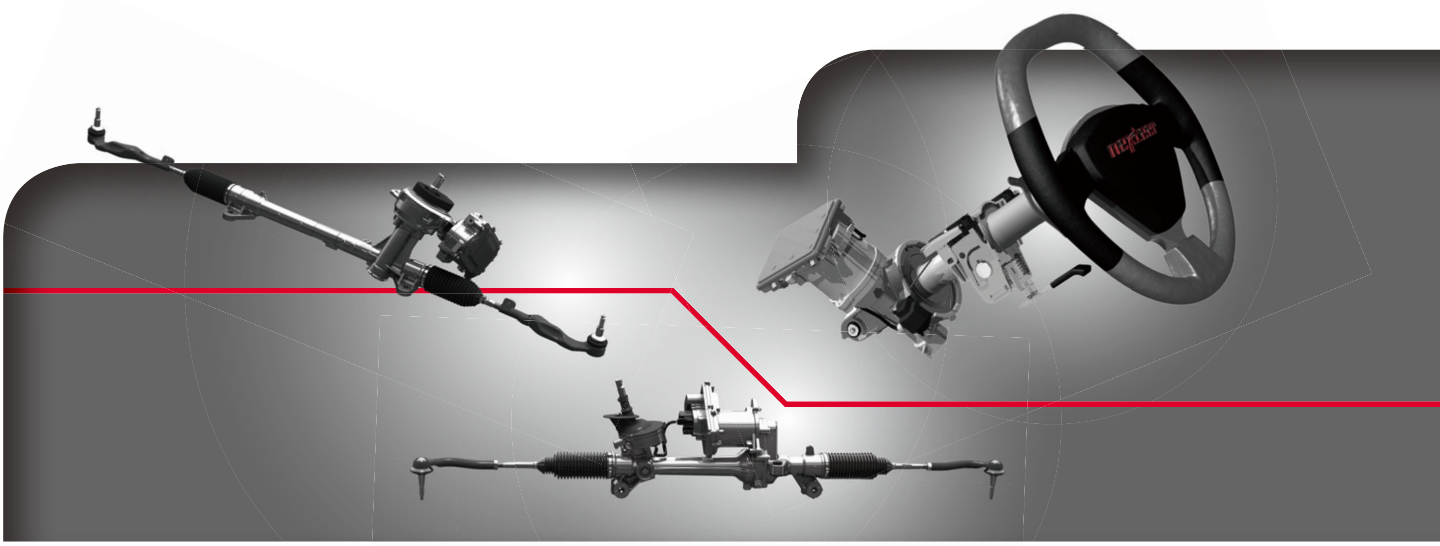
http://www.nexteer.com/

Our Products

We design, develop, manufacture and distribute steering and driveline systems and components, primarily for OEMs.

A steering system consists of the components required to provide lateral directional control of the vehicle. Our steering system product lines include EPS, hydraulic power steering as well as steering columns and intermediate shafts.

A driveline system consists of the components required to transfer power from the transmission to the drive wheels. Our driveline system products include front wheel drive halfshafts, intermediate drive shafts and rear wheel drive halfshafts as well as propeller shaft joints.



ELECTRIC POWER STEERING

EPS uses an electric motor to assist driver steering. Our hardware and software work together to connect the driver with the road, taking into account driving dynamics and the operating environment. Depending on the type of EPS system, a computer module applies assistive power via an electric motor coupled directly to either the steering gear or the steering column.

Column-assist EPS (**CEPS**) integrates system electronics (motor, controller and sensor) and the assist mechanism with the steering column. OEM customers that use our CEPS include: GM in various small cars, such as the Aveo; Shanghai GM in the Sonic and the Captiva sport utility vehicle (**SUV**); and FCA in various small cars such as the Fiat 500. In China, we also offer an entry-level brush motor column-assist EPS (**BEPS**) specifically tailored for developing markets. OEM customers that use our BEPS include: SGMW for the Wuling Hongguang S minivan and the Bao Jun 560 SUV.

Rack-assist EPS (**REPS**) integrates the required electric assist mechanism with the steering rack where they are contained under the hood in the engine compartment. OEM customers that use our REPS include: Ford in the F-150 pickup truck; FCA in the Ram pickup truck; and GM in various half-ton trucks and SUVs. We also supply our REPS in performance vehicles, including the Ford Mustang, Dodge Charger and Dodge Challenger.

Single pinion-assist EPS (**SPEPS**) integrates the electric assist mechanism with the steering gear pinion shaft. OEM customers that use our SPEPS include: PSA in the Citroen C3 and DS3; Dongfeng Peugeot Citroen in the Citroen C-Elysee and the Peugeot 2008; and BMW in the 1-series, the i3 and the Mini Cooper line.

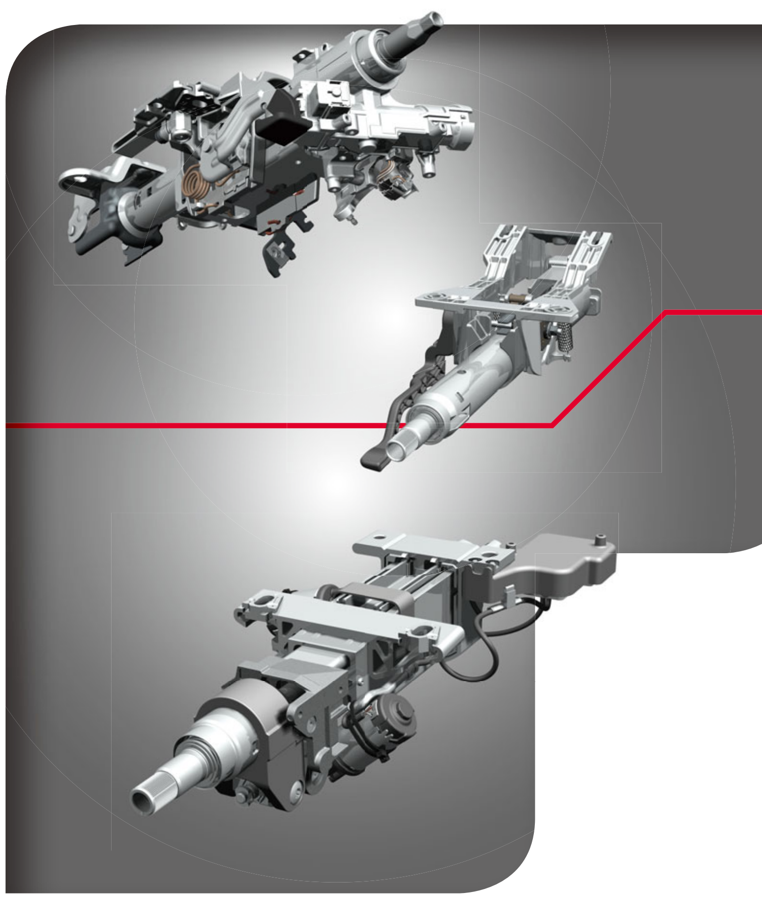
HYDRAULIC POWER STEERING (HPS)

HPS uses high pressure fluids to assist driver steering. An engine-driven power steering pump creates system pressure. Pressurised fluid is then routed into a steering gear cylinder that turns the wheels of the vehicle. OEM customers that use our steering gears include: GM in its three-quarter ton trucks and large vans; and FCA in various light commercial vehicles. OEM customers that use our steering pumps include: FCA; GM; and PSA.

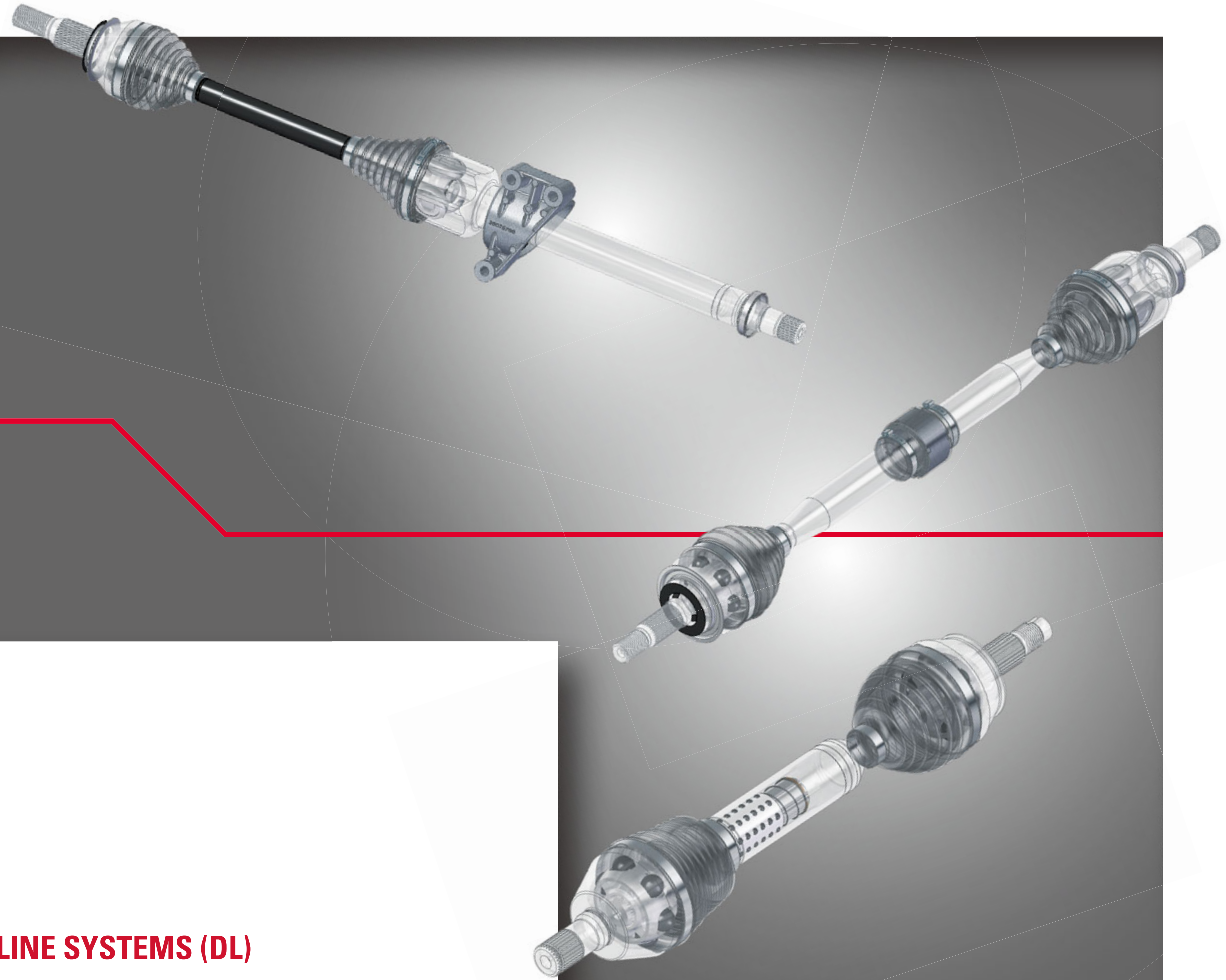
In North America, we ramped up mass production of two new premium hydraulic based products; Magnasteer with Torque Overlay (**MTO**) and Smart Flow pump. These products bring advanced driver assistance functionality and reduced power consumption benefits. The MTO steering gear actuator targets three-quarter ton light trucks, medium and heavy duty trucks, semis and buses. The Smart Flow pump reduces parasitic loss on the engine to improve operating efficiency. MTO and Smart Flow are currently available exclusively on GM three-quarter ton trucks; the GMC Sierra; and the Chevrolet Silverado. We also introduced an MTO cartridge valve that enables integration with OEM's current gear configurations.

STEERING COLUMNS AND INTERMEDIATE SHAFTS (CIS)

CIS connect the steering wheel to the steering mechanism, which control steering by transferring the driver's input torque from the steering wheel. Our advanced steering columns also provide convenience features and help protect the driver in the event of a crash. Convenience features include manual and power adjustability, theft deterrence, sensors, actuators and ergonomically designed controls. Advanced energy absorption systems help improve vehicle safety ratings and include our active systems that automatically compensate for the weight of the driver to deliver optimum protection. We design these products for small cars, SUVs and trucks. OEM customers that use our steering columns include: GM in various full-size trucks and large vans; Chevrolet Impala and the all new Camaro; Cadillac ATS; and Ford F-150 pickup trucks.



Our Products



DRIVELINE SYSTEMS (DL)

Halfshafts are designed for a variety of vehicles and are custom engineered to meet specific vehicle requirements. OEM customers that use our halfshafts include: FCA; GM; PSA; Volkswagen and a number of China and India domestic OEMs.

Intermediate drive shafts work in conjunction with the halfshafts to improve vehicle handling and eliminate driveline disturbance issues on front wheel drive vehicles with unequal length axles, higher torque and running angles. OEM customers that use our intermediate drive shafts include GM in various crossover utility vehicles.

Propeller shaft joints are designed for high speed use in vehicles employing a front engine, rear drive powertrain configuration. OEM customers that use our propeller shaft joints include Ford in the Taurus, Flex and Fusion.

Our Products

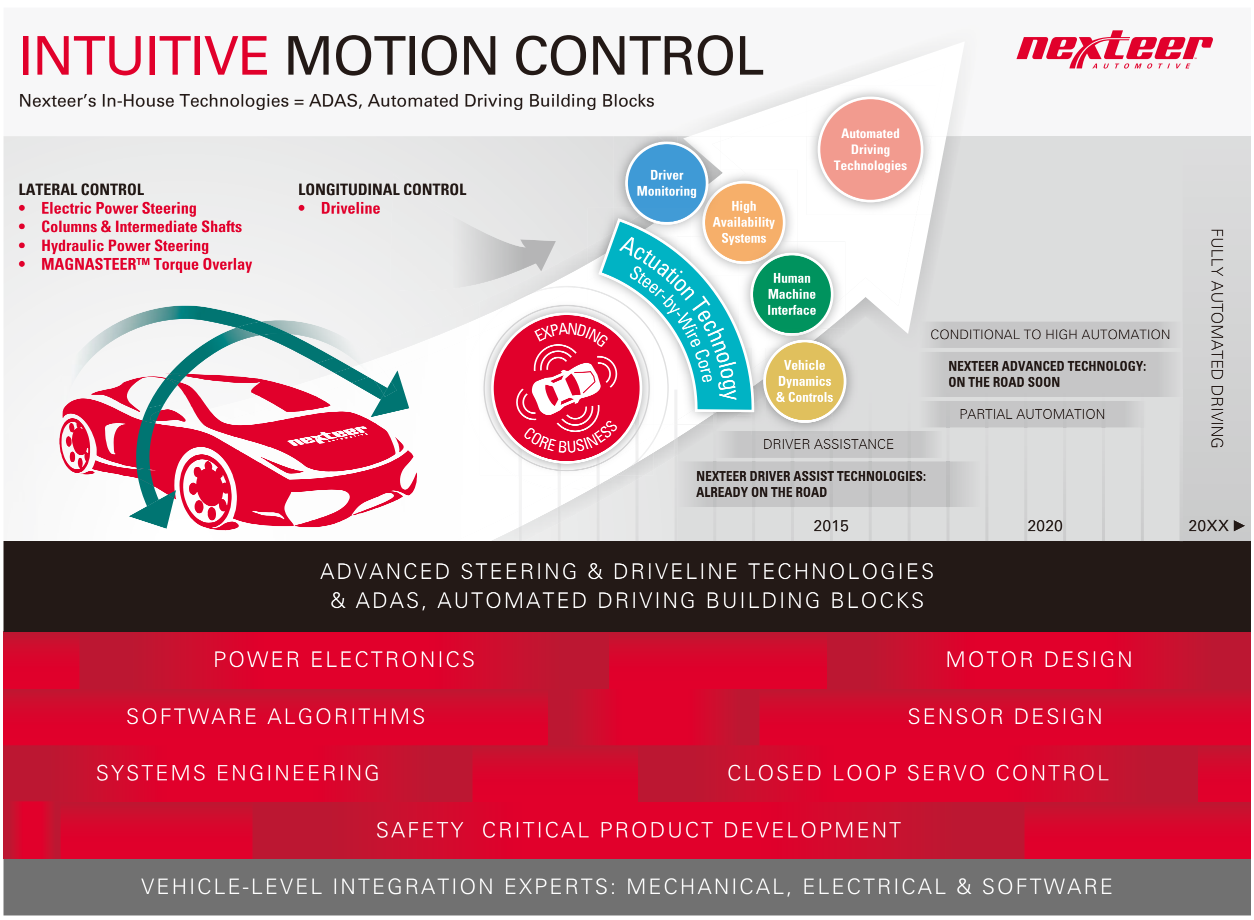
ADVANCED DRIVER ASSISTANCE SYSTEMS AND AUTOMATED DRIVING (AD)

We have expanded our ADAS and AD product portfolio with two new product offerings: Nexteer Steering on Demand™ System and Nexteer Quiet Wheel™ Steering.

Nexteer Steering on Demand™ enables the transition between driver and automated driving control through safe, intuitive steering transitions for vehicles capable of Society of Automotive Engineers Level 3, Level 4 and Level 5 automated driving. The system also empowers the driver to tailor his driving experience through various driving performance options including a sport, comfort and manual override mode.

Nexteer Quiet Wheel™ Steering modifies the steering wheel rotation when a vehicle completes an automated directional change. Because the steering wheel remains still during automated driving, potential hazards of a fast rotating steering wheel are eliminated and the driver's safety and sense of security are enhanced. Vehicles equipped with Nexteer Quiet Wheel™ Steering may also be fitted with a "stowable" column that automatically retracts into the dashboard when automated driving is engaged, increasing available space for driver comfort and other activities.

Nexteer's technologies power a host of other ADAS features in our advanced steering systems like EPS and MTO. In addition, a number of market trends are driving content and expansion opportunities such as increased demand for fuel efficiency, vehicle connectivity, cybersecurity, enhanced safety, 360° monitoring and other automated technologies.



Business Overview

Business Overview

STRATEGY FOR PROFITABLE GROWTH

- Strengthen technology leadership
- Expand and diversify revenue base
- Capitalise on EPS as enabler for ADAS
- Target China and emerging markets growth
- Optimise cost structure
- Pursue select acquisitions and alliances

2016 BUSINESS HIGHLIGHTS

The following business highlights for 2016 demonstrate Nexteer's focus on delivering profitable growth:

- Successfully launched 33 new customer programs across multiple product lines, segments and customers
- "Order to delivery" backlog totaling US$25.6 billion
  - Expanded "order to launch" backlog to US$13.7 billion from US$11.0 billion as at December 31, 2016, following substantial program launches
- Solidified engagement with key global customers to jointly develop ADAS functionality
- Received industry recognition for multiple accomplishments

NEW PRODUCTION LAUNCHES

With the launch of 33 major customer programs in 2016, including 4 programs from our non-consolidated joint venture, we introduced new or improved product applications in steering columns, drivelines, HPS and EPS. These programs included incumbent and conquest business which have increased and further diversified our revenue base. Customer programs that launched or began production in 2016 included:

OEMs	Vehicle Nameplate	Our Products
North America		
Ford	F250/F350 Super Duty Truck	Column
	F150 Raptor	REPS
GM	Cadillac XT5, GMC Acadia	REPS, Driveline
	Chevrolet Cruze	Driveline
	Chevrolet Express, GMC Savana	Hydraulic Steering Pump
FCA	Chrysler Pacifica	REPS, Column
Europe & South America		
FCA	Fiat Uno, Fiat Mobi	CEPS
PSA	Citroën C3 (Europe)	SPEPS
Asia Pacific		
*Chang'An	CS15, CX70, Changan Oushang	BEPS
*BAIC Motor Corporation Ltd.	Huansu H3	BEPS
Chery	Arrizo 7	CEPS
Dongfeng Liuzhou (**DFLZ**)	Fengxing SX6, S500, F600	CEPS
	Dongfeng SX6	CEPS
GM	Opel Mokka, Chevrolet Trax,	CEPS
	Buick Encore, Chevrolet Bolt	CEPS
Haitec	Luxgen S3	CEPS
Mahindra & Mahindra	XUV500	Driveline
Renault Nissan	Nissan March	Driveline
SGM	Cadillac XT5	REPS, Driveline
SGMW	Baojun 510 (SUV)	BEPS
Tata	Indigo	Driveline
FAW-VW	Cross Golf	Driveline

* Related to non-consolidated joint venture

Business Overview

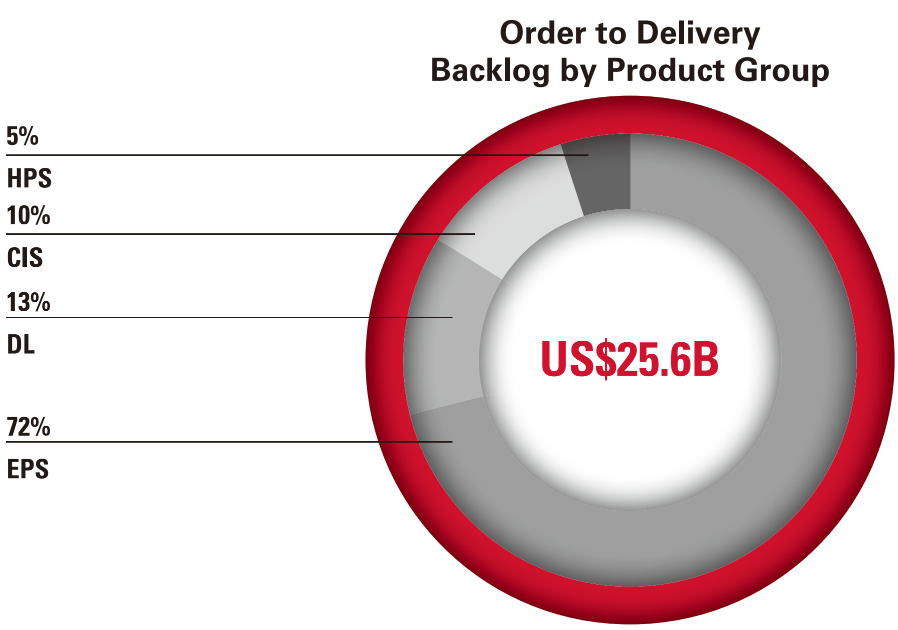
BACKLOG OF BOOKED BUSINESS

We begin to realise revenue under a new business contract at the start of production as steering systems and driveline products are first shipped to vehicle manufacturers at the time of product launch. Product launches have historically lagged the date of contract award by an average period of 24 to 30 months. We have calculated a booked business backlog value which includes the value of awarded business for as yet, undelivered product generating revenue between the time of launch through the end of the life of the respective award (the "order to delivery" backlog valuation model). We estimate the value of all booked business under contracts that have been awarded, but for which we have undelivered product, amounts to approximately US$25.6 billion (the **Booked Business Amount** or **Booked Business**) as at December 31, 2016.

Prior to January 1, 2016, we have presented the value of our backlog of booked business as the aggregate value of vehicle manufacturer awarded business for which we have not yet launched product (the "order to launch" backlog valuation model). At the time of a product launch pursuant to the "order to launch" backlog valuation model, we remove the total value of the Booked Business from the backlog presented. Consistent with our "order to launch" backlog valuation model, as at December 31, 2016, we estimate the value of all booked business under contracts that have been awarded, but which have not yet begun production, amounts to approximately US$13.7 billion, compared to US$11.0 billion as at December 31, 2015. Since the time of the initial public offering, the presentation of the "order of launch" backlog most reasonably represented the growth of our EPS market share as vehicles converted from HPS to EPS, reflecting the conversion driven expansion of the EPS market. However, the "order to launch" model fails to reflect the value of revenue associated with product delivered during the period between production launch and platform end of life. We believe the "order to delivery" model to be a more prevalent method used by automotive suppliers in corresponding industry disclosures.

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

Cumulative Booked Business:



PRODUCT RESEARCH AND DEVELOPMENT (R&D)

We have accumulated extensive technical knowledge and developed a high degree of expertise throughout our 110-year history as a steering and driveline systems supplier. During this time, the Company has maintained a consistent focus on R&D. We have expanded the scope of innovation activities to embrace adjacent markets.

As at December 31, 2016, we have approximately 492 patents registered in the United States of America (**US**) and 148 non-US patents. In addition, we have nearly 459 patent applications pending.

As the automotive industry continues to redefine the future of mobility, the Company has identified a number of opportunities to pursue the development of ADAS, AD and vehicle connectivity.

ADAS and Autonomous Vehicles: Our historical focus has been on the delivery of intuitive motion control. Steering is a dominant system providing vehicle character in terms of driver feedback and lateral directional control. As we continue to expand into adjacent markets, ADAS represents a strategic opportunity for market growth through customer-driven content added to our existing product portfolio.

The migration to higher levels of ADAS functionality requires a robust and dependable architecture. As vehicle system capabilities increase in autonomy, system automation must be fault-tolerant to deliver steering functionality with high reliability.

We initiated the development of ADAS focused modules ten years ago and began system integration with global OEM's two years ago. This advanced development has yielded a range of strategic building blocks that should build fungible scale in our manufacturing operations, yet deliver customer-specific functionality when applied to commercial opportunities.

Nexteer is working with three customer categories on ADAS technology development:

- Traditional OEMs
- New market entrants
- Collaborating industry peers

We have been selected to collaborate with industry leaders in all three categories. This effort requires our delivery of carefully-defined modules on customer production implementation timelines. While initial volumes are low, we view this body of work as strategic and important to our long-term financial growth.

In January 2017, at the North American International Auto Show (**NAIAS**), we made two significant announcements related to ADAS and AD, the expansion of our AD portfolio and our intent to form a joint arrangement with Continental Automotive Systems, Inc. (**Continental**).

Capitalising on the enhanced safety and driver experience opportunities associated with the increasing automation of passenger vehicles, Nexteer unveiled two new steering product offerings at NAIAS: Nexteer Steering on Demand™ System and Nexteer Quiet Wheel™ Steering. Both new offerings utilise Nexteer steer-by-wire technology. While steer-by-wire does not require a mechanical link between the road wheels and steering wheel, Nexteer can tune the system actuator for premium steering feel and responsiveness. Reliable system performance is also enhanced through system integration of sensors and mechanical technologies.

The joint arrangement with Continental will focus on the advancement of motion control systems and actuator components for automated driving. This joint arrangement will combine Nexteer's advanced steering and driver assistance technologies with Continental's portfolio of automated driving and advanced braking technologies to accelerate advancements in vehicle motion control systems. Each of the parties will hold 50% of the interest in this joint arrangement. The joint arrangement will initially focus on R&D activities including evaluation, design and prototyping. The arrangement will employ team members who will leverage existing technical talent from both Nexteer and Continental with plans for future growth. Pending regulatory approvals, it is expected that this project will be operational in the second quarter of 2017. For details of aforesaid joint arrangement, please refer to the Company's announcement dated January 11, 2017.

CHINA APPLICATION ENGINEERING CENTRE

During 2016, our Suzhou, China-based technical centre operations were expanded to increase regional autonomy in product design, development and release of customer programs. Now hosting 150 engineers, this site has been uniquely designated as a technical homeroom for brush motor-based Column EPS products.

The Company continues to expand competencies in laboratory validation, testing, Noise/Vibration/Harshness (**NVH**), prototype and materials engineering. Suzhou, China now serves as the template for similar expansion underway at our Tychy, Poland site.

POLAND APPLICATION ENGINEERING CENTRE

The Group has had a technical presence in Poland since 2000. During 2016, we expanded our core engineering capabilities in our Tychy, Poland site, which now hosts 50 engineers. We also continue to expand competencies in laboratory validation, testing, NVH, prototype and materials engineering.

FOCUS ON OPERATIONAL EFFICIENCY AND COST COMPETITIVENESS

The Nexteer Production System (**NPS**) remains the foundation of our manufacturing operations. Originally based upon the Toyota Production System, we have been refining this world-class mindset for more than 20 years.

- Recent activities have been centred on the digital thread of information that begins with product design and flows through the manufacturing process. The basic tenants of NPS include work standardisation, product traceability and operator accountability. We seek a single source of truth for design and process details.

- **PLM**: The Nexteer Product Life Management (**PLM**) system was launched in 2014. Since that time, we have launched upgrades and additional modules to increase system functionality and efficiency. PLM is a key input to our new Enterprise Resource Planning (**ERP**) system and will be an enabler for process specifications and documents in our new Manufacturing Execution System (**MES**).

- **ERP**: During 2016, we launched a new ERP system across North America operations, the final phase of a global deployment. This ERP upgrade brings greater visibility and opportunities for cost reduction and other efficiencies.

- **MES**: Our MES connects the digital thread from design to manufacture across the global value streams. MES provides critical data to improve production counts and process uptime. We launched a pilot programme of our MES system in Mexico in the fourth quarter of 2016. This pilot programme will become the global template for all of our global manufacturing plants in the future. Benefits of system data and linkage to enterprise data include:

  - Improved capacity utilisation
  - Lower manufacturing costs
  - Improved inventory control to improve cash flow

- **Traceability**: During 2016, we launched upgrades to our product traceability system to improve the proactive analysis of systems and components. This offers our employees the ability to visualise trends in manufacturing processes. We seek to address areas of concern before they can impact our operations and potentially reach customers, thereby reducing our costs.

- **Automation**: We are expanding the use of automation in both current and new processes to increase capacity utilisation and reduce operating costs. Initial planned projects target our US operations where the highest cost per standard hour exists. Project scope comprehends extensive redesign of operator and machine interfaces. Collaborative robots will integrate with existing assembly equipment to reduce labor content. Our remaining global operations are evaluating the use of automation to improve operational efficiency and product quality. New systems will be applied where we find economic value.

REGIONAL MARKET GROWTH

Brazil

The Company began operation in late 2016 of a second plant in Brazil to serve the growing needs of our EPS customers. The new Porto Real plant works closely with our existing Porto Alegre operations to deliver SPEPS systems.

China

The China market continues to grow in importance to the Group. We operate as both a global tier 1 automotive supplier and as a Chinese domestic enterprise to relate effectively with all customers and to maximise market opportunities.

We celebrated the grand opening of a new facility in Chongqing in October 2016. The Chongqing-based joint venture with Chongqing Jianshe Industry (Group) Co., Ltd. remains focused on production launches for a range of Chang'an brand vehicles. Our product application range now includes both brush and brushless motor powered CEPS.

Nexteer Liuzhou has supplied SGMW nearly 2 million Brush Column-Assisted EPS systems. The Company has become a reliable partner for SGMW through product performance, innovation, timely R&D and on-time delivery.

During 2016, we launched new generation brushless Modular Power Pack (**MPP**) products for both DFLZ Fengxing SX6 and S500 and Luxgen S3 from our wholly-owned Suzhou production complex. Concurrently, we are now in serial production of REPS for the Cadillac XT5 program from this site.

In addition, the Suzhou site completed phase 2 of its prototype factory capability expansion. Achievement of this milestone added global-standard prototype process equipment to increase production capacity.

Indonesia

During 2016, the Company started to construct a new manufacturing site in Indonesia. This Jakarta-based operation will support customers in the strategic Association of Southeast Asian Nations (**ASEAN**) region with Wuling as our cornerstone customer. The planned product will be brush-motor based CEPS with production launch scheduled in mid-2017.

India

The Company dedicated a third manufacturing facility in India in September 2016. Located in Pune, the new plant complements our manufacturing footprint in Bangalore and Gurgaon. The Pune plant will focus mainly on halfshaft component manufacturing and assembly for local customers, as well as supply the Gurgaon plant. In the future, the new plant may also expand into EPS production.

Poland

In April 2016, the Company announced the expansion of a manufacturing facility in Europe. The expanded plant in Tychy, Poland will allow the company to enhance its manufacturing capabilities to supply EPS systems for its current European customers, including BMW, GM, FCA and PSA.

INDUSTRY RECOGNITION

Nexteer has received recognition of its outstanding manufacturing performance in 2016.

In March 2016, Nexteer Suzhou received Ford Q1 status after meeting all necessary requirements for a continued high level of product quality and excellence. Nexteer Suzhou became the first supplier in 2016 to receive this recognition from Ford Asia Pacific.

In May 2016, Nexteer Brazil received the PSA Latin America Supplier Award for Logistics excellence in support of their plants.

In June 2016, the Company received the GM Best Supplier Award for our plants in Mexico and Australia. This was awarded to our plants for their ability to meet or exceed the stringent quality performance criteria and achieving cross-functional support of the entire GM organisation.

Nexteer Poland was recognised with three Central and Eastern European Manufacturing Excellence Awards in June 2016. The awards were presented for:

1) Manufacturing Supplier of the Year;
2) Information Technology for Manufacturing; and
3) Robotics and Automation.

The Company received GM BIQS (Built In Quality System) certification in September 2016 from GM China. The Nexteer Suzhou operations became only the second supplier to be certified by GM in China.

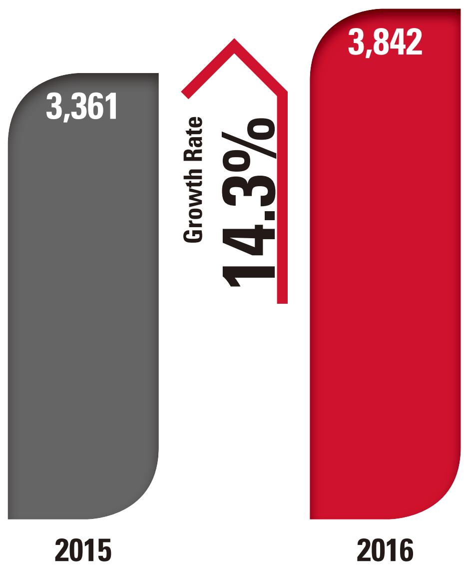
The Company also received multiple awards for achieving perfect quality performance in 2015. One award was presented to our China plant from FAW-Volkswagen Automobile Co., Ltd. and Volkswagen Group for products supplied to global VW facilities. The other was received by our India operations from GM India.

Financial Highlights

Results (US$'000)	2016	2015	Growth rate %
Revenue	**3,842,244**	3,360,512	14.3%
Gross profit	**661,665**	544,903	21.4%
Profit before income tax	**386,006**	283,364	36.2%
Income tax expense	**(84,141)**	(73,216)	14.9%
Net profit attributable to equity holders of the Company	**294,723**	205,432	43.5%
Net profit	**301,865**	210,148	43.6%
Adjusted EBITDA	**578,092**	455,410	26.9%

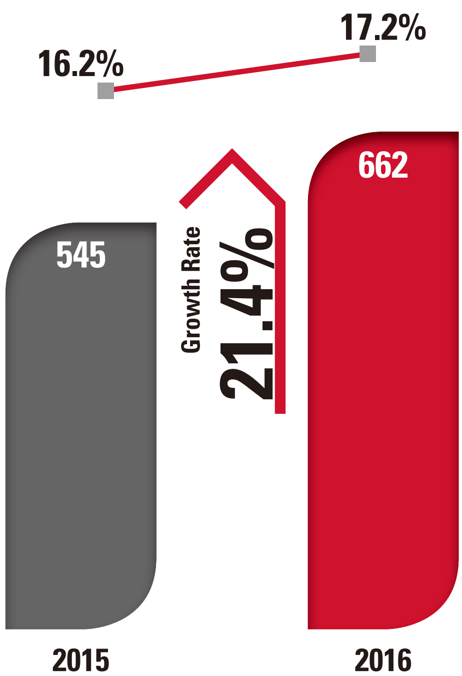
REVENUE

US$ million



GROSS PROFIT

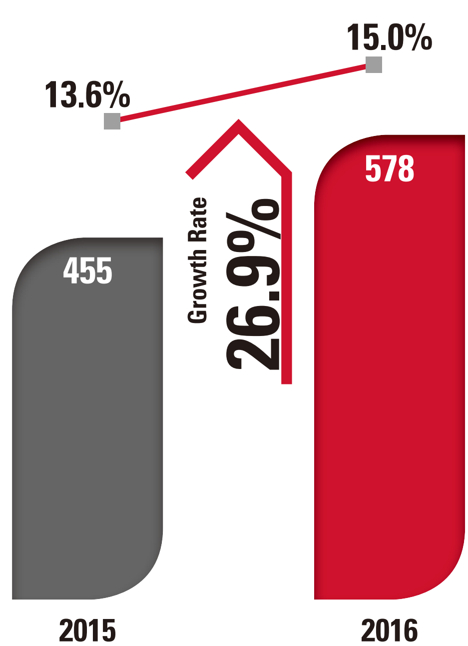
US$ million



Financial Highlights

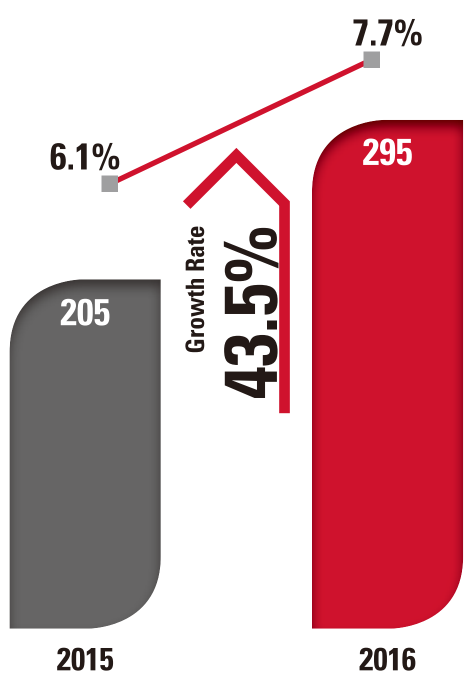
ADJUSTED EBITDA

US$ million



NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

US$ million



Assets and Liabilities (US$'000)	2016	2015	Change %
Non-current assets	**1,265,813**	1,120,672	13.0%
Current assets	**1,427,555**	1,336,150	6.8%
Non-current liabilities	**742,019**	795,131	(6.7%)
Current liabilities	**860,326**	807,326	6.6%
Equity attributable to the Group's equity holders	**1,058,991**	827,422	28.0%

These financial highlights should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2016 (the **Consolidated Financial Statements**).

Chairman's Statement

Dear Shareholders:

On behalf of the Board of Directors of Nexteer (**Board**), I present to our shareholders (**Shareholders**) the annual report for the financial year ended December 31, 2016.

Over the past six years, we have transformed the Company into a modern, energetic and profitable enterprise. We have experienced unprecedented growth and technological advances, accelerated by our employees' passion for relentless innovation. This passion has fueled the Company for over a century and has now made Nexteer a "Leader in Intuitive Motion Control."

With a strong product portfolio and competitive footprint, we have enjoyed rapid growth driven by robust program launches and strong vehicle volumes in North America and Asia Pacific. In the current reporting period, we generated US$301.9 million net profit. We also increased revenue to US$3,842.2 million at the end of 2016.

In August 2016, we established a lean and globally connected corporate World Headquarters in Auburn Hills, Michigan.

Located in the heart of the automotive industry, the new facility is tangible evidence of a company in motion. It signals Nexteer's technological focus and provides a central platform for increased industry presence. It serves as the hub of Nexteer's innovative approach to business, enabling us to pursue balanced global growth and deliver advanced products.

In 2016, we continued to enhance our global engineering capabilities.

In April 2016, we opened a new Application Engineering Centre in Tychy, Poland to serve our European customers. We also opened phase two of our Application Engineering Centre in Suzhou, China to build on regional success with Brush Column EPS. These facilities are strategically located to better serve our global customers and anticipate market needs.

In 2016, we opened a record 3 new manufacturing facilities to meet the demands of a growing customer base. These included a wholly-owned facility located in Brazil and a joint venture in Chongqing, both focused on regional localisation of our EPS capabilities. A new facility in India expands halfshafts manufacturing and enables the possibility of locally produced EPS business with new customers.

With 24 manufacturing facilities, 5 regional engineering centres and 11 customer service centres strategically located around the globe, we continue to advance our strategy of diversification with new customers, new products and new regions of operations.

Our 2016 backlog of Booked Business remains strong at US$25.6 billion. The composition of Booked Business provides an indication of our increasing customer diversity and continued market expansion in EPS.

In April 2016, we published the Group's first sustainability report on a voluntary basis, demonstrating our commitment to the creation of Shareholder value in a socially responsible manner. We will publish our second sustainability report in 2017 outlining the progress we have made in furthering this process within the Company.

As we continue to evolve global manufacturing and engineering capabilities, improve our capital expenditure and procurement processes, and enhance corporate and governance functions, we are driving impactful operating changes focused on value creation for all Shareholders.

Our capital structure remains healthy and flexible, enabling us to consider targeted acquisitions and alliances appropriate for the business. As a growing, balanced enterprise we are well positioned for the future, and we are driven by entrepreneurial thinking and a focus on technology leadership.

REVIEW OF RESULTS

For the year ended December 31, 2016, the Group's revenue was US$3,842.2 million, representing an increase of approximately 14.3% from US$3,360.5 million in 2015. Revenue from non-US markets amounted to US$2,095.4 million, representing growth of 14.6% from US$1,827.8 million in 2015. Net profit attributable to equity holders of the Company was US$294.7 million representing an increase of 43.5% from US$205.4 million in 2015. The Group's gross profit was US$661.7 million, representing an increase of 21.4% from US$544.9 million in 2015.

Nexteer continues to make global diversification a priority. In 2016, 65.4% of revenue was delivered from North America, 23.4% from Asia Pacific, 11.2% from Europe and South America.

FUTURE PROSPECTS

We recognise that the technological migration from HPS to EPS is approaching full conversion. With this in mind, we are focused on optimising incumbent business through cost improvement and continued investment in technological innovation. We will also continue to monitor the projected slowdown in major markets like the US and China in anticipation of further business adjustments.

With the advent of vehicle automation and enhanced vehicle communications, the automotive industry is undergoing radical transformation to define the future of mobility. In 2016, vehicle manufacturers declared new business models, announced equity investments in disruptive technologies and reevaluated relationships with the supply base. New market entrants also continue to influence and accelerate the pace of innovation in the automotive industry, leaving room only for those nimble enough to quickly adapt and embrace change.

At the 2017 NAIAS, we announced the expansion of our product portfolio with the market introduction of two new products for AD: Nexteer Steering on Demand™ System and Nexteer Quiet Wheel™ Steering.

These innovative products have led to development contracts with several existing customers and have opened doors with new targeted customers. These products leverage advanced driver assistance technology in EPS and our production history in steer-by-wire. They create a platform and the central building blocks for Nexteer to play an important role in the future of mobility and automated driving.

Our joint arrangement with Continental will focus on advanced motion control systems for automated driving and will accelerate advancements in vehicle motion control systems beyond both parents' current capabilities. We continue to consider new collaborative relationships, acquisitions and alliances to strengthen our position in mobility solutions.

At Nexteer, the future is guided by opportunities for advancement within and beyond our core business of steering and driveline systems. I am gratified to be part of Nexteer's transformation and express my greatest appreciation for our team's hard work and dedication in securing its place as a "Leader in Intuitive Motion Control."

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to our management team and our 13,700 employees worldwide for their unwavering dedication to value creation. We remain focused on driving consistent growth in our core products. Further, we recognise increasing market opportunities in ADAS functionality and the enabling technologies that will make vehicle autonomy a reality. We are well positioned to ensure that Nexteer remains relevant as a provider of key content for the delivery of intuitive motion control and will pursue strategic collaborations and targeted acquisitions to advance our capabilities. I extend additional thanks to our Shareholders. Your belief and support afford Nexteer the ability to thrive in a dynamic global marketplace and to build a solid platform for continued growth.

I encourage you to review the material contained in this report, and sincerely value your continued support of Nexteer.

ZHAO Guibin
Chairman

March 14, 2017

Management Discussion And Analysis

The following management discussion and analysis should be read in conjunction with the Consolidated Financial Statements, included herein, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

FINANCIAL REVIEW

Financial Summary

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

Operating Environment

The global automotive market has a direct impact on our business and operating results. The factors affecting the industry include macro-economic factors such as consumer confidence, fluctuations in commodity, currency, fuel prices and regulatory environments. The Company operates primarily in North America, China, Europe, India and Brazil. Automotive industry production levels increased in 2016 over 2015. Improvements were seen in North America where global light vehicle production increased 2.0% from the year ended December 31, 2015 to the year ended December 31, 2016. In China, the automotive market continues to expand and thus provide a benefit to the Group. Global light vehicle production for the Asia Pacific segment in total increased 7.2% from 2015 to 2016, while the China market light vehicle growth alone increased 13.6% for the same period. Additionally, the Group has benefitted from strong product mix with SUV in China and with trucks in North America. Global light vehicle production for the Europe and South America segment in total increased 2.4% as a result of an increase in the Europe market of 2.8%, offset by a decline in the South America market.

The Group's net profit attributable to equity holders of the Company for the year ended December 31, 2016 was US$294.7 million or 7.7% of total revenue, an increase of 43.5% compared to the year ended December 31, 2015 of US$205.4 million or 6.1% of total revenue. This increase was attributable to the following:

- Successfully launched new production of awarded customer programs across multiple product lines, segments and customers

- Increased customer demand due to market strength

- Increased penetration in China through new program launches and strength of SUV, multi-purpose vehicle (**MPV**) and minivan related sales

- Focused on continuous improvement in operating efficiency and cost competitiveness

- Improved product line mix (continued conversion from HPS to EPS)

Revenue

The Group's revenue for the year ended December 31, 2016 was US$3,842.2 million, an increase of US$481.7 million or a 14.3% increase from the year ended December 31, 2015 of US$3,360.5 million. Global OEM production volume increased 4.5% from the year ended December 31, 2015 to the year ended December 31, 2016. The Group's revenue was negatively impacted by US$54.4 million of foreign currency translation. The Group's revenue would have increased an additional 1.6% from the year ended December 31, 2015, excluding the negative foreign currency translation impact.

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

Revenue by Geographical Segments

For the year ended December 31, 2016, the Group experienced an increase in revenue across all segments.

	For the year ended December 31, 2016 US$'000	**%**	For the year ended December 31, 2015 US$'000	%
North America	**2,513,626**	**65.4**	2,216,849	66.0
Asia Pacific	**899,382**	**23.4**	774,777	23.0
Europe and South America	**429,236**	**11.2**	368,886	11.0
Total	**3,842,244**	**100.0**	3,360,512	100.0

Note:

1 The change to the segment structure, effective, from January 1, 2016, is discussed further in note 5 to the Consolidated Financial Statements.

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

- The North America segment experienced a 13.4% increase in revenue from the year ended December 31, 2015 to the year ended December 31, 2016, consistent with strong North America automotive industry production. The North America segment benefitted from increased volume as a result of increased end-user customer demand for new vehicles and new customer program launches, combined with increased North America truck production at rates significantly in excess of total OEM production volume in North America. OEM production volume in North America increased 2.0% from the year ended December 31, 2015 to the year ended December 31, 2016, including a 9.6% increase in full-size trucks. The North America segment launched 11 new customer programs in 2015 and 10 in 2016. The increased volume is primarily attributed to DL, EPS and CIS programs.

- The Asia Pacific segment experienced a 16.1% increase in revenue from the year ended December 31, 2015 to the year ended December 31, 2016. The increase is directly attributable to our increased exposure in the China market, which resulted in 16.7% revenue growth in China. OEM production volume in Asia Pacific segment and China increased 7.2% and 13.6%, respectively, from the year ended December 31, 2015 to the year ended December 31, 2016. The Asia Pacific segment experienced US$51.1 million of negative foreign currency translation impact. The Asia Pacific segment revenue would have increased an additional 6.6% from year ended December 31, 2015 to year ended December 31, 2016, excluding the negative foreign currency translation impact. The Asia Pacific segment launched 13 new customer programs in 2015 and 21 new customer programs in 2016. Additionally, main model sales to key customers were strong, providing for sales above the overall market.

- The Europe and South America segment experienced a 16.4% increase in revenue from the year ended December 31, 2015 to the year ended December 31, 2016. This increase is attributable to improved customer production volumes offset by US$3.3 million negative foreign currency translation impact. Europe and South America segment revenue would have increased an additional 0.9% from the year ended December 31, 2015 to the year ended December 31, 2016, excluding the negative foreign currency translation impact. The Europe and South America segment launched 2 new customer programs in 2016. OEM production volume in Europe and South America increased 1.2% from the year ended December 31, 2015 to the year ended December 31, 2016.

Revenue by Products

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

	For the year ended December 31, 2016 US$'000	**%**	For the year ended December 31, 2015 US$'000	%
Steering				
EPS	**2,383,742**	**62.0**	2,000,287	59.5
HPS	**186,745**	**4.9**	167,337	5.0
CIS	**635,257**	**16.5**	609,565	18.1
Driveline	**636,500**	**16.6**	583,323	17.4
	3,842,244	**100.0**	3,360,512	100.0

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

Cost of Sales

The Group's cost of sales for the year ended December 31, 2016 was US$3,180.6 million, an increase of US$365.0 million from US$2,815.6 million for the year ended December 31, 2015. The Group's cost of sales for the year ended December 31, 2016 primarily included raw material costs of US$2,252.5 million (year ended December 31, 2015: US$1,945.0 million), manufacturing expense of US$861.5 million (year ended December 31, 2015: US$806.5 million), as well as other costs of sales of US$66.6 million (year ended December 31, 2015: US$64.1 million).

The Group's cost of sales increased as a result of increased sales volume, partially offset by cost efficiencies in raw material. The Group experienced increased depreciation on property, plant and equipment and increased amortisation of capitalised product development costs in the year ended December 31, 2016 when compared to the year ended December 31, 2015. The increased depreciation and amortisation is consistent with an increase in programs launched. Depreciation and amortisation charged to cost of sales for the year ended December 31, 2016 was US$155.4 million, an increase of US$21.6 million from the year ended December 31, 2015.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$64.8 million for the year ended December 31, 2016, representing 1.7% of revenue, an increase of US$13.9 million from US$50.9 million or 1.5% of revenue for the year ended December 31, 2015. We expect amortisation expense to continue to increase in future years with the launch of new programs that are currently in development.

Gross Profit

The Group's gross profit for the year ended December 31, 2016 was US$661.7 million, an increase of US$116.8 million or 21.4% from US$544.9 million for the year ended December 31, 2015. Gross profit percentage for the year ended December 31, 2016 was 17.2%, a 1.0% increase from the 16.2% for the year ended December 31, 2015. The increase in both gross profit and gross profit percentage was attributable to increased market growth, continued rotation to EPS and the effect of cost improvement initiatives. Their benefits were partially offset by depreciation on property, plant and equipment and amortisation of capitalised product development costs.

Engineering and Product Development Costs

For the year ended December 31, 2016, the Group's engineering and product development costs charged to the income statement were US$123.3 million, representing 3.2% of revenue, an increase of US$26.4 million from US$96.9 million or 2.9% of revenue for the year ended December 31, 2015. The increase in engineering and product development costs includes additional global headcount as the Company continues its strong focus on engineering and product development in support of current and future business.

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

Engineering development costs capitalised as intangible assets, including capitalised interest, for the year ended December 31, 2016 were US$121.7 million, representing 3.2% of revenue, an increase of US$12.4 million from US$109.3 million or 3.3% of revenue for the year ended December 31, 2015. Capitalised interest related to engineering development costs totalled US$7.0 million for the year ended December 31, 2016 and US$5.2 million for the year ended December 31, 2015.

The Group's aggregate investment in R&D is defined as the sum of costs charged to the income statement (excluding impairment charges associated with a prior period) and total costs capitalised as intangible assets. For the year ended December 31, 2016, the Group incurred aggregate investment in R&D of US$232.8 million, an increase of US$26.9 million from US$205.9 million for the year ended December 31, 2015.

Administrative Expenses

The Group's administrative expenses for the year ended December 31, 2016 were US$114.5 million, representing 3.0% of revenue, an increase of US$9.0 million from US$105.5 million or 3.1% of revenue for the year ended December 31, 2015. The increase in administrative expenses includes expanded activities in information technology to support the expanding production footprint and product development activities.

Other Gains (Losses), net

Other gains (losses), net represents gains attributable to foreign exchange transactions, loss on disposal of property, plant and equipment and fair value losses on derivative financial instruments. Other gains for the year ended December 31, 2016 were US$7.0 million, an increase of US$24.5 million compared to the year ended December 31, 2015. The increase is driven by favorable foreign exchange transaction gains, including a US$15.5 million gain associated with the settlement of an intercompany loan, losses on disposal of property, plant and equipment and derivative financial instruments associated with foreign exchange contracts.

Finance Costs, net

Finance costs, net, consist of interest income and expense reduced by interest capitalised on qualifying assets and product development. The Group's net finance costs for the year ended December 31, 2016 were US$30.2 million which is a decrease of US$0.8 million from the year ended December 31, 2015. The amount of capitalised interest on qualifying assets was US$7.3 million for the year ended December 31, 2016 (year ended December 31, 2015: US$5.5 million).

Income Tax Expense

The Group's income tax expense was US$84.1 million for the year ended December 31, 2016, representing 21.8% of the Group's profit before income tax, an increase of US$10.9 million from US$73.2 million, or 25.8% of profit before tax for the year ended December 31, 2015.

The US$10.9 million increase in income tax expense is primarily the result of additional income tax expense incurred on the incremental US$102.6 million of profit before tax for the year ended December 31, 2016. The change in the mix of income generated by US and non-US operations favorably impacted the effective tax rate for the year ended December 31, 2016.

Provisions

As at December 31, 2016, the Group has provisions of US$105.8 million for restructuring, litigation, environmental liabilities, warranties and decommissioning, an increase of US$16.1 million from US$89.7 million as at December 31, 2015. This increase in provisions was primarily due to the net change in warranty reserves.

Liquidity and Capital Resources

Cash Flows

Our business requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials, capital spending for customer programs and engineering and product development costs. We have historically met our working capital and other capital requirements principally from cash generated from operations and loans from banks. In recent years, the Group has invested extensively in capital equipment and engineering and product development costs. For the year ended December 31, 2016, the Group invested US$166.7 million and US$118.0 million in capital equipment and intangible assets, respectively. Due to an increase in cash generated from operating activities, the Group has reduced the principal balance on some of its borrowings.

The Company was total cash flow positive for the years ended December 31, 2016 and 2015. We believe that funds generated from operations and cash on hand will be adequate to fund our liquidity and capital requirements.

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

	For the year ended December 31, 2016 US$'000	For the year ended December 31, 2015 US$'000
Cash generated from (used) in:		
Operating activities	**509,392**	468,266
Investing activities	**(283,369)**	(276,389)
Financing activities	**(155,300)**	(161,510)
Total increase in cash	**70,723**	30,367

Cash Flows Generated from Operating Activities

For the year ended December 31, 2016, the Group's net cash generated from operating activities was US$509.4 million, an increase of US$41.1 million compared to the year ended December 31, 2015 of US$468.3 million. The increase in cash flows from operating activities is primarily due to increased earnings partially offset by a decline in working capital.

Cash Flows Used in Investing Activities

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

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

	For the year ended December 31, 2016 US$'000	For the year ended December 31, 2015 US$'000
Purchase of property, plant and equipment	**(166,714)**	(165,609)
Addition of intangible assets	**(118,004)**	(111,867)
Proceeds from sale of property, plant and equipment	**1,964**	3,536
Change in restricted bank deposits	**(615)**	623
Investment in a joint venture	**–**	(3,072)
Total cash used in investing activities	**(283,369)**	(276,389)

Cash Flows Used in Financing Activities

The Group's net cash used in financing activities was US$155.3 million for the year ended December 31, 2016, which was mainly attributable to the net repayment of borrowings of US$80.5 million, finance costs paid of US$37.7 million, dividends paid of US$39.9 million, offset by proceeds from the exercise of share options of US$2.7 million.

Indebtedness

As at December 31, 2016, the Group's total borrowings was US$564.1 million which is a decrease of a US$77.6 million from December 31, 2015. This decrease is primarily due to the utilisation of cash generated from operations to pay maturing debt.

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

	December 31, 2016 US$'000	December 31, 2015 US$'000
Current borrowings	**74,446**	80,483
Non-current borrowings	**486,140**	559,349
Finance lease obligations	**3,561**	1,891
Total borrowings	**564,147**	641,723

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

	For the year ended December 31, 2016 US$'000	For the year ended December 31, 2015 US$'000
Within 1 year	**75,488**	81,184
Between 1 and 2 years	**75,668**	75,115
Between 2 and 5 years	**412,991**	236,051
Over 5 years	**–**	249,373
Total borrowings	**564,147**	641,723

Details of the borrowings of the Group during the period are set out in note 17 to the Consolidated Financial Statements.

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. For the year ended December 31, 2016, the Group had approximately US$1,042.4 million total assets pledged as collateral, an increase of US$73.5 million from the US$968.9 million as at December 31, 2015.

Exposure to Currency Rate Fluctuations and Related Hedges

The Group actively limits its foreign currency exposure through matching its purchase of materials and sale of finished goods in the same currencies. The Group monitors its remaining foreign currency exposure regularly to reduce the risk of foreign currency fluctuations in its operations. Historically, the Group hedged its US dollar exposure risk to the Mexican peso, Polish zloty and European euro by participating in a hedging program that included forward exchange contracts. In June 2016, the Company settled all outstanding foreign currency forward contracts for US$5.9 million.

Gearing Ratio

The Group monitors capital structure on the basis of the gearing ratio. The ratio is calculated as total borrowings divided by total equity at the end of the respective year.

The gearing ratio as at December 31, 2016 was 51.7%, a decrease of 23.4% from December 31, 2015. The ratio decreased compared to 2015 due to improved profits and payment of borrowings.

OTHER INFORMATION

Future Prospects

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

Employees and Remuneration Policy

As at December 31, 2016, the Group had 13,700 full-time equivalents of which approximately 12,600 are direct employees of the Group. The Group's remuneration policies are formulated based on the performance of individual employees and the Company's performance and are reviewed regularly. Our full-time employees participate in various employee benefit plans including retirement benefits, extended disability benefits and workers' compensation. In addition, we have adopted employee incentive plans designed to attract, retain, motivate, and encourage employees to commit to enhancing value for us and our Shareholders as a whole. For example, the Group has retention programs that include individual development plans, merit wage adjustments, annual incentive plans and promotions.

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

Directors and Senior Management

DIRECTORS

The Board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information concerning the Directors of the Company (**Directors**) during the year ended December 31, 2016 and as at the date of this annual report:

Name	Age	Position title	Date of appointment(s)	Roles and responsibilities
Executive Directors				
ZHAO, Guibin (趙桂斌)	52	Chairman, Executive Director and Chief Executive Officer	June 15, 2013 and June 2012, respectively	Overseeing our Group's strategic vision, direction and goals and overseeing the overall execution of our Group's strategy
RICHARDSON, Michael Paul	60	Executive Director and President	June 15, 2013 and October 1, 2016, respectively	Overseeing our Group's strategic planning
FAN, Yi (樊毅)	50	Executive Director, Vice President and Joint Company Secretary	August 21, 2012, November 14, 2013 and January 28, 2013, respectively	Managing our Group's operations and handling of company secretarial duties
Non-Executive Directors				
LU, Daen (錄大恩)(1)	56	Non-Executive Director	August 21, 2013	As a non-Executive Director
WANG, Xiaobo (王曉波)	40	Non-Executive Director	August 21, 2013	As a non-Executive Director
YANG, Shengqun (楊勝群)(2)	46	Non-Executive Director	March 14, 2017	As a non-Executive Director
Independent Non-Executive Directors				
TSANG, Hing Lun (曾慶麟)	67	Independent non-Executive Director	June 15, 2013	As an independent non-Executive Director
LIU, Jianjun (劉健君)	48	Independent non-Executive Director	June 15, 2013	As an independent non-Executive Director
WEI, Kevin Cheng (蔚成)	49	Independent non-Executive Director	June 15, 2013	As an independent non-Executive Director

Note:

(1) Mr. LU, Daen resigned as our non-Executive Director with effect from and upon the conclusion of the Board meeting held on March 14, 2017.

(2) Mr. YANG, Shengqun was appointed as our non-Executive Director with effect from March 14, 2017.

Executive Directors

ZHAO, Guibin (趙桂斌)***, (Chairman and Chief Executive Officer)***, aged 52, was appointed as our Executive Director and Chairman of the Board on June 15, 2013. He is also our Chief Executive Officer since June 2012. Mr. ZHAO has 19 years of relevant experience in the automotive industry. He is primarily responsible for setting our strategic vision, direction and goals and overseeing the overall execution of our Group's strategy. Mr. ZHAO also is a Director and the Chairman of the Board of Directors of Nexteer Automotive Corporation, one of our indirectly wholly-owned subsidiaries. Mr. ZHAO has been the Chairman of the Board of Directors of Pacific Century Motors, Inc. (**PCM China**), one of our controlling shareholders, since December 2010, and Chairman of the Board of Directors and General Manager of AVIC Automotive Systems Holding Co., Ltd. (**AVIC Auto**), a wholly-owned subsidiary of Aviation Industry Corporation of China (**AVIC**), one of our controlling shareholders, since 2010 and from 2009 to 2010, respectively. Since August 2016, Mr. ZHAO has been Chairman of the Board of Directors of AVIC Hande (Beijing) Investment Holding Co., Ltd. (**Hande**) and Henniges Automotive Holdings, Inc. (**Henniges**), both of which are non wholly-owned subsidiaries of AVIC Auto, and from September 2015 to August 2016, he was a Director of Hande and Henniges. Since December 2015, Mr. ZHAO is a Director of AVIC Capital Co., Ltd., a non wholly-owned subsidiary of AVIC, a company listed on the Shanghai Stock Exchange (stock code: 600705). From April 2010 to April 2013, Mr. ZHAO was the Chairman of the Board of Directors of AVIC Heavy Machinery Co. Ltd., a non wholly-owned subsidiary of AVIC, and a company listed on the Shanghai Stock Exchange (stock code: 600765). From 1997 to 2003, Mr. ZHAO was the General Manager of Sichuan Lingfeng Aeronautics Hydraulic Machinery Co., a wholly-owned subsidiary of AVIC, where he was in charge of corporate governance and operational management. He was appointed as General Manager, Director and Chairman of AVIC Chengdu Engine (Group) Co., Ltd., a wholly-owned subsidiary of AVIC, and as a Director and the Chairman of the Board of its non wholly-owned subsidiary, Sichuan Chengfa Aero Science and Technology Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600391) in August 2003. Mr. ZHAO became a first-tier senior economist in September 2004, awarded by AVIC. He was awarded an executive master's degree in business administration by the University of Electronic Science and Technology of China, China, in June 2007, Mr. ZHAO has received numerous awards in recognition of his achievements, including the Government Special Allowance awarded by the People's Republic of China State Council in 2000.

RICHARDSON, Michael Paul, aged 60, is our Executive Director and President of Nexteer Automotive. He served as Senior Vice President and Chief Strategy Officer from June 2012 to June 2016 with responsibility for Nexteer's strategic planning as well as mergers and acquisitions. He is a member of the Global Strategy Council (**GSC**). Mr. RICHARDSON began his automotive career with General Motors in 1974 as a student at the former Saginaw Steering Gear Division. Following a range of assignments that include the supervision of skilled trades, plant, product and manufacturing engineering, he was named Staff Engineer for the halfshaft product line in 1990. Mr. RICHARDSON opened the division's Tokyo office in 1991 as Delphi Steering initiated the export of driveline products to Toyota Japan. In 1992, Mr. RICHARDSON was named Staff Engineer for steering products. During this period, he launched and patented MAGNASTEER™ variable effort magnetic-hydraulic steering. He also initiated a rapid response approach to customer prototyping and won the General Motors President's Council Award for aftermarket product alignment and de-proliferation. In 1995, Mr. RICHARDSON was named Regional Director of Engineering and Production Control and Logistics, based in Paris, France. He returned to the US in 1999 as Chief Engineer of HPS and QUADRASTEER™. He was named Director of Engineering for Delphi Steering in 2001. Mr. RICHARDSON was inducted into the Delphi Inventors Hall of Fame for lifetime innovation in 2004. In 2006, Mr. RICHARDSON was named Regional Director Asia-Pacific and relocated to Shanghai China. During this period, all regional sites were separated from Delphi Automotive in preparation for a global business sale of Nexteer. He led the construction of four new production sites, five customer service centres and an autonomous regional headquarters. In 2009, he returned to the US and was named Vice President of the steering business line. This period brought focus to EPS and a radical transformation of product technologies. In 2011, Mr. RICHARDSON was named Chief Operating Officer China division for Nexteer while retaining business line and global engineering responsibilities. A native of Midland, MI, Mr. RICHARDSON holds a bachelor's degree in engineering from Kettering University and a master's degree in business administration from Central Michigan University. He also holds an Executive Masters Professional Director Certification from the American College of Corporate Directors. Mr. RICHARDSON is a professional engineer, certified quality engineer and unlimited-rating stationary power engineer. He is a Boss Kettering Award recipient and the author of numerous intellectual properties.

FAN, Yi (樊毅), aged 50, was appointed as our Director on August 21, 2012 and was designated as our Executive Director on June 15, 2013. He was appointed as our Joint Company Secretary on January 28, 2013 and was appointed as our Vice President on November 14, 2013. He is responsible for the management of our operations and handling of company secretarial duties. Mr. FAN is also a member of the GSC. Mr. FAN has approximately 18 years of relevant experience in the automotive industry. Mr. FAN currently serves as a Director of our three directly held subsidiaries, Nexteer UK Holding Ltd., Nexteer (China) Holding Co., Ltd., PCM (Singapore) Steering Holding Pte. Limited and as a Director of several of our other subsidiaries. Mr. FAN has held the following positions in our controlling shareholders, namely, Deputy General Manager of AVIC Auto since January 2012; General Manager since July 2013 and Director and Secretary to the Board of Directors of PCM China since 2010; and the sole Director of Nexteer Automotive (Hong Kong) Holdings Limited (**Nexteer Hong Kong**) since its incorporation in August 2012. From 1992 to 1999, Mr. FAN worked at the economic research centre of AVIC Corporation. From 1999 to 2005, Mr. FAN served as Managing Director of the automotive department of China Aviation Industry Corporation II. In 2005, he started working in the automotive department of AviChina Industry & Technology Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (**Hong Kong Stock Exchange**) (stock code: 2357), a non wholly-owned subsidiary of AVIC, where he was initially Deputy Manager, and was later appointed as Manager in 2007. Mr. FAN graduated in 1987 from Beijing Aviation Institute of Aeronautics and Astronautics, China (now known as Beijing University of Aeronautics and Astronautics, China) with a bachelor's degree in engineering from the Faculty of Automatic Control, and completed a master's research course in education, economics and management from Beijing University of Aeronautics and Astronautics, China, from 1999 to 2001. Mr. FAN was certified as a researcher in natural sciences by AVIC in September 2007.

Non-Executive Directors

WANG, Xiaobo (王曉波), aged 40, was appointed as our non-Executive Director on August 21, 2013. Mr. WANG is responsible for participating in our Group's strategic and key operational decision-making processes and advising on our strategies and policies. Mr. WANG has approximately 5 years of relevant experience in the automotive industry. Mr. WANG was appointed as Director of PCM China, one of our controlling shareholders, in July 2014. He has served as General Manager of Beijing E-Town International Investment & Development Co., Ltd. (**Beijing E-Town**) since February 2012. From August 2011 to March 2012, he served as Deputy General Manager of Beijing E-Town. Mr. WANG was General Manager of Beijing E-Town Digital Display Industry Management Co., Ltd. since December 2009 and Deputy Manager of Business Development Department of Beijing Economic-Technological Investment & Development Corporation. Mr. WANG held various positions in Management Committee of Beijing Yanqing Economic Development Area from September 2005 to September 2006, including Manager of Development Section and Manager of Planning Section. Prior to this, Mr. WANG held various positions at the Management Committee of Beijing Yanqing Economic Technology Development Area, including Manager of Development Section from August 2004 to September 2005, Deputy Manager of Development Section from January 2003 to August 2004 and Section Member of Development Section from August 1998 to January 2003. Mr. WANG graduated from Inner Mongolia University, China in July 1998 and obtained a bachelor's degree in English language.

YANG, Shengqun (楊勝群), aged 46, was appointed as our non-Executive Director on March 14, 2017. Mr. YANG is responsible for the Group's strategy and key operations and advising on our strategy and policy. Mr. YANG has 27 years of relevant experience in the automotive industry. Since July 2016, he has served as the Director and General Manager of AVIC Auto. Since February 2017, he has served as a Director of PCM China. From July 2014 to August 2016, he was appointed as the Director of AVIC Beijing Aeronautical Manufacturing Technology Research Institute. From September 2010 to July 2014, he was appointed as the Director of AVIC Beijing Precision Engineering Institute Aircraft Industry. From June 2004 to September 2010, he served in the positions of Deputy Chief Engineer and Director of the Technical Center, the Deputy General Manager, the Chief Engineer and the Director of Science and Technology Committee of Shenyang Liming Aero-Engine Group Corporation Ltd. (**Liming Corporation**). From September 2000 to June 2004, he served as the Chief Engineer, the Plant Manager and the Director of the International Cooperation Department of Liming Corporation and the Assembly Test Plant Chief Engineer at the subcontract branch of Liming Corporation. From August 1992 to September 2000, he served as a Technologist, the Head of Technologist and the Head of the Workshop in Liming Corporation. He graduated with a Bachelor of Engineering from the school of Mechanical Engineering, Northwestern Polytechnical University in 1992. In April 2007, he received a doctorate degree in Materials Science and Engineering from Harbin Institute of Technology. Mr. YANG was awarded the position of Senior Researcher at the Aviation Industry Corporation of China in November 2008.

Independent Non-Executive Directors

TSANG, Hing Lun (曾慶麟), aged 67, was appointed as our Independent non-Executive Director on June 15, 2013. Mr. TSANG has over 33 years of experience in the banking, finance and wealth management sectors, and has held the following independent non-executive directorships in publicly listed companies: as an Independent Non-executive Director and Chairman of the Audit Committee of China Resources Pharmaceutical Group Limited (華潤醫藥集團有限公司), a company listed on Hong Kong Stock Exchange (stock code: 3320) since June 2016; as an Independent Non-executive Director, the Chairman of the Audit Committee and the Member of Nomination Committee of COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司) (formerly known as China Shipping Container Lines Company Limited 中海集裝箱運輸股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2866) and on the Shanghai Stock Exchange (stock code: 601866), since June 2016; as an Independent Non-executive Director and Chairman of the Audit Committee of China Huarong Energy Company Limited, a company listed on Hong Kong Stock Exchange (stock code: 1101) from October 2010 to May 2014; as an Independent Non-executive Director and Chairman of the Audit Committee of Sinotrans Shipping Limited, a company listed on Hong Kong Stock Exchange (stock code: 368) since August 2007; as an Independent Non-executive Director and Chairman of the Audit Committee of Sino-Ocean Group Holdings Limited, a company listed on Hong Kong Stock Exchange (stock code: 3377) since June 2007; as an Independent Non-executive Director and Chairman of the Audit Committee of Beijing Media Corporation Limited, a company listed on Hong Kong Stock Exchange (stock code: 1000) from November 2004 to May 2013; as an Independent Non-executive Director of China GrenTech Corporation Ltd. (a company listed on NASDAQ and subsequently delisted on April 30, 2012) from September 2011 to April 2012; and as an Independent Non-executive Director and Chairman of the Audit Committee of First China Financial Network Holdings Limited, a company listed on Hong Kong Stock Exchange (stock code: 8123) from June 2005 to January 2011.

Mr. TSANG has served in the senior management of several publicly listed companies operating in Hong Kong and Singapore. Mr. TSANG has been Chairman of Influential Consultants Ltd. (欣斌顧問有限公司) since July 1998. Mr. TSANG was a Deputy General Manager of China Construction Bank, Hong Kong Branch (中國建設銀行香港分行) from 1995 to 1998. He was an Executive Director of the Hong Kong Stock Exchange in 1993. Mr. TSANG joined United Overseas Bank Limited in Singapore (新加坡大華銀行集團) in March 1990 as its first Vice President. Prior to that, he was with Hang Seng Bank for 17 years from 1973 to 1990, where he was Assistant General Manager of the Planning and Development division in the last 5 years. In addition, Mr. TSANG became qualified as a Certified Financial Planner in March 2010, and as a financial planner in China in July 2006. Mr. TSANG became a fellow of the Hong Kong Institute of Directors in July 2001, was admitted as a fellow of the Association of Certified Accountants in November 1982, and became a fellow of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in December 1978. Mr. TSANG graduated from Chinese University of Hong Kong, Hong Kong, with a bachelor's degree in business administration (first class honors) in October 1973.

LIU, Jianjun (劉健君), aged 48, was appointed as our Independent non-Executive Director on June 15, 2013. Mr. LIU was in the legal department of China Ocean Shipping (Group) Company container lines (中國遠洋運輸集團總公司集裝箱運輸) from July 1993 to March 1999, a Partner at Zhong Sheng Law Firm (北京中盛律師事務所), Beijing from April 2001 to October 2006, a Senior Associate in Zhong Lun Law Firm, Beijing (北京中倫律師事務所) from November 2006 to May 2007, and has been a Partner at Zhonglun W&D Law Firm (北京中倫文德律師事務所), Beijing since June 2007. Mr. LIU started practicing as lawyer in China in August 2001. He obtained a master's degree in law from Peking University, China, in July 1998, and a law degree from Washington University in St. Louis, the US, in May 2004.

WEI, Kevin Cheng (蔚成), aged 49, was appointed as our Independent non-Executive Director on June 15, 2013. Mr. WEI is currently a Managing Partner of a company focused on corporate finance advisory and investment banking business. Mr. WEI has held the following independent non-executive directorships in publicly listed companies: as an Independent Non-executive Director of Tibet Water Resources Ltd., a company listed on Hong Kong Stock Exchange (stock code: 1115), since March 2011; and as an Independent Non-executive Director of Wisdom Sports Group (stock code: 1661) since July 2013.

Mr. WEI served as a Chief Financial Officer of IFM Investments Limited, a real estate services company headquartered in Beijing, from December 2007 to September 2013. IFM Investments Limited was delisted from NYSE in 2015. Prior to that, from 2006 to 2007, Mr. WEI served as the Chief Financial Officer of Solarfun Power Holdings Co., Limited (stock code: SOLF), a NASDAQ listed solar company (now known as Hanwha SolarOne Co., Ltd and relisted on NASDAQ as Hanwha SolarOne (stock code: HSOL). Mr. WEI became a member of the American Institute of Certified Public Accountants in February 1999. He graduated in June 1991 from Central Washington University, the US, where he received his Bachelor of Science degree (cum laude) with a double major in accounting and business administration.

Mr. Lu, Daen resigned as our non-Executive Director with effect from and upon the conclusion of the Board meeting held on March 14, 2017.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company (collectively, the **Senior Managers**) during the year ended December 31, 2016 and as at the date of this annual report:

Name	Age	Position/Title
QUIGLEY, William G.	55	Senior Vice President, Chief Financial Officer
LIU, Tao (柳濤)	52	Senior Vice President, Global Chief Operating Officer
LUBISCHER, Frank Peter Josef	54	Senior Vice President, Chief Technology Officer, Global Engineering and Chief Strategy Officer
HOEG, Dennis Steven	61	Vice President, Global Operations, Manufacturing Engineering, and Capital Enterprise Systems
BOYER, Herve Paul	46	Vice President, Chief Operating Officer – Europe and South America Division
KALKMAN, Jesse	48	Vice President, Global Sales and Marketing
OWENBY, Douglas E.	56	Vice President, Chief Operating Officer – North America Division
ZIPARO, Peter Michael	47	Vice President and General Counsel

QUIGLEY, William G, aged 55, was appointed as our Senior Vice President and Chief Financial Officer on June 6, 2016. He is responsible for overseeing investor relations, treasury, capital funding and structure, mergers and acquisitions support, accounting and financial reporting and financial planning and analysis. Mr. QUIGLEY is also a member of the GSC. He is also a Director and Audit Committee Chairman at the Safariland Group. He previously served as Executive Vice President and Chief Financial Officer at Dana Holding Corporation from March 2012 to March 2016. Additionally, he held various managerial positions at Visteon Corporation, including Vice President, Chief Accounting Officer from January 2005 to 2007 and Executive Vice President and Chief Financial Officer from 2007 to 2011. Mr. QUIGLEY obtained a bachelor's of arts degree in accounting from Michigan State University, the US, in 1983 and became a member of the American Institute of Certified Public Accountants in 1986.

LIU, Tao (柳濤), aged 52, was appointed as our Senior Vice President and Global Chief Operating Officer on October 1, 2016 and is responsible for overseeing operations and global supply management. Prior to his current role, Mr. LIU served as our Vice President and Chief Operating Officer of the China division since August 2013. He is responsible for the business plan, the overall financial position and advising on strategic direction of the China division of our Group. Mr. LIU has approximately 19 years of relevant experience in the automotive industry. He is also a member of GSC. From May 2012 to July 2013, Mr. LIU was an Executive Director of the China division, where he was responsible for the business plan and the overall financial position of the China division. He served as the China Operations Manager and Executive Director of China Operations from October 2009 to May 2012 and Managing Director of Saginaw Steering (Suzhou) Co., Ltd. from February 2008 to October 2009. Prior to this, Mr. LIU worked at Delphi Automotive Systems (China) Holding Co., Ltd., where he served as China Operations Manager of Delphi Steering, responsible for the manufacturing facilities in Suzhou and overseeing manufacturing operations of the China division from 2006 to 2008. He served as General Manager of China Operations of Metaldyne Powertrain Group from January 2005 to May 2006, and was the Asia Pacific Delphi Manufacturing System Manager of Energy, Chassis and Steering System and a Manufacturing Manager of Delphi Shanghai Dynamics & Propulsion Systems Co., Ltd. from 2001 to 2004 and from 1997 to 2001, respectively. He also worked at Shanghai Machine Tool Works Plant from August 1987 to December 1996. Mr. LIU obtained a bachelor's degree in industrial automation from Tsinghua University, China, in 1987 and a master's degree in business administration from Purdue University, the US, in 2001.

LUBISCHER, Frank Peter Josef, aged 54, was appointed as our Senior Vice President of Global Engineering and Chief Technology Officer in November 2015 and Chief Strategy Officer in October 2016. He is responsible for our corporate strategy, global engineering, technology and product portfolio, as well as mergers and acquisitions. He has 22 years of relevant automotive managerial experience and is also a member of the GSC. Prior to joining our Group, Mr. LUBISCHER was with TRW Automotive Chassis System Engineering from 1988, where he served as Vice President of Global Steering Engineering from August 2007 to November 2012, Technical Director of Brake Systems (North America) from September 2001 to July 2007, and Chief Engineer of ABS Systems, North America from January 2000 to September 2001. He also worked for Lucas Automotive/LucasVarity in Germany as a Development Engineer, Section Leader and Chief Engineer for ABS systems from September 1988 to December 1999, before LucasVarity was integrated with TRW Automotive Chassis System Engineering in 1999. Mr. LUBISCHER obtained a CEO diploma (an executive business degree) from the SMP Institute of University of St. Gallen, Switzerland, in March 2005.

HOEG, Dennis Steven, aged 61, was appointed as our Vice President of Global Operations, Manufacturing Engineering and Capital Enterprise Systems in December 2012. He is responsible for our Group's global manufacturing engineering (focusing primarily on launch of products), capital plan, and enterprise system improvements. He has 39 years relevant automotive experience and is also a member of the GSC. Mr. HOEG served as Vice President of Engineering at Nexteer Automotive from June 2011 to November 2012. He was Executive Director of Global Supply Management from 2007 to 2011, Director of Global Manufacturing Engineering from 2002 to 2007, and Plant Manager from 1999 to 2002 at Delphi Saginaw Steering Systems. Mr. HOEG began his automotive career with GM in 1978 as a Manufacturing Engineer at the former Saginaw Steering Gear division. In 1997, he was Program Manager for the GMT800 and L/N/P90 programs in Plant 7, Chief Manufacturing Engineer for Hydraulic Steering in 1994, and Staff Engineer for integral gears in 1992. Following a number of assignments that included Plant Engineer, Process Engineer, Advanced Manufacturing Engineer, and Assistant Staff Engineer, he served as the Value Stream Manager for steering valves at Plant 7 in 1988. He obtained a bachelor's degree in mechanical engineering from Iowa State University, the US, in May 1978, and a master of science from Purdue University, Indiana, the US, in May 1983.

BOYER, Herve Paul, aged 46, was appointed as our Vice President and Chief Operating Officer of Europe and South America Division on March 2016. In his current role, Mr. BOYER is responsible for gaining commitments from the business lines and leveraging corporate functions to meet the business plan of the division. He is also a member of the Company's GSC. Mr. BOYER has over 22 years of relevant experience in the automotive industry. From May 2015 to February 2016, Mr. BOYER held the position of Executive Director of the NBHX Electronics group where he had the responsibility to run the Interior Trims business. Prior to this, Mr. BOYER spent several years within the Faurecia group where he served as President of North America Operations from June 2012 for the Interior Systems business group. From January 2009 to June 2012, Mr. BOYER was Vice President of the South Europe perimeter of Faurecia Interior Systems and previously served as Vice President for French, US and Japanese Divisions, from May 2008 to December 2008. Mr. BOYER has also served as Director for the Renault-Nissan division from January 2006 to May 2008. From 2001 to 2005, Mr. BOYER held several sales & marketing positions at Faurecia Interior Systems and served as Program Manager from September 1994 when he joined Sommer Allibert Industrie which was acquired by Faurecia group late 2000. Mr. BOYER earned an engineer's degree in Manufacturing Engineering from L'Ecole Centrale de Nantes, France, in 1994 and attended the Advance Management Program of Harvard Business School, the US, in 2004.

KALKMAN, Jesse, aged 48, was appointed as our Vice President, Global Sales and Marketing on November 10, 2016 and is responsible for extending the Company's global reach and leads the Company's sales team to enable sustainable growth for current and future customers including expanded product innovations in autonomous driving and adjacent markets. Mr. KALKMAN is a member of the GSC. He offers over 25 years of service in the automotive industry, including several positions in sales, customer management, manufacturing engineering and project engineering. Mr. KALKMAN most recently served as Executive Director, Global Sales and Marketing since March 2014, and North America Sales Director since July 2012. In these roles, Mr. KALKMAN was responsible for growing Company revenue and backlog of new business through revising the Company's sales structure and implementing consistent processes to improve customer relationships. Under Mr. KALKMAN's direction, the Company achieved market share leader status for steering products from five of its six largest global customers. Mr. KALKMAN served as global customer manager of the Ford account from 2008 to 2012. Upon joining Nexteer in 1999 and through to 2008, Mr. KALKMAN served in various positions in the steering columns and intermediate shaft product line including: Program Manager, Manufacturing Engineering Manager and Global Business Line Sales Manager. Prior to joining Nexteer, Mr. KALKMAN served as Project Engineering at Prince Corporation/Johnson Controls, Inc. from 1994 to 1998 as well as Engineering Manager at Amigo Mobility from 1998 to 1999. Mr. KALKMAN holds a Bachelor of Science in mechanical engineering from Kettering University, the US, and a Master of Business Administration from Northwood University, the US.

OWENBY, Douglas E., aged 56, joined our Company as our Deputy Chief Operating Officer of the North America division in June 2013, and was appointed as our Vice President, Chief Operating Officer of the Saginaw division in August 2013 and Chief Operating Officer of the North America division in July 2015. He is responsible for developing and executing the business plan of the Saginaw division, negotiating commitments from the business lines, leveraging corporate functions to meet the business plan and the overall financial position of the Saginaw division. Mr. OWENBY has approximately 29 years of relevant experience in the automotive industry. He is also a member of GSC. Prior to joining our Group, Mr. OWENBY was the President and General Manager of Benteler Automotive Corporation from February 2012 to June 2013. He also held various positions in BorgWarner, Inc., including Vice President and General Manager of Control Systems business units from May 2009 to October 2011, Vice President of Global Operations Torque Transfer Systems from October 2005 to May 2009 and Vice President of Four-wheel Drive operations from March 2003 to October 2005. From June 2000 to March 2003, Mr. OWENBY was Vice President of Operations and General Manager of Bombardier Inc. From August 1997 to June 2000, he was a Plant Manager at the torque control products division of Eaton Corporation. From 1984 to 1996, he was with the steering division of Delphi Automotive Systems. Mr. OWENBY obtained a Bachelor of Science degree from Saginaw Valley State College, the US, in December 1986.

ZIPARO, Peter Michael, aged 47, was appointed as our Vice President and General Counsel on December 1, 2016. He is responsible for managing all global legal and compliance matters for the Group. Mr. ZIPARO offers over 15 years of relevant experience in the automotive industry and over 23 years of legal experience. Mr. ZIPARO is also a member of the GSC. Prior to joining Nexteer, he served as Vice President and General Counsel of Visteon Corporation, a tier-one automotive supplier from April 2014 to March 2016, an Assistant General Counsel from 2005 to 2014 and an Associate General Counsel from 2002 to 2005. Mr. ZIPARO's experience also includes posts as Corporate Associate with international law firms, Morrison & Foerster LLP and Chadbourne & Parke LLP. He obtained a bachelor's degree, with honors in mathematics, from Hamilton College, the US, in May 1991, and a juris doctor degree, magna cum laude, from Albany Law School, the US, in May 1994.

Mr. BRESSON, Laurent Robert resigned as President and Global Chief Operating Officer of the Company with effect from August 31, 2016.

Mr. DECKER, Mark P. resigned as Vice President and Chief Human Resources Officer of the Company with effect from October 31, 2016.

RELATIONSHIPS BETWEEN DIRECTORS AND SENIOR MANAGEMENT

None of the Directors or Senior Managers is related to any other Director or Senior Manager.

Directors' Report

The Directors are pleased to present their report together with the Consolidated Financial Statements.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on August 21, 2012 as an exempted company with limited liability under the Companies Laws of the Cayman Islands (the **Companies Law**). The Company's shares (the **Shares**) were listed on the Hong Kong Stock Exchange on October 7, 2013.

PRINCIPAL ACTIVITIES

The Group develops, manufactures, and supplies advanced steering and driveline systems to OEMs throughout the world.

BUSINESS REVIEW

A review of the business of the Group for the year ended December 31, 2016 and a discussion on the Group's future prospects are provided in the Management Discussion and Analysis on pages 24 through 32 and in the Chairman's Statement on pages 22 through 23. An analysis of the Group's performance during the year using financial key performance indicators is provided within the Financial Highlights on pages 20 through 21. In addition, discussions on the Group's key policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report on pages 58 through 68 and in this Director's Report.

KEY RISK AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and department levels. The Group recognises that operational risks cannot be eliminated completely and that it may not always be cost effective to do so.

Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. Functions such as, but not limited to, Internal Audit and Internal Control have the responsibility for providing assurance on the internal control framework. Key operational risk exposures are communicated to senior management as early as possible so that appropriate risk response can be taken.

Financial Risk

In the course of business activities, the Group is exposed to a variety of financial risks, including market, liquidity and credit risks. The currency environment, interest rate cycles and mark to market value of investment securities may pose significant risks to the Group's financial condition, results of operations and businesses. The financial risk management objectives and policies of the Group can be found in note 3 to the Consolidated Financial Statements.

Business Risks

Cyclical industry and a decline in production levels

Our sales are driven by the number of vehicles produced by the automotive manufacturers, which is ultimately dependent on consumer demand. The automotive industry is cyclical and sensitive to general economic conditions, including the global credit markets, interest rates, consumer credit, and consumer spending and preferences. Automotive sales and production can also be affected by the age of the vehicle fleet and related scrappage rates, labor relation issues, fuel prices, regulatory requirements, government initiatives, trade agreements, restructuring actions of our customers and suppliers, increased competition and other factors.

Concentration of sales and terms and conditions of the agreement with GM

The supply agreement, dated as of November 30, 2010, governs the terms and conditions pursuant to which we have agreed to manufacture and deliver certain products to GM. Our contracts with GM that are governed by the supply agreement are expected to expire between 2013 and 2020. For the years ended December 31, 2015 and 2016, our largest customer, GM, accounted for approximately 45% and 42% of our consolidated revenues, respectively. A significant decrease in business from GM could materially and adversely impact our business, results of operations and financial condition.

Loss of business or lack of commercial success

Purchase orders generally provide for the supply of a customer's annual requirements for a particular vehicle model, and in some cases, for the supply of a customer's requirements for the life of a particular vehicle model, rather than for the purchase of a specific quantity of products. Lack of commercial success could reduce our revenues or margins and thereby adversely affect our financial condition, operating results and cash flows.

Inability to achieve product cost reductions

During negotiations with the customers, customers tend to demand price reduction over the life of a vehicle model. We also bear significant responsibility on the product design, development and manufacturing engineering. Our financial performance is largely dependent on our ability to achieve product cost reductions through product design enhancement and manufacturing efficiencies. If we fail to achieve cost reductions, it would adversely affect our financial condition, operating results and cash flows.

Increase in costs and restrictions on availability of raw materials

The cost of raw materials accounted for approximately 58.6% and 57.9% of our consolidated revenues for the years ended December 31, 2016 and 2015, respectively. Raw material, energy, and commodity costs can be volatile. If the costs of raw materials, energy, commodities, and product components increase or the availability thereof is restricted, it could adversely affect our financial condition, operating results, and cash flows.

Substantial international operations

As a result of our global presence, a significant portion of our revenues and expenses are denominated in currencies other than the US dollar. International operations are subject to certain risks inherent in doing business abroad, including exposure to local economic conditions; political, economic, and civil instability and uncertainty; labor unrest; currency exchange rate fluctuations and the ability to hedge currencies; and increases in working capital requirements related to long supply chains.

Highly competitive industry and efforts by our competitors to gain market share

We operate in a highly competitive industry, and our competitors are seeking to expand market share with new and existing customers. Our competitors' efforts to grow market share could create downward pressure on our product pricing and margins. If we are unable to differentiate our products or maintain a low-cost footprint, we may lose market share or be forced to reduce prices, thereby lowering our margins. Any such occurrence could adversely affect our financial condition, operating results, and cash flows.

Our existing indebtedness and the inability to access capital markets
As at December 31, 2016, we had approximately US$564.1 million of outstanding indebtedness, as well as US$296.0 million available loan credit not yet drawn under our credit facilities. The debt instruments governing our indebtedness contain covenants that may restrict our business activities or our ability to execute our strategic objectives, and our failure to comply with these covenants could result in a default under our indebtedness. Additionally, any downgrade in the ratings that rating agencies assign to us and our debt may ultimately impact our access to capital markets. Our inability to generate sufficient cash flow to satisfy our debt and lease obligations, to refinance our debt obligations or to access capital markets on commercially reasonable terms could adversely affect our financial condition, operating results, and cash flows.

Impairment charges relating to our long-lived assets
We regularly monitor our long-lived assets for impairment indicators. Our balance sheet as at December 31, 2016 reflects a carrying amount of capitalised engineering and product development costs of US$429.5 million. In the event that we determine that our long-lived assets are impaired, we may be required to record a significant charge to earnings that could adversely affect our financial condition or operating results.

Our intellectual property portfolio
We own intellectual property, including, patents, trademarks, copyrights and trade secrets. In some cases, we enter into licensing agreements with respect to intellectual property. In addition, we rely on unpatented proprietary technology. These assets play an important role in maintaining our competitive position. We may assert claims against third parties that we believe are infringing on our intellectual property rights. These claims, regardless of their merit or resolution, are typically costly to pursue. Risks related to the protection of our intellectual property could have a material adverse effect on our business, results of operations and financial condition.

Significant product liability lawsuit or warranty claim
In the event that our products fail to perform as expected, whether alleged or due to an actual fault, we may be subject to product liability lawsuits and other claims or we may be required by our customers or regulators to participate in a recall or other corrective action involving such products. We have also entered into agreements with certain customers where these customers may pursue claims against us for all or a portion of the amounts sought in connection with product liability and warranty claims. We carry insurance for certain product liability claims, but such coverage may be limited. These types of claims could adversely affect our financial condition, operating results, and cash flows. As at December 31, 2016, our balance sheet includes provisions totalling US$82.0 million related to estimated warranty and product liability obligations.

Environmental laws and regulations
Our manufacturing facilities are subject to numerous laws and regulations designed to protect the environment. If we fail to comply with present and future environmental laws and regulations, we could be subject to future liabilities, which could adversely affect our financial condition, operating results and cash flows.

The preferential tax treatment that our PRC subsidiaries currently enjoy may be changed or discontinued, which may adversely affect our business, results of operations and financial condition
Nexteer Automotive (Suzhou) Co., Ltd., Nexteer Lingyun Driveline (Zhuozhou) Co., Ltd. and Nexteer Lingyun Driveline (Wuhu) Co., Ltd. have obtained high-tech certificates, which will expire in 2018, 2019 and 2019, respectively. In order to maintain eligibility for the preferential income tax rate of 15%, the subsidiaries are obligated to meet on-going requirements. We cannot assure that we will maintain this preferential tax rate for future periods. Nexteer Automotive Systems (Liuzhou) Co., Ltd. receives a special "Go West" preferential 15% income tax rate, which ends in 2020.

The impact of potential changes in tax and trade policies in the US and the potential corresponding actions by other countries in which we do business could adversely affect our financial performance

The US government has recently proposed comprehensive tax and trade reform. These proposals are designed to encourage increased production in the US and include a border tax on imports, an increase in customs duties and the renegotiation of US trade agreements. Reflective of the automotive industry, our vehicle parts manufacturing facilities in the US and Mexico are highly dependent on trade within the North American Free Trade Agreement region. A number of these facilities are in Mexico and represent a critical component of our supply chain and that of our customers. We have significant imports into the US, and the imposition of a border tax or an increase in customs duties with respect to these imports could negatively impact our financial performance. If such taxes or customs duties are implemented, it also may cause our trading partners to take actions with respect to US imports or US investment activities in their respective countries. Any potential changes in tax and trade policies in the US and the potential corresponding actions by other countries in which we do business could adversely affect our financial performance.

Strategic Objectives Risk

Our financial performance depends, in part, on our ability to successfully execute our strategic objectives. Our strategy is to deliver superior long-term shareholder value by growing our business through investments and improving our competitive position, while maintaining a strong balance sheet and returning cash to our shareholders. Our failure to execute our strategic objectives could adversely affect our financial condition, operating results, and cash flows.

Joint Venture Partners Risk

Some of the businesses of the Group are conducted through non wholly-owned subsidiaries, associates, joint ventures and joint operations in which the Group shares control with the joint venture partners. There is no assurance that any of these joint venture partners will continue their relationships with the Group in the future or their goals or strategies are in line with the Group. Such joint venture partners may have business interests or goals which are different from the Group. They may experience financial and other difficulties or may be unable to fulfil their obligations under the joint ventures which may affect the Group's businesses and operations.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of US$58.9 million, representing 20% of net profit, or US$0.024 per Share for the year ended December 31, 2016 subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the **AGM**).

The payment shall be made in US dollars, except that payment to Shareholders whose names appear on the register of members in Hong Kong shall be paid in Hong Kong dollars. The relevant exchange rate shall be the opening buying rate of Hong Kong dollars to US dollars as announced by the Hong Kong Association of Banks (www.hkab.org.hk) on the day of the approval of the distribution at the AGM.

DISTRIBUTABLE RESERVES

As at December 31, 2016, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to approximately US$633.8 million (as at December 31, 2015: US$686.5 million).

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2016 are set out in note 34 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Amended and Restated Memorandum and Articles of Association of the Company (**Articles of Association**) or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

EQUITY-LINKED AGREEMENTS

Details of the share options granted in prior years and current year are set out in note 25 of the Consolidated Financial Statements and `Share Options Scheme' section contained in this Directors' Report. For the share options granted during the year ended December 31, 2016, no Shares were issued during the year. Except as disclosed above, the Company has not entered into any equity-linked agreements for the year ended December 31, 2016.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) SUMMARY

The Group is committed to conducting our business in an environmentally sound manner and has adopted the Environmental, Social and Governance Reporting Guide as required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**). The Board will continue to monitor such policies to ensure the Company remains compliant with the relevant laws and regulations that have a significant impact on the Company in relation to the environment, employment, labor and operation. In addition to carrying out the corporate-wide programs the Company has initiated, all of our employees are required to be familiar with environmental laws and regulations relevant to their employment responsibilities and to comply with them. Details of the above information will be set out in our ESG report which is scheduled to be published within 3 months after the issuance of this annual report.

CHARITABLE DONATIONS

During 2016, the charitable contributions and other donations made globally amounted to US$0.4 million.

In 2016, our employees volunteered more than 13,500 hours of time supporting local charitable efforts and creating brand awareness through the Company's philanthropic activities.

DIRECTORS

The Directors in office during the year ended December 31, 2016 and as at the date of this annual report were as follows:

Executive Directors
ZHAO, Guibin (趙桂斌) *(Chairman)*
RICHARDSON, Michael Paul
FAN, Yi (樊毅)

Non-Executive Directors
LU, Daen (錄大恩) (resigned with effect from and upon the conclusion of the Board meeting held on March 14, 2017)
WANG, Xiaobo (王曉波)
YANG, Shenggun (楊勝群) (appointed with effect from March 14, 2017)

Independent Non-Executive Directors
TSANG, Hing Lun (曾慶麟)
LIU, Jianjun (劉健君)
WEI, Kevin Cheng (蔚成)

Further details of the Directors are set forth in the section headed `Directors and Senior Management' in this annual report.

Pursuant to Article 16.2 of the Articles of Association, any Director appointed by the Board, either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next following AGM of the Company and shall then be eligible for election at that meeting.

Pursuant to Article 16.18 of the Articles of Association, at every AGM one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Accordingly, four Directors, namely, ZHAO, Guibin; FAN, Yi; YANG Shengqun; and LIU, Jianjun, indicated that they intend to retire at the forthcoming AGM. All of the retiring Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Except as disclosed in the section headed `Directors and Senior Management' in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the publication of the 2016 interim report of the Company.

SERVICE CONTRACTS OF DIRECTORS

Executive Directors

Each of the Executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as Executive Directors for a term of three years with effect from June 15, 2016, which shall be renewed as determined by the Board or the Shareholders of the Company. The appointment of each of the Executive Directors may be terminated by either party by giving at least three months' written notice to the other.

Non-Executive Directors

Each of the non-Executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as a non-Executive Director for a term of three years with effect from September 20, 2016 or March 14, 2017, which shall be renewed as determined by the Board or the Shareholders of the Company. The appointment of each of the non-Executive Directors may be terminated by either party by giving at least three months' written notice to the other.

Independent Non-Executive Directors

Each of the Independent non-Executive Directors has been appointed for a term of three years commencing from June 15, 2016, which shall be renewed as determined by the Board or the Shareholders of the Company. The appointment of each of the Independent non-Executive Directors may be terminated by either party giving at least three months' written notice to the other.

All of the appointments of Directors are subject to the provisions of the Articles of Association with regard to vacating the office of Directors, removal and retirement by rotation of Directors. Except for directors' fees, none of the Independent non-Executive Directors is expected to receive any other remuneration for holding their office as an Independent non-Executive Director.

None of the Directors who are proposed for re-election at the forthcoming AGM has or is proposed to have a service contract that is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

There were no transactions, arrangements and significant contracts with any member of the Group as the contracting party and in which the Directors and the Directors' connected party possessed direct or indirect substantial interests, and which was still valid on December 31, 2016 or any time during such year and related to the business of the Group.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

During the year ended December 31, 2016, none of the Directors are considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY

Article 33 of the Articles of Association provides that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or willful defaults. The Company has arranged for appropriate insurance coverage in respect of potential legal actions against its Directors and senior management.

PRINCIPAL SUBSIDIARIES

The Group's operations are conducted on a global basis through its direct or indirect subsidiaries. Details of the subsidiaries of the Company as at December 31, 2016 are set out in note 36 to the Consolidated Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2016, the percentage of purchases attributable to the Group's major suppliers is as follows:

- the largest supplier: 9%
- five largest suppliers in aggregate: 28%

During the year ended December 31, 2016, the percentage of revenues attributable to the Group's major customers is as follows:

- the largest customer: 42%
- five largest customers in aggregate: 86%

As far as the Company is aware, none of the Directors nor any of his associates and none of the Shareholders possessing over 5% of the interest in the share capital of the Company possessed any interest in the abovementioned suppliers and customers.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on June 5, 2014, the Company adopted a share option scheme (the **Share Option Scheme**).

1. **Purpose**

   The purposes of the Share Option Scheme are: (1) to align the interests of the Company's Directors and senior management with the Company's performance and strategic objectives so as to lay a foundation for the Company's future development and maximise the shareholders' value; and (2) to attract, retain and motivate employees in key positions required for attaining the Company's strategic objectives by offering competitive general remuneration in the human resources market.

2. **Participants**

The Board may, at their discretion, invite any Directors (excluding Independent non-Executive Directors), senior management, as well as other key employees approved by the Board (which means those who are responsible for the decision-making, operation and management of the Company) as the Participants (as defined under the Share Option Scheme).

3. **Maximum number of shares subject to Options (as defined under the Share Option Scheme)**

(a) The shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option scheme(s) adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not in aggregate exceed 249,780,400 shares (the **Scheme Mandate Limit**), representing approximately 9.98% of the issued share capital of the Company as at the date of this report.

(b) The Company may refresh the Scheme Mandate Limit at any time subject to prior approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the shares in issue as at the date of the aforesaid approval by the shareholders in general meeting. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed.

(c) The Company may also seek separate approval of the Shareholders in a general meeting to grant Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before the aforesaid shareholders' meeting at which such approval is sought.

(d) Subject to the requirements of the Listing Rules, the number of securities may be issued upon the exercise of all outstanding Options granted under the Share Option Scheme and any other schemes shall not exceed 30% of the relevant class of securities in issue of the Company (or its related subsidiaries) from time to time.

(e) Unless approved by the Shareholders in the manner set out in this paragraph, the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted under the Share Option Scheme of the Company to each Participant (including both exercised and outstanding Options) in any 12 month period shall not exceed 1% of the total number of Shares in issue (the **Individual Limit**). Any further grant of Options to a Participant which would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Participant (including exercised, cancelled and outstanding Options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of the Shareholders in general meeting with such Participant and his associates abstaining from voting.

(f) Each grant of Options to any Director, chief executive or substantial shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the Independent non-Executive Directors of the Company. Where any grant of Options to a substantial shareholder, or any of its respective associates, would result in the number of shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

(i) Representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Hong Kong Stock Exchange) of the shares in issue; and

(ii) Having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange on the date on which the Board resolves to make an Offer (as defined under the Share Option Scheme) of that Option to the Participant or such other date as designated by the Board (the **Date of Grant**), in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Hong Kong Stock Exchange), such further grants of Options shall be subject to the prior approval by the shareholders (voting by way of poll) in general meeting. The Company shall send a circular to the shareholders in accordance with the Listing Rules and all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour of the resolution at such general meeting.

4. Acceptance period
A Share Option may be accepted by a Participant within a certain number of days from the date of the offer of the grant of the Option as indicated in the offer.

5. Exercise period
The period within which the Options may be exercised must expire no later than 10 years from the relevant Date of Grant.

6. Minimum holding period
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.

7. Consideration for acceptance
The consideration payable for acceptance of the Option of grant by each Participant is HK$1.00. If the Participant does not accept such grant of Option pursuant to the procedures specified in the respective grant agreement or notice within the stipulated timeframe, such Option shall be regarded as unaccepted and lapsed.

8. Subscription Price
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 Hong Kong 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 Hong Kong Stock Exchange for the five business days immediately preceding the Date of Grant; or

(c) the nominal value of a share.

9. The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme was adopted and has a remaining term of approximately 7 years as at the date of this report.

The summary of the Options granted under the Share Option Scheme that were still outstanding as at December 31, 2016 are as follows:

	Grant date	Options granted	Options held at January 1, 2016	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year	Options held at December 31, 2016	Exercise period[1]	Exercise price per share	Share price on the grant date[2]	Share price on the exercise date[3]
Director											
ZHAO, Guibin	June 11, 2014	1,667,970	1,667,970	–		–	1,667,970	June 11, 2014– June 10, 2024	5.150	5.150	N/A
	June 10, 2015	1,667,970	1,667,970	–	–	–	1,667,970	June 10, 2015– June 9, 2025	8.610	8.480	N/A
	June 10, 2016	1,667,970	–	1,667,970	–	–	1,667,970	June 10, 2016– June 9, 2026	7.584	7.340	N/A
FAN, Yi	June 11, 2014	526,730	526,730	–	–	–	526,730	June 11, 2014– June 10, 2024	5.150	5.150	N/A
	June 10, 2015	526,730	526,730	–	–	–	526,730	June 10, 2015– June 9, 2025	8.610	8.480	N/A
	June 10, 2016	526,730	–	526,730	–	–	526,730	June 10, 2016– June 9, 2026	7.584	7.340	N/A
LU, Daen[6]	June 11, 2014	351,150	351,150	–	–	–	351,150	June 11, 2014– June 10, 2024	5.150	5.150	N/A
	June 10, 2015	351,150	351,150	–	–	–	351,150	June 10, 2015– June 9, 2025	8.610	8.480	N/A
	June 10, 2016	351,150	–	351,150	–	–	351,150	June 10, 2016– June 9, 2026	7.584	7.340	N/A
WANG, Xiaobo	June 11, 2014	351,150	351,150	–	–	–	351,150	June 11, 2014– June 10, 2024	5.150	5.150	N/A
	June 10, 2015	351,150	351,150	–	–	–	351,150	June 10, 2015– June 9, 2025	8.610	8.480	N/A
	June 10, 2016	351,150	–	351,150	–	–	351,150	June 10, 2016– June 9, 2026	7.584	7.340	N/A
Sub-total		8,691,000	5,794,000	2,897,000	–	–	8,691,000				
Senior Management											
BRESSON, Laurent Robert[4]	June 11, 2014	2,633,650	2,633,650	–	(1,355,760)	(877,890)	400,000	June 11, 2014– June 10, 2024	5.150	5.150	10.803
	June 10, 2015	2,633,650	2,633,650	–	(877,883)	(1,755,767)	–	June 10, 2015– June 9, 2025	8.610	8.480	10.624
	June 10, 2016	2,633,650	–	2,633,650	–	(2,633,650)	–	June 10, 2016– June 9, 2026	7.584	7.340	N/A
Senior Management (in aggregate)	June 11, 2014	5,706,210	2,633,640	–	(819,360)	(117,050)	1,697,230	June 11, 2014– June 10, 2024	5.150	5.150	10.759
	June 10, 2015	4,828,340	2,809,220	–	(292,630)	(234,100)	2,282,490	June 10, 2015– June 9, 2025	8.610	8.480	10.732
	June 10, 2016	5,071,840	–	5,071,840	–	(351,150)	4,720,690	June 10, 2016– June 9, 2026	7.584	7.340	N/A
Sub-total		23,507,340	10,710,160	7,705,490	(3,345,633)	(5,969,607)	9,100,410				
Total		32,198,340	16,504,160	10,602,490	(3,345,633)	(5,969,607)	17,791,410				

Notes:

(1) The Options granted in 2014 through 2016 must be held for one year from June 11, 2014, June 10, 2015 and June 10, 2016, respectively. 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 share options.

(2) The Exercise Price for the options granted on June 11, 2014 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. The closing price of the shares of the Company immediately before the date of the grant (i.e. June 10, 2014) was HK$5.07. The exercise price for the options granted on June 10, 2015 was the average closing price for five consecutive trading days prior to the date of the grant. The closing price of the shares of the Company immediately before the date of the grant (i.e. June 9, 2015) was HK$8.25. The exercise price for the options granted on June 10, 2016 was the average closing price for five consecutive trading days prior to the date of the grant. The closing price of the shares of the Company immediately before the date of the grant (i.e. June 8, 2016) was HK$7.15.

(3) Options were exercised during the year ended December 31, 2016.

(4) Mr. BRESSON, Laurent Robert ceased to be the President and Global Chief Operating Officer of the Company with effect from August 31, 2016.

(5) For the value of options granted for the year ended December 31, 2016, please refer to note 25 to the Consolidated Financial Statements for details.

(6) Mr. LU, Daen resigned as our non-Executive Director with effect from and upon the conclusion of the Board meeting held on March 14, 2017.

PENSION SCHEMES

The Group has both defined contribution and defined benefit plans. Various subsidiaries within the Group operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee administered funds, determined by periodic actuarial calculations.

More detailed information regarding pension schemes is set out in note 18 to the Consolidated Financial Statements.

NON-COMPETITION UNDERTAKING FROM OUR CONTROLLING SHAREHOLDERS

On June 15, 2013, each of AVIC, AVIC Auto, PCM China and Nexteer Hong Kong together, (the **Controlling Shareholders**) provided a non-competition undertaking (the **Non-competition Undertaking**), pursuant to which each of the Controlling Shareholders has unconditionally and irrevocably undertaken that apart from the Retained Business as defined in the prospectus of the Company dated September 24, 2013 (the **Prospectus**) it will not, and will procure its subsidiaries not to, whether directly or indirectly through third parties or the provision of support to such third parties, engage in any automotive steering systems and driveline systems business (the **Core Business**) that competes, or is likely to compete, directly or indirectly with our Group. Details of the Non-competition Undertaking were disclosed in the Prospectus under the section headed `Relationship with our Controlling Shareholders'.

For the year ended December 31, 2016, the Group has not (1) pursued or declined any new business opportunity referred to us by the Controlling Shareholders nor (2) exercised or waived the pre-emptive rights under the Non-competition Undertaking. Each of the Controlling Shareholders has provided an annual confirmation of its compliance with the Non-competition Undertaking. The Independent non-Executive Directors have reviewed and were satisfied that each of the Controlling Shareholders has complied with the Non-competition Undertaking for the year ended December 31, 2016.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There were no contracts of significance with any member of the Group as the contracting party and in which any of the Controlling Shareholders possessed direct or indirect substantial interests, and which was still valid on December 31, 2016 or any time during such year and related to the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARE AND UNDERLYING SHARES

As at December 31, 2016, the interests or short positions of the Directors or Chief Executive 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 Hong Kong 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 Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the **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 %(2)
ZHAO Guibin	Director and Chief Executive Officer	Beneficial owner	5,003,910(L)	0.20
WANG Xiaobo	Director	Beneficial owner	1,053,450(L)	0.04
LU Daen(3)	Director	Beneficial owner	1,053,450(L)	0.04
FAN Yi	Director	Beneficial owner	1,580,190(L)	0.06

Notes:

(L) Denotes a long position in Shares.

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

(2) The calculation is based on the total number of 2,501,822,673 Shares in issue as at December 31, 2016.

(3) Mr. LU, Daen resigned as our non-Executive Director with effect from and upon the conclusion of the Board meeting held on March 14, 2017.

Except as disclosed above, as at December 31, 2016, none of our Directors and Chief Executive 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 Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any of its subsidiaries were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them. Neither the Company nor any of its subsidiaries was 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 for the year ended December 31, 2016.

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

As at December 31, 2016, the following Shareholders (excluding the Directors and Chief Executive of the Company) had interests or short positions in any Shares and underlying Shares of the Company which will be required to be disclosed under 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	Capacity	No. of Shares	Approximate Percentage of Total Issued Shares %[1]
Nexteer Automotive (Hong Kong) Holdings Limited (**Nexteer Hong Kong**)[1]	Beneficial Owner	1,680,000,000(L)	67.15%
Pacific Century Motors, Inc. (**PCM China**)[2]	Interest of controlled corporation	1,680,000,000(L)	67.15%
AVIC Automotive Systems Holding Co., Ltd. (**AVIC Auto**)[3]	Interest of controlled corporation	1,680,000,000(L)	67.15%
Aviation Industry Corporation of China (**AVIC**)[3]	Interest of controlled corporation	1,680,000,000(L)	67.15%
Mondrian Investment Partners Limited	Investment Manager	149,321,174(L)	5.97%

Notes:

(L) Denotes a long position in Shares.

(1) The calculation is based on the total number of 2,501,822,673 Shares in issue as at December 31, 2016.

(2) Nexteer Hong Kong is wholly-owned by PCM China, which is in turn owned as to 51% by AVIC Auto and as to 49% by Beijing E-Town International Automotive Investment & Management Co., Ltd. (北京亦莊國際汽車投資管理有限公司) (a directly wholly-owned subsidiary of Beijing E-Town). Each of PCM China and AVIC Auto is deemed to be interested in the 1,680,000,000 Shares held by Nexteer Hong Kong.

(3) AVIC Auto is owned as to 70.11% by AVIC, 22.47% by China National Guizhou Aviation Industry Group Co. Ltd (中國貴州航空工業(集團)有限責任公司) and 7.42% by Beijing E-Town International Automotive Investment & Management Co. Ltd. (北京亦莊國際汽車投資管理有限公司). AVIC is deemed to be interested in the 1,680,000,000 Shares held by Nexteer Hong Kong.

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS OF OTHER MEMBERS OF OUR GROUP

So far as our Directors are aware, as at December 31, 2016, the persons other than our Directors and our Chief Executive who were directly interested in 10% or more of the issued and outstanding share capital of our subsidiaries carrying rights to vote in all circumstances at general meetings of each relevant subsidiary, were as follows:

Member of our Group	Person with 10% or more interest (other than the Company)	Capacity	Percentage of the substantial shareholder's interest
Nexteer Lingyun Driveline (Zhuozhou) Co., Ltd.	Lingyun Industrial Co., Ltd.	Registered owner	40%
Nexteer Lingyun Driveline (Wuhu) Co., Ltd.	Lingyun Industrial Co., Ltd.	Registered owner	40%
Chongqing Nexteer Steering Systems Co., Ltd.	Chongqing Jianshe Industry (Group) Co., Ltd.	Registered owner	50%

Save as disclosed above, as at December 31, 2016, our Directors are not aware of any person who, as at December 31, 2016, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of any other member of our Group.

CONNECTED TRANSACTIONS

The Group's related parties transactions for the year ended December 31, 2016 set out in note 32 to the Consolidated Financial Statements constitute continuing connected transactions (as defined in Chapter 14A of the Listing Rules) and the Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules.

Continuing Connected Transactions which are Exempted from Reporting, Announcement and Independent Shareholders' Approval Requirements of the Listing Rules

Guarantees from AVIC and Beijing E-Town

By way of two loan agreements dated October 29, 2012, PCM (Singapore) Steering Holding Pte. Limited and PCM (US) Steering Holding Inc., both of which were direct wholly-owned subsidiaries of the Company, agreed to borrow US$126.0 million and US$300.0 million, respectively, from Export-Import Bank of China (the **EXIM Guaranteed Bank Loans**). The EXIM Guaranteed Bank Loans were intended to repay previous loans and fund certain acquisitions and operations of the Group, which shall be repaid in 14 installments which commenced in June 2014 and shall be fully settled in October 2020. The total amount of guarantees provided by AVIC and Beijing E-Town to our Group amounted to US$426.0 million. The balance of the EXIM guaranteed bank loans as at December 31, 2016 was US$243.0 million. AVIC and Beijing E-Town are substantial shareholders of the Company and therefore are connected persons under Rule 14A.07(1) of the Listing Rules.

Such guarantees as well as the associated lower financing costs of the EXIM Guaranteed Bank Loans, being financial assistance provided by AVIC and Beijing E-Town to our Group, were for our benefit on normal commercial terms and no security over our assets was granted. Accordingly, such guarantees of the EXIM Guaranteed Bank Loans, are exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

Details of these guarantees were fully disclosed in the Prospectus under the section headed Connected Transactions.

Continuing Connected Transactions which are Exempted from the Independent Shareholders' Approval Requirement, but subject to the Reporting, Annual Review and Announcement Requirements of the Listing Rules

*Purchase Agreements with Yubei Steering Systems Co., Ltd. (**Yubei Steering**)*

Reference is made to the Prospectus and the announcement of the Company dated December 29, 2015 (as supplemented by the announcement dated January 5, 2016) and the announcements of the Company dated September 19, 2016, September 23, 2016 and November 28, 2016 (collectively, the **Announcements**), in relation to the continuing connected transactions between the Group and Yubei Steering (**Yubei Transactions**) under the four nomination letters issued by Nexteer Automotive (Suzhou) Co., Ltd. (**Nexteer Suzhou**) and accepted by Yubei Steering on September 20, 2013 (and which were renewed on September 19, 2016) (**Renewed Yubei Nomination Letters**).

Pursuant to the Renewed Yubei Nomination Letters, the Group had agreed to acquire from Yubei Steering certain manual and hydraulic rack and pinion gears (**Spare Parts**) for a further term of three years from September 19, 2016 to September 18, 2019. The indicative unit price for each type of Spare Parts to be provided by Yubei Steering is set out in the Renewed Yubei Nomination Letters. Such unit price had been determined based on arms' length negotiations between the parties and with reference to the price offered by independent similar suppliers. During the term of the Renewed Yubei Nomination Letters, quotations will be obtained from independent similar supplier(s) for manual gears of similar quantities and the Company's internal sourcing council will be responsible for assessing and choosing the supplier offering the most competitive terms and conditions.

For the year ended December 31, 2016, the Group had complied with the foregoing pricing policies and guidelines. The proposed annual caps (the **Revised Annual Caps**) for the Yubei Transactions are as follows:

Period	Annual Caps (RMB)
For the year ending 31 December	
2016	121,537,000
2017	121,679,000
2018	87,780,000
For the nine months ending 30 September	
2019	61,272,000

In arriving at the above Revised Annual Caps, the Directors have considered the following factors:

(i) Expected growth in the demand for the Group's CEPS systems and hydraulic rack and pinion gears from the OEM customers based on their expected production volume of the relevant vehicles;

(ii) The indicative prices set out in the Renewed Yubei Nomination Letters; and

(iii) The estimated market demand for relevant vehicles according to an independent third-party industry forecast provider as reference.

Yubei Steering is indirectly held as to 49.93% by AVIC, one of the Company's Controlling Shareholders. As Yubei Steering is an associate of AVIC, pursuant to Chapter 14A of the Listing Rules, Yubei Steering is regarded as a connected person of the Company and the Yubei Transactions contemplated under the Renewed Yubei Nomination Letters constitute continuing connected transactions of the Group under the Listing Rules.

As the applicable percentage ratios (other than the profit ratio) set out in Rule 14.07 of the Listing Rules in respect of the Revised Annual Caps under the Renewed Yubei Nomination Letters are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the Yubei Transactions are subject to the reporting and announcement requirements, but are exempt from the circular and shareholders' approval requirements. The Yubei Transactions are also subject to the annual review requirements set out in Rule 14A.55 and Rule 14A.56 of the Listing Rules.

Details of the Yubei Transactions were fully disclosed in the Announcements.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditor of the Company to perform review procedures on the aforesaid continuing connected transactions. Based on the work performed, the auditor of the Company had provided a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) Have been approved by the Directors;

(ii) Were entered into in accordance with the pricing policies of the Group;

(iii) Were entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iv) Did not exceed the Revised Annual Cap for the year ended December 31, 2016.

A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent non-Executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) In the ordinary and usual course of the business of the Group;

(ii) On normal commercial terms; and

(iii) According to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended December 31, 2016, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed for the year ended December 31, 2016.

PUBLIC FLOAT

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

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares of the Company, they are advised to consult an expert.

AUDITOR

The Consolidated Financial Statements have been audited by PricewaterhouseCoopers, the Company's external auditor.

CLOSURE OF REGISTER OF MEMBERS

The Company's AGM will be held on June 5, 2017. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from May 31, 2017 to June 5, 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on May 29, 2017.

The final dividend is payable on June 21, 2017 and the record date for entitlement to the proposed final dividend is June 13, 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from June 9, 2017 to June 13, 2017, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (address as per above) for registration no later than 4:30 p.m. on June 8, 2017.

On behalf of the Board
Mr. ZHAO, Guibin
Chairman and Chief Executive Officer

Hong Kong, March 14, 2017

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Company recognises that sound corporate governance practices are fundamental to our effective and transparent operation and to our ability to protect the rights of the Shareholders and enhance shareholder value.

The Company has adopted its own Internal Control and Corporate Governance Policies, which are based on the principles, provisions and practices set out in the Corporate Governance Code and Corporate Governance Report (the **Hong Kong CG Code**) contained in Appendix 14 to the Listing Rules.

Except as expressly described below, in the opinion of the Directors, the Company has complied with all applicable code provisions set out in the Hong Kong CG Code and all applicable laws and regulations that have a significant impact on the business and operation of the Group throughout the year ended December 31, 2016.

Chairman and Chief Executive Officer

A.2.1 – Mr. ZHAO Guibin, our Chairman also acts as the Chief Executive Officer of the Company, which constitutes a deviation from Code Provision A.2.1 of the Hong Kong CG Code. The Board believes that this structure does not impair the balance of power and authority between the Board and the management of the Company or the Group, given that: (i) decisions made by our Board require approval by at least a majority of our Directors and that our Board includes three Independent non-Executive Directors out of a total of eight Directors, which is more than the Listing Rules requirement of one-third, and we believe there are sufficient checks and balances on the Board; (ii) Mr. ZHAO and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that each Director, including Mr. ZHAO, acts for the benefit and in the best interests of the Group and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which is comprised of experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic, financial and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. 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.

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. The Chairman is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Joint Company Secretaries.

With the support of the Executive Directors and the Joint Company Secretaries, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and has taken appropriate steps to provide effective communication with Shareholders and other stakeholders, as outlined later in the report.

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

COMPLIANCE WITH CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code for the year ended December 31, 2016.

The Company has also adopted its own code of conduct regarding employees' securities transactions in terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

The Company maintains and regularly reviews a sensitivity list identifying factors or developments which are likely to give rise to the emergence of inside information or development of a false market.

The Company ensures that confidentiality agreements are signed by all relevant parties to a transaction that is likely to give rise to the emergence of inside information or development of a false market. The Company also employs appropriate measures to maintain the confidentiality of the information, such as using project codes and restricting access to such information to a limited group of recipients on a need-to-know basis.

The Company organises periodic training as deemed necessary for employees who, because of their office or employment, are likely to be in possession of inside information in relation to the Company, to help them understand the Company's policies and procedures as well as their relevant disclosure duties and obligations.

THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board is responsible for leadership and control of the Company and the Group and for promoting the success of the Group by directing and supervising the Group's affairs. In addition, the Board is responsible for overseeing the corporate governance and financial reporting of the Company and for reviewing the effectiveness of the Group's system of internal control and risk management. To assist it in fulfilling its duties, the Board has established two board committees: the Audit and Compliance Committee and the Remuneration and Nomination Committee.

The Group is managed collectively by our core management team, which is comprised of the Board and senior management of the Group. Members of our senior management are responsible for overseeing their respective divisions and functions and making day-to-day decisions of the Group. They meet regularly to discuss issues of their respective functions and make relevant decisions and report to our Board regularly and when necessary. Our senior management as a whole is also responsible for formulating the overall strategies, annual budget, key business, financial and other operational policies and preparing proposals of any key business, financial and other operational decisions of the Group taking into account inputs from different functions for the Board's approval. The Board will consult with our senior management on such proposals and discuss the same at the Board level with an aim to reach a consensus that is in the best interest of the Group. Once the key policies and decisions are formulated and made, our senior management as a whole will implement the same throughout the Group. Accordingly, the overall strategic and other key business, financial and operational policies and decisions of the Group are made collectively from its inception to implementation after thorough discussion at both Board and senior management levels.

The Board has established clear guidelines with respect to matters that must be approved or recommended by the Board, including, without limitation, approval and adoption of the Group's annual operating budget and capital expenditure budget; the hiring or dismissal of the Chief Executive Officer, Chief Financial Officer (the **CFO**), Joint Company Secretaries or certain other members of the senior management team; and approving and recommending significant transactions. The Group has arranged for appropriate insurance coverage in respect of potential legal actions against its Directors and senior management.

Composition of the Board, Number of Board Meetings and Directors' Attendance

The Board consists of eight Directors, including three Executive Directors, namely ZHAO, Guibin (Chairman), RICHARDSON, Michael Paul and FAN, Yi, two non-Executive Directors namely LU, Daen (resigned with effect from and upon the conclusion of the Board meeting held on March 14, 2017 and YANG, Shengqun was appointed as our non-Executive Director on the same date) and WANG, Xiaobo, and three Independent non-Executive Directors, namely TSANG, Hing Lun, LIU, Jianjun and WEI, Kevin Cheng. The biographical details of each Director and their respective responsibilities and dates of appointment are included in the section headed `Directors and Senior Management' of this annual report. None of the Directors or chief executive is related to one another.

The following is the attendance record of the Directors at Board and committee meetings, and the annual general meeting held for the year ended December 31, 2016:

	Attendance/number of Meetings in 2016			
Name of Director	Board	Remuneration and Nomination Committee	Audit and Compliance Committee	Annual General Meeting
ZHAO, Guibin (趙桂斌)	4/4	N/A	N/A	1/1
RICHARDSON, Michael Paul	4/4	N/A	N/A	1/1
FAN, Yi (樊毅)	4/4	N/A	N/A	1/1
LU, Daen (錄大恩)[1]	4/4	N/A	3/3	1/1
WANG, Xiaobo (王曉波)	4/4	4/4	N/A	1/1
TSANG, Hing Lun (曾慶麟)	4/4	4/4	3/3	1/1
LIU, Jianjun (劉健君)	4/4	4/4	N/A	1/1
WEI, Kevin Cheng (蔚成)	4/4	N/A	3/3	1/1

Note:

(1) Mr. LU, Daen resigned as our non-Executive Director with effect from and upon the conclusion of the Board meeting held on March 14, 2017.

PRACTICES AND CONDUCT OF MEETINGS

Notice of regular Board meetings is given to all Directors at least 14 days in advance, and reasonable notice is generally given for other Board meetings. Annual meeting schedules and the draft agenda of each meeting are normally made available to Directors in advance. Arrangements are in place to allow Directors to include items in the agenda, and final agendas together with relevant supporting documents are sent to Directors at least 3 days before each regular Board meeting, and as soon as practicable before other Board meetings, so that the Board can make informed decisions on matters placed before it. Each Director also has separate and independent access to the senior management where necessary. Minutes of the Board meetings are kept by the Joint Company Secretary. Draft minutes are circulated to Directors for comment within a reasonable time after each meeting.

If a Director or any of his associates has a material interest in a transaction, that Director is required to abstain from voting and not to be counted in the quorum at the meeting for approving the transaction.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended December 31, 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent non-Executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written confirmation from each of the Independent non-Executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all Independent non-Executive Directors to be independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company uses a formal and transparent procedure for the appointment, election and removal of Directors, which is set out in the Company's Articles of Association and is led by the Remuneration and Nomination Committee, which will make recommendations on appointment of new Directors to the Board for approval.

Further details relating to the appointment, election and removal of Directors and the service contracts of Directors are set out in the sections headed 'Directors' and 'Service Contracts of Directors' in the Directors' Report included in this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director receives a comprehensive introduction to the Company in order to ensure his understanding of the business and operations of the Group and awareness of a director's responsibilities and obligations. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge by attending internal training and external seminars. For the year ended December 31, 2016, the Company arranged in-house training for all Directors relating to ongoing compliance obligations, corporate governance and other related topics. In compliance with Rule 3.29 of the Listing Rules, Mr. FAN Yi, our Executive Director and Joint Company Secretary, has undertaken not less than 15 hours of relevant professional training during the year ended December 31, 2016.

During the year ended December 31, 2016, the Directors participated in the following training:

Directors	Types of training
Executive Directors	
ZHAO, Guibin *(Chairman)*	A,B,C,D
RICHARDSON, Michael Paul	A,B,C,D
FAN, Yi	A,C,D
Non-Executive Directors	
LU, Daen (resigned with effect from and upon the conclusion of the Board meeting held on March 14, 2017)	A,B,C,D
WANG, Xiaobo	A,B,C,D
Independent Non-Executive Directors	
TSANG, Hing Lun	A,B,C,D
LIU, Jianjun	A,B,C,D
WEI, Kevin Cheng	A,C,D

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: attending in-house training relating to the ongoing compliance obligations, corporate governance and other related topics

D: reading newspapers, journals, Company's newsletters and updates relating to the economy, general business, automotive component manufacturing industry or Directors' duties and responsibilities, etc.

COMMITTEES

The Board has established the Audit and Compliance Committee, and the Remuneration and Nomination Committee for overseeing particular aspects of the Group's affairs. All Board committees are established with defined written terms of reference which are posted on the Company's website, the Hong Kong Stock Exchange's website and are available to Shareholders upon request. Meetings of the Board committees generally follow the same procedures as meetings of the Board.

THE AUDIT AND COMPLIANCE COMMITTEE

The Board established the Audit and Compliance Committee on June 15, 2013 with written terms of reference (as revised on November 13, 2015) in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the Hong Kong CG Code. The Audit and Compliance Committee consists of WEI, Kevin Cheng, TSANG, Hing Lun, LU, Daen (resigned with effect from and upon the conclusion of the Board meeting held on March 14, 2017) and YANG, Shengqun (appointed with effect from March 14, 2017). All members of the Audit and Compliance Committee are non-Executive Directors, among whom TSANG, Hing Lun and WEI, Kevin Cheng are Independent non-Executive Directors. The chairman of the Audit and Compliance Committee is WEI, Kevin Cheng who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit and Compliance Committee include, without limitation, assisting our Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Board recognises that corporate governance should be the collective responsibility of the Directors and delegates the corporate governance duties to the Audit and Compliance Committee which include:

- reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors;
- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board and report to the Board on matters;
- reviewing the Company's compliance with the Hong Kong CG Code and disclosure in the Corporate Governance Report; and
- considering any other topics, as determined by the Board.

There were three meetings of the Audit and Compliance Committee held for the year ended December 31, 2016, the attendance record of the committee members is set out above. The following is a summary of the major work performed by the Audit and Compliance Committee during 2016:

- reviewed the reports and findings from management including Internal Audit on the implementation and refinement of the risk management and internal control measures;
- reviewed the three-year Internal Audit plan;
- confirmed the independence and objectivity of the Company's external auditor, PricewaterhouseCoopers;
- met with the external auditor and reviewed their 2016 audit plan;
- reviewed the annual results and the adequacy of the risk management and internal control system for the year ended December 31, 2015; and
- reviewed the interim results for the six months ended June 30, 2016.

Subsequent to December 31, 2016 and up to the date of this annual report, a meeting of the Audit and Compliance Committee was held on March 14, 2017 to review the annual results and the adequacy of the risk management and internal control system for the year ended December 31, 2016.

THE REMUNERATION AND NOMINATION COMMITTEE

The Board established the Remuneration and Nomination Committee on June 15, 2013 with written terms of reference in compliance with paragraphs B.1 and A.5 of the Hong Kong CG Code. These terms of reference include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skill as well as time commitments of members. The Remuneration and Nomination Committee consists of three members, comprising TSANG, Hing Lun, LIU, Jianjun and WANG, Xiaobo. All members of the Remuneration and Nomination Committee are non-Executive Directors, among whom TSANG, Hing Lun and LIU, Jianjun are Independent non-Executive Directors. The chairman of the Remuneration and Nomination Committee is TSANG, Hing Lun. The primary functions of the Remuneration and Nomination Committee include, without limitation, (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) making recommendations on the remuneration packages of Executive and non-Executive Directors and senior management; (iii) reviewing and approving senior management's remuneration proposals reference to corporate goals and objectives resolved by the Board from time to time; (iv) reviewing the structure, size, composition and diversity of the Board; (v) assessing the independence of Independent non-Executive Directors; and (vi) making recommendations to the Board on matters relating to the appointment of Directors.

The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance. No Director or any of his associates takes part in any discussion about his own remuneration.

There were two meetings of the Remuneration and Nomination Committee held for the year ended December 31, 2016, the attendance record of the committee members is set out above. The following is a summary of the major work performed by the Remuneration and Nomination Committee during 2016:

- reviewed and made a recommendation to the Board regarding the fees of the non-Executive Directors;
- reviewed and made a recommendation to the Board regarding the fees of the Independent non-Executive Directors;
- reviewed the Board structure, size, composition and board diversity (including ability, knowledge and experience etc.);
- confirmed the independence of Independent non-Executive Directors; and
- considered the retirement and re-nomination of Directors for re-election at the AGM.

BOARD DIVERSITY POLICY

The Company views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. To that end, the Company has adopted a board diversity policy to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Ultimately, all Board appointments have been based on merit, and candidates were considered against objective criteria, having due regard for the benefits of diversity on the Board.

AUDITOR'S REMUNERATION

The Company's external auditor is PricewaterhouseCoopers. A breakdown analysis of the remuneration paid to PricewaterhouseCoopers for the year ended December 31, 2016 is set out below. The Audit and Compliance Committee has confirmed the independence and objectivity of the external auditor.

Service Category	Fees Paid US$'000
Audit Services	2,299
Non-audit Services	1,421
Total	3,720

Non-audit services include allowable strategic consulting and tax consulting and compliance services.

JOINT COMPANY SECRETARIES

Ms. MOK, Ming Wai, a director of KCS Hong Kong Limited, an external service provider, has been engaged by the Company as its Joint Company Secretary and authorised representative. The primary contact person of the Company is Mr. FAN, Yi, the Joint Company Secretary, the authorised representative and an Executive Director of the Company.

During 2016, each of the Joint Company Secretaries undertook no less than 15 hours of professional training to update their respective skills and knowledge.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. Except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules. Poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each general meeting. There are no provisions under the laws of the Cayman Islands or the Memorandum and Articles of Association that allows Shareholders to make proposals or move resolutions at an annual general meeting. Shareholders of the Company who wish to make proposals or move a resolution may, however, request the Board to convene an extraordinary general meeting by following the procedures below.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Extraordinary general meetings may be convened on the written request of any two or more Shareholders of the Company deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requestors, provided that such requestors held as at the date of deposit of the request not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

Extraordinary general meetings may also be convened on the written request of any one Shareholder of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requestor, provided that such requestor held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the request proceed duly to convene the extraordinary general meeting to be held within a further 21 days, the requestor(s) themselves, or any of them representing more than one-half of the total voting rights of all of them, may convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the request, and all reasonable expenses incurred by the requestor(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

SHAREHOLDERS' ENQUIRIES

Enquiries about corporate governance or other related matters (including enquiries to be put to the Board) should be directed to the Joint Company Secretary by email at company.secretary@nexteer.com or at the Company's headquarters address: 1272 Doris Road, Auburn Hills, MI 48326, United States.

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar as follows:

By Mail:	17M Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Hong Kong Customer Service Phone:	+852 2862 8555
Email:	hkinfo@computershare.com.hk

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group has established a formal and transparent procedure for formulating policies on remuneration of Directors and Senior Management of the Group. Details of the remuneration of each of the Directors for the year ended December 31, 2016 are set out in note 25 to the Consolidated Financial Statements. The remuneration of Directors is determined by the Board, which receives recommendations from the Remuneration and Nomination Committee after considering the experience, knowledge and performance of the Directors. Under the Company's current compensation arrangements, the Executive Directors and Senior Management receive cash compensation in the form of salaries as well as bonuses that are subject to performance targets.

Remuneration paid to the Senior Management (including three Executive Directors) for the year ended December 31, 2016 is within the following bands:

Band of remuneration in US$	No. of person
US$nil – US$250,000	1
US$250,001 – US$500,000	–
US$500,001 – US$750,000	3
US$750,001 – US$1,000,000	4
US$1,000,001 – US$1,250,000	1
US$1,250,001 – US$1,500,000	1
US$1,750,000 – US$2,000,000	1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company has implemented a series of reports intended to allow the Board to assess the Group's financial and operational performance, as well as business results. On a monthly basis, management of the Group provides the Board with sufficient and adequate information to support its decision-making and oversight responsibilities.

The Board understands and acknowledges its responsibility for overseeing the preparation of the financial information in accordance with IFRS and for the internal control system necessary to enable the preparation of financial information that is free from material misstatement. This responsibility extends to annual and interim reports, other announcements and other financial disclosures required under the Listing Rules and/or statutory requirements. As at the date of this annual report, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's or the Group's ability to continue as a going concern.

The Company's external auditor is responsible for expressing an opinion on whether the Consolidated Financial Statements give a true and fair view of the state of affairs of the Group as at December 31, 2016, and of the Group's profit and cash flows for the year then ended in accordance with IFRS.

The auditor's statement about their reporting responsibilities on the Consolidated Financial Statements is set out in the section headed 'Independent Auditor's Report' of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has adopted a risk management and internal control system and associated procedures and conducts reviews of the effectiveness of the risk management and internal control system of the Group from time to time.

The responsibility for safeguarding the assets, for the prevention and detection of fraud and error, and for ensuring compliance with all applicable laws and regulations rests with the Board, the Audit and Compliance Committee and management of the Group. This responsibility includes implementing and ensuring the continued operation of the Group's risk management and internal control system which is designed to prevent and detect fraud and error.

The Board is responsible for maintaining an adequate system of risk management and internal control and for reviewing its effectiveness. Oversight over risk management and internal control is led by the Audit and Compliance Committee. While senior management is responsible for the implementation of such system of risk management and internal control, the Group has established an Internal Audit department to assist the Board and the Audit and Compliance Committee in their oversight and review responsibilities to monitor the compliance and effectiveness of the risk management and internal control measures. This will enable the Board and the Audit and Compliance Committee to conduct necessary reviews and to report to Shareholders, at least on an annual basis, on the effectiveness of the Group's system of risk management and internal control. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and only provide reasonable and not absolute assurance against material misstatement or loss.

The head of the Internal Audit department has direct access to the Board through direct communication to the Chairman of the Audit and Compliance Committee. The head of the Internal Audit department has the right to consult the Audit and Compliance Committee without reference to management. With this independence, the Internal Audit department is able to perform key tasks, such as: (a) assessing and monitoring compliance with policies and the effectiveness of risk management and internal control measures with unrestricted direct access to any level of management whenever deemed necessary; and (b) conducting comprehensive internal audits to evaluate the system of financial, operation and compliance controls on a regular basis.

The Internal Audit department has completed a risk assessment process and developed a three year internal audit plan that focuses on the key risks to the Company. The Company reviewed the risk assessment and three-year internal audit plans with the Audit and Compliance Committee in 2016. The Internal Audit department executed the approved internal audit plan and conducted a review of the effectiveness of the system of risk management and internal control including but not limited to the audit of the internal controls over financial reporting for key high risk frameworks of the Company. The Internal Audit department reported a summary of audit findings and recommendations to the Audit and Compliance Committee. Management is responsible for ensuring that identified control weaknesses are rectified within a reasonable period.

Management and the CFO, in conjunction with the Board and the Audit and Compliance Committee, continue to evaluate the adequacy of resources, qualifications and experience of staff in the Group's accounting and financial reporting and internal audit functions, as well as that function's training programs and budget. This exercise continues to result in the hiring of accounting and finance professionals to help ensure that the Group maintains adequate and sufficient staffing levels required for a public company. The Board has delegated to the Audit and Compliance Committee the responsibility for reviewing the Group's system of risk management and internal control and reporting the findings to the Board. The Audit and Compliance Committee conducted a review of (1) the findings and recommendations of the internal audit function; (2) the implementation status of recommended internal control recommendations; and (3) the reports and findings from management on the implementation of the internal control measures. Based on its annual review, the Board and the Audit and Compliance Committee are not aware of any material deficiencies in the effectiveness of risk management and internal control for the year ended December 31, 2016 and consider them effective and adequate.

Management identifies, evaluates and manages significant risks to the Group. Management annually self-assesses the effectiveness of the risk management and internal control activities. The Group's risk management and internal control policies and procedures are designed and updated (as necessary) in consideration of jurisdictional regulations, customer requirements and industry practice. The Group is in the process of evaluating and updating applicable policies and procedures to comply with International Automotive Task Force (**IATF**) 19649:2016, which will be effective on October 1, 2017.

The risk management process facilitates the following sequence of activities and communication:

Risk management is a continuous process, occurring within functional departments, geographic segments and corporate oversight bodies. Management regularly assesses the nature, extent and magnitude of the identified risks and corresponding risk response plans. Management periodically evaluates the comparative significance of risk occurrence and consequences when considering risk response plans and associated plan effectiveness.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There was no change in the Articles of Association of the Company for the year ended December 31, 2016.

Independent Auditor's Report

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NEXTEER AUTOMOTIVE GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Nexteer Automotive Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 145, which comprise:

- the consolidated balance sheet as at December 31, 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Capitalised Product Development Costs
- Provision for Warranties

Key Audit Matter	How our audit addressed the Key Audit Matter
Capitalised Product Development Costs	
Refer to notes 2.8 and 8 of the consolidated financial statements. The Group incurs significant costs and efforts on research and development activities, which include costs to develop customer-specific applications, prototypes and testing. As disclosed in note 8 of the consolidated financial statements, US$429.5 million of development costs have been capitalised within intangible assets as at December 31, 2016. Our audit was focused on this area given the significance of the development costs capitalised as at December 31, 2016, as well as the complexity of the process used by management to account for these costs. Management needs to employ significant judgement as part of this process including assessing whether costs are appropriately identified for capitalisation and that such costs are appropriately associated with programs in the development phase of production in accordance with the capitalisation criteria as set out in note 2.8 to the consolidated financial statements. The key inputs utilised by management to calculate the development costs to be capitalised include labour hours and labour rates applied, as well as material costs.	We obtained an analysis prepared by management of all individual development projects costs capitalised in the period and agreed this analysis to the amounts recorded in the general ledger. We considered the product development cost components included in the analysis for capitalisation and assessed the determination for capitalisation of such costs by comparing the nature of the expenses capitalised by management to the capitalisation criteria as set out in note 2.8 to the consolidated financial statements. We also tested a sample of projects as follows: • We met with finance management, inquired of engineers, and reviewed program documentation to determine whether the programs had entered the development phase of the projects and whether the associated costs were thus eligible for capitalisation. We conducted interviews with individual project managers responsible for the projects selected to corroborate management's explanations and to obtain an understanding of the development phase of the specific projects. We also inspected agreements between the Group and their customers to support existence of the development programs. These procedures enabled us to assess whether the projects would allow for the underlying expenditure to meet the criteria for capitalisation as set out in note 2.8 to the consolidated financial statements.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
	• To determine whether costs were directly attributable to projects, we obtained detailed listings of hours worked on individual projects and selected a sample of the employees' hours recorded. We obtained timesheets signed by the appropriate project managers to check that the employees selected for testing were involved on the projects and to evaluate the nature of the work they had been performing. We also recalculated the amount of costs capitalised for the projects selected, by applying a labour rate per employee to the timesheet hours. • We also compared the labour rates, referred to above, that had been applied to the hours identified as appropriate for capitalisation to the appropriate hourly rate from the Group's payroll system. • To test whether material costs were directly attributable to projects and capitalisable, we tested a sample of capitalised material costs to assess whether the programs to which they were being applied were in the development phase. We then agreed the sample selected to underlying supplier invoices to assess that the sample was capitalised for the correct amount and was a capitalisable cost. Based on the above, we believe that the judgments applied by management in determining development costs to be capitalised were reasonable and consistent with the audit evidence we obtained.
Provision for Warranties	
Refer to notes 4(c)(iii) and 19 of the consolidated financial statements. The Group recognises expected warranty costs for products sold principally at the time of sale of the product or when it is determined that such obligations are probable and can be reasonably estimated. As disclosed in note 19 to the consolidated financial statements, the ending warranties provision balance is US$82.0 million as at December 31, 2016. Management estimates the amount that will eventually be required to settle such obligations and those estimates are based on a variety of factors.	We obtained an analysis prepared by management of the individual warranty provisions at the beginning and ending of the year and the movement in such provisions. We then agreed this analysis to the amounts recorded in the general ledger and tested significant reconciling items to supporting documentation. We tested a sample by performing the following: • We recalculated the mathematical accuracy of the provision calculation (product volume multiplied by the estimated repair cost per unit). • We traced the volume data to the related sales records for each product selected for testing, also determining whether the provision for the selected product was recorded in the appropriate period.

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on this area given the significance of the provision and the longer period of time between when the initial estimates are recorded and warranty obligations are settled. These estimates require ongoing monitoring to determine the continued appropriateness of the recorded provision. The key judgments used by management in determining the warranty provision include the estimated per unit repair cost. Key inputs used in deriving this estimate include the customer's overall cost to repair each product, the estimated percentage of products that will be subject to defect and the agreed upon cost sharing arrangement between the Group and the customers.	• We agreed estimated customer product repair cost, the estimated percentage of defective parts and the nature of the cost sharing arrangement to third party customer data and supply arrangements to evaluate whether the cost-per-unit estimates appropriately reflected the Group's obligations with respect to the repair or replacement of such products. For a sample of warranty provisions previously recorded and settled during the year, we inspected the customer approved settlement agreements and checked the related payments made during the year, as applicable, to the relevant credit memo or cash payment to evaluate the reasonableness of the Group's historical estimates of repair cost per unit. Furthermore, we selected a sample of products from the sales listings to determine whether the products sold were appropriately included or excluded from the warranty based upon the customer's contractual warranty terms. We also reviewed regulatory filings for those involving the Group to determine whether or not there was a potential warranty provision which had not been recorded. We also met with finance management and individuals within the Group responsible for monitoring product defects to identify the existence of any indicators subsequent to the year-end which could lead to adjustment of the provision for warranties at the year-end date. Based on the above, we believe that judgments applied by management in determining the provision for warranties were reasonable and consistent with the audit evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT AND COMPLIANCE COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit and Compliance Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Compliance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Compliance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Compliance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Man Kam Tsang.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 14, 2017

Consolidated Balance Sheet

As at December 31, 2016

	Notes	As at December 31, 2016 US$'000	2015 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**779,134**	685,275
Land use rights	7	**568**	634
Intangible assets	8	**449,708**	407,671
Deferred income tax assets	9	**9,948**	11,083
Other receivables and prepayments	13	**15,869**	6,107
Investment in a joint venture	32(b)	**10,586**	9,902
		1,265,813	1,120,672
Current assets			
Inventories	11	**261,749**	253,942
Trade receivables	12	**589,642**	569,978
Other receivables and prepayments	13	**90,962**	94,523
Derivative financial instruments	10	**–**	659
Restricted bank deposits	14	**727**	148
Cash and cash equivalents	15	**484,475**	416,900
		1,427,555	1,336,150
Total assets		**2,693,368**	2,456,822

The notes on pages 82 to 145 are an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheet (Continued)

	Notes	As at December 31, 2016 US$'000	2015 US$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	34	**32,274**	32,231
Other reserves	16	**192,221**	255,575
Retained earnings		**834,496**	539,616
		1,058,991	827,422
Non-controlling interests		**32,032**	26,943
Total equity		**1,091,023**	854,365
LIABILITIES			
Non-current liabilities			
Borrowings	17	**488,659**	560,539
Retirement benefits and compensations	18	**18,160**	17,544
Deferred income tax liabilities	9	**56,704**	51,503
Provisions	19	**76,480**	65,955
Deferred revenue	20	**92,855**	92,416
Other payables and accruals	22	**9,161**	7,174
		742,019	795,131
Current liabilities			
Trade payables	21	**604,498**	558,769
Other payables and accruals	22	**107,362**	97,562
Current income tax liabilities		**15,349**	12,503
Retirement benefits and compensations	18	**3,427**	2,949
Derivative financial instruments	10	**–**	5,878
Provisions	19	**29,295**	23,771
Deferred revenue	20	**24,907**	24,710
Borrowings	17	**75,488**	81,184
		860,326	807,326
Total liabilities		**1,602,345**	1,602,457
Total equity and liabilities		**2,693,368**	2,456,822

The notes on pages 82 to 145 are an integral part of these Consolidated Financial Statements.

The financial statements on page 76 to 145 were approved by the Board of Directors on March 14, 2017 and were signed on its behalf.

Fan, Yi	**Richardson, Michael Paul**
Director	*Director*

Consolidated Income Statement

For the year ended December 31, 2016

	Notes	For the year ended December 31, 2016 US$'000	2015 US$'000
Revenue	5	**3,842,244**	3,360,512
Cost of sales	24	**(3,180,579)**	(2,815,609)
Gross profit		**661,665**	544,903
Engineering and product development costs	24	**(123,280)**	(96,919)
Selling and distribution expenses	24	**(15,458)**	(11,908)
Administrative expenses	24	**(114,470)**	(105,497)
Other gains (losses), net	23	**7,033**	(17,449)
Operating profit		**415,490**	313,130
Finance income	26	**1,407**	2,253
Finance costs	26	**(31,575)**	(33,204)
Finance costs, net		**(30,168)**	(30,951)
Share of income of a joint venture	32(b)	**684**	1,185
Profit before income tax		**386,006**	283,364
Income tax expense	27	**(84,141)**	(73,216)
Profit for the year		**301,865**	210,148
Attributable to:			
Equity holders of the Company		**294,723**	205,432
Non-controlling interests		**7,142**	4,716
		301,865	210,148
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in US$ per share)			
– Basic and diluted	28	**US$0.12**	US$0.08

The notes on pages 82 to 145 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2016

	For the year ended December 31, 2016 US$'000	2015 US$'000
Profit for the year	**301,865**	210,148
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit plans, net of tax	**157**	901
Items that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**(31,540)**	(33,434)
Cash flow hedge, net of tax	**890**	(834)
	(30,493)	(33,367)
Total comprehensive income for the year	**271,372**	176,781
Attributable to:		
Equity holders of the Company	**266,283**	173,207
Non-controlling interests	**5,089**	3,574
	271,372	176,781

The notes on pages 82 to 145 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

	Attributable to equity holders of the Company									
	Share capital US$'000	**Share premium** US$'000 (note 16)	**Merger reserve** US$'000 (note 16)	**Share-based compensation reserve** US$'000	**Exchange reserve** US$'000 (Note 16)	**Hedging reserve** US$'000 (Note 16)	**Retained earnings** US$'000	**Sub-total** US$'000	**Non-controlling interests** US$'000	**Total** US$'000
As at January 1, 2015	32,222	230,989	113,000	1,240	(27,059)	(56)	333,283	683,619	24,400	708,019
Comprehensive income										
Profit for the year	–	–	–	–	–	–	205,432	205,432	4,716	210,148
Other comprehensive (loss) income										
Exchange differences, net of tax	–	–	–	–	(32,292)	–	–	(32,292)	(1,142)	(33,434)
Actuarial gains on defined benefit plans, net of tax	–	–	–	–	–	–	901	901	–	901
Cash flow hedge, net of tax	–	–	–	–	–	(834)	–	(834)	–	(834)
Total other comprehensive (loss) income	–	–	–	–	(32, 292)	(834)	901	(32,225)	(1,142)	(33,367)
Total comprehensive (loss) income	–	–	–	–	(32,292)	(834)	206,333	173,207	3,574	176,781
Transactions with owners										
Dividends to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(1,031)	(1,031)
Value of employee services provided under share option scheme (note 25(a))	–	–	–	2,725	–	–	–	2,725	–	2,725
Transfer to share premium under exercise of share options	–	229	–	(229)	–	–	–	–	–	–
Proceeds from exercise of share options	9	257	–	–	–	–	–	266	–	266
Dividends paid to shareholders	–	(32,395)	–	–	–	–	–	(32,395)	–	(32,395)
Total transactions with owners	9	(31,909)	–	2,496	–	–	–	(29,404)	(1,031)	(30,435)
As at December 31, 2015	32,231	199,080	113,000	3,736	(59,351)	(890)	539,616	827,422	26,943	854,365
Comprehensive income										
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**294,723**	**294,723**	**7,142**	**301,865**
Other comprehensive (loss) income										
Exchange differences, net of tax	**–**	**–**	**–**	**–**	**(29,487)**	**–**	**–**	**(29,487)**	**(2,053)**	**(31,540)**
Actuarial gains on defined benefit plans, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**157**	**157**	**–**	**157**
Cash flow hedge, net of tax	**–**	**–**	**–**	**–**	**–**	**890**	**–**	**890**	**–**	**890**
Total other comprehensive (loss) income	**–**	**–**	**–**	**–**	**(29,487)**	**890**	**157**	**(28,440)**	**(2,053)**	**(30,493)**
Total comprehensive (loss) income	**–**	**–**	**–**	**–**	**(29,487)**	**890**	**294,880**	**266,283**	**5,089**	**271,372**
Transactions with owners										
Value of employee services provided under share option scheme (note 25(a))	**–**	**–**	**–**	**2,456**	**–**	**–**	**–**	**2,456**	**–**	**2,456**
Transfer to share premium under exercise of share options	**–**	**1,330**	**–**	**(1,330)**	**–**	**–**	**–**	**–**	**–**	**–**
Proceeds from exercise of share options	**43**	**2,700**	**–**	**–**	**–**	**–**	**–**	**2,743**	**–**	**2,743**
Dividends paid to shareholders	**–**	**(39,913)**	**–**	**–**	**–**	**–**	**–**	**(39,913)**	**–**	**(39,913)**
Total transactions with owners	**43**	**(35,883)**	**–**	**1,126**	**–**	**–**	**–**	**(34,714)**	**–**	**(34,714)**
As at December 31, 2016	**32,274**	**163,197**	**113,000**	**4,862**	**(88,838)**	**–**	**834,496**	**1,058,991**	**32,032**	**1,091,023**

The notes on pages 82 to 145 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2016

	Note	For the year ended December 31, 2016 US$'000	2015 US$'000
Operating activities			
Cash generated from operations	30(a)	**577,756**	517,020
Income tax paid		**(68,364)**	(48,754)
Net cash generated from operating activities		**509,392**	468,266
Investing activities			
Purchase of property, plant and equipment		**(166,714)**	(165,609)
Addition of intangible assets		**(118,004)**	(111,867)
Proceeds from sale of property, plant and equipment		**1,964**	3,536
Changes in restricted bank deposits		**(615)**	623
Investment in a joint venture		**–**	(3,072)
Net cash used in investing activities		**(283,369)**	(276,389)
Financing activities			
Proceeds from borrowings		**3,932**	56,222
Repayments of borrowings		**(84,384)**	(147,612)
Finance costs paid		**(37,678)**	(36,960)
Dividends paid to non-controlling interests		**–**	(1,031)
Dividends paid to equity holders of the Company		**(39,913)**	(32,395)
Proceeds from exercise of options		**2,743**	266
Net cash used in financing activities		**(155,300)**	(161,510)
Net increase in cash and cash equivalents		**70,723**	30,367
Cash and cash equivalents at beginning of period		**416,900**	380,173
Effect of exchange rate changes on cash and cash equivalents		**(3,148)**	6,360
Cash and cash equivalents at end of period		**484,475**	416,900

The notes on pages 82 to 145 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

1 GENERAL INFORMATION

Nexteer Automotive Group Limited (the **Company**) was incorporated in the Cayman Islands on August 21, 2012 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

The Company's directors regard Aviation Industry Corporation of China (**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.

These financial statements are presented in US dollars, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors (the **Board of Directors**) on March 14, 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements (the **Consolidated Financial Statements**) are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. Upon consolidation, intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

The Group applies the acquisition method to account for business combinations except for business combinations under common control which are accounted for using the principles of merger accounting. Under the acquisition method, the consideration transferred for the acquisition is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Consolidated Financial Statements of the subsidiaries' net assets including goodwill.

2.3 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. Non-consolidated 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-acquisition 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint arrangements (Continued)

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.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker who has been identified as the Chief Executive Officer (**CEO**). The CEO is responsible for resource allocation and assessing the performance of the operating segments.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using functional currency in accordance with IAS 21. The Consolidated Financial Statements are presented in US dollars, which is the Company's functional currency and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured, except when deferred in other comprehensive income as a qualifying cash flow hedge. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for those intercompany balances which are designated as being of a long-term investment nature.

(c) *Group companies*

The results of operations and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the related transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

Items of property, plant and equipment (including tools but excluding construction-in-progress) are measured at cost less accumulated depreciation and accumulated impairment losses. Improvements that materially extend the useful life of these assets are capitalised. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Land improvements	3 – 20 years
Leasehold improvements	6 – 18 years or over lease term, whichever is shorter
Buildings	20 – 40 years
Machinery, equipment and tooling	3 – 20 years
Furniture and office equipment	3 – 18 years

Tooling represents tools, dies, jigs and other items used in the manufacturing of customer specific parts. Tools owned by the Group are capitalised as property, plant and equipment and depreciated to cost of sales over their useful lives.

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within other (gains) losses, net in the income statement.

Construction-in-progress represents leasehold improvements, buildings, machinery and equipment under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes the costs of construction, installation, testing and other direct costs, and capitalised interest. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Land use rights

Land use rights represent prepayment for operating leases and are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use rights.

2.8 Intangible assets

(a) Research and development

The Group incurs significant costs and effort on research and development activities, which include expenditures on customer-specific applications, prototypes and testing. Research expenditures are charged to the income statement as an expense in the period the expenditure is incurred. Development costs are recognised as assets if they can be clearly assigned to a newly developed product or process and all the following can be demonstrated:

(i) The technical feasibility to complete the development project so that it will be available for use or sale;

(ii) The intention to complete the development project to use it;

(iii) The ability to use the output of the development project;

(iv) The manner in which the development project will generate probable future economic benefits for the Group;

(v) The availability of adequate technical, financial and other resources to complete the development project and use or sell the intangible asset; and

(vi) The expenditure attributable to the asset during its development can be reliably measured.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalised in connection with the intangible asset include costs of materials and services used or consumed and employee costs incurred in the creation of the asset.

Capitalised development costs are amortised using the straight-line method over the life of the related production program, usually four to eight years.

Development expenditures not satisfying the above criteria are recognised in the income statement as incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

(b) Computer software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

(i) It is technically feasible to complete the software product and use it;

(ii) Management intends to complete the software product and use it;

(iii) There is an ability to use the software product;

(iv) It can be demonstrated how the software product will generate probable future economic benefits;

(v) Adequate technical, financial and other resources to complete the development and to use the software product are available; and

(vi) The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life and intangible development assets not ready to use are not subject to amortisation and are tested annually for impairment and whenever there is an indication of impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets

(a) Classification

The Group classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group's financial assets primarily comprise loans and receivables and financial assets at fair value.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables (note 2.13), other receivables and prepayments (note 2.13), and cash and cash equivalents (note 2.14) in the balance sheet.

Financial assets carried at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(d) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a Loss Event) and that Loss Event (or Events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2.11 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).

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 10. Movements on the hedging reserve in shareholder's equity are shown in the consolidated statement of changes in equity. The full fair value of hedging derivatives are classified as current assets or liabilities if expected to be settled within twelve months, otherwise, they are classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Derivative financial instruments and hedging activities (Continued)

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 gains (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, net. Gains or losses related to forward exchange contracts used to hedge currency exposure are recognised in the income statement within cost of sales.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative 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 gains (losses), net.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (**FIFO**) method. Inventory cost includes direct material, direct labor and related manufacturing overhead costs (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.13 Trade receivables and other receivables and prepayments

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement as finance cost over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings outstanding during the period up to the amount of actual borrowing costs incurred during that period. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Retirement obligations

The Group has both defined contribution and defined benefit plans. Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, as determined by periodic actuarial calculations.

(a) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to prior or current employee services.

The Group pays contributions to, including but not limited to, publicly or privately administered pension insurance plans on a mandatory or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The salary level trend refers to the expected rate of salary increase which is estimated annually depending on inflation and the career development of employees within the Group. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. A company specific default risk is not taken into account.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The current service cost of the defined benefit plan is recognised in the income statement in employee benefit expense, except where included in the cost of an asset. The current service cost reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Retirement obligations (Continued)

(b) Defined benefit plans (Continued)

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

(i) Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(ii) Outside basis differences

Deferred income taxes are not recorded on temporary differences arising on investments in subsidiaries and joint arrangements, except in situations where the timing of the reversal of the temporary difference is not controlled by the Group and it is probable that the temporary difference will reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Provisions

Provisions for restructuring, litigation, environmental liabilities, warranties, decommissioning and other are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions primarily comprise employee payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received, or receivable, less any trade discounts, sales returns and allowances allowed by the Group or any commercial incentives linked to sales. The Group recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Group's activities, as described below. The Group contracts with customers which are generally OEMs in the automotive industry, to sell steering and driveline products. In connection with these contracts the Group also contracts to provide tooling, prototype and engineering services. The revenue recognition policies applied by the Group for each of these activities are as follows:

(i) Product

Revenues are recognised when finished products are shipped to customers, both title and the risks and rewards of ownership are transferred and collectability is reasonably assured.

(ii) Prototype, engineering and pre-production

Prototype, engineering and pre-production activities are only performed in connection with the development of products that will be produced for the customers. Consideration received from customers for engineering, prototyping and pre-production activity is deferred and recognised over the product life cycles of the related products.

(iii) Tooling

The Group's development and sale of tooling for customers is performed in connection with the preparations to produce and sell products to its customers. Consideration received from customers for tooling used in the production of the finished product is recognised as revenue at the time the tooling is accepted by the customers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The Group's operating leases cover principally real estate, office and other equipment. Depending on the nature of the leased asset, the Group records lease expenses associated with operating leases within cost of sales, selling and distribution expenses or administrative expenses on the income statement as appropriate.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

2.24 Share-based payment

The Group established an 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 non-market performance and service vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Government grants

The Group periodically receives government grants in support of various business initiatives. Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants used to purchase, construct or otherwise acquire property, plant and equipment or tooling are deducted from the cost of the related asset. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which they become receivable.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.27 New/revised standards, amendments to standards and interpretations

(a) New and amended standards adopted by the Group

The following are the standards applicable to the Group that have been adopted for the first time for the financial year beginning on January 1, 2016:

- Amendments to IAS 1, *Presentation of Financial Statements* for the disclosure initiative (effective for annual periods beginning on or after January 1, 2016) clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Annual Improvements Cycle 2012-2014 (effective for annual periods beginning on or after January 1, 2016) include clarifications related to the following: IFRS 5 Changes in methods of disposal, IFRS 7 Servicing contracts, IFRS 7 Applicability of the amendments to IFRS 7 to condensed interim financial statements, IAS 19 Regional market issue, and IAS 34 Disclosure of information elsewhere in the interim financial report.

The adoption of the above amendments did not have any significant financial effect on the Consolidated Financial Statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 New/revised standards, amendments to standards and interpretations (Continued)

(b) New and amended standards and interpretations not yet adopted

The following are the new standards, amendments to standards and interpretations that are not yet applicable to the Group, are effective for annual periods beginning on or after January 1, 2017 and have not been applied in these financial statements.

- Amendment to IAS 7 *Statement of Cash Flows* (effective for annual periods beginning on or after January 1, 2017) introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Group will adopt this amendment as at January 1, 2017 and provide the additional disclosure in the Consolidated Financial Statements.

- IFRS 15, *Revenue from contracts with customers* (effective for annual periods beginning on or after January 1, 2018) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. The standard permits either a full retrospective or a modified approach for adoption. The Group has not yet chosen an adoption method. Management is currently assessing the effects of applying the new standard on the Group's financial statements; but, has not yet been able to conclude whether the standard will result in significant changes to our current accounting policy. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements and expects to complete the requirements for adoption in accordance with the applicable effective date. At this stage, the Group does not intend to adopt the standard before its effective date.

- IFRS 9, *Financial instruments* (effective for annual periods beginning on or after January 1, 2018) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. For financial liabilities, the standard retains most of the IAS 39 requirements of IAS 39 *Financial Instruments: Recognition and Measurement*. The Group is still assessing the impact of this standard, and at this stage, does not intend to adopt IFRS 9 before its mandatory date.

- IFRS 16, *Leases* (effective for annual periods beginning on or after January 1, 2019) specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors will continue to classify leases as operating or finance according to IAS 17 *Leases*. The standard will affect primarily the accounting for the Group's operating leases. The Group currently has operating lease commitments that will be reflected as lease assets and liabilities pursuant to the provisions of the standard upon adoption. However, the Group has not yet determined to what extent its commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. At this stage, the Group does not intend to adopt IFRS 16 before its effective date.

3 FINANCIAL RISK MANAGEMENT

3.1 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. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's treasury department focuses on minimising potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures, as considered necessary.

(a) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the European euro, Polish zloty, Mexican peso and Chinese renminbi (**RMB**).

As at each year end, excluding transactional foreign exchange differences, if US dollar strengthened by 10% against euro and RMB with all other variables held constant, the equity and post-tax result for each year would have decreased mainly as a result of foreign exchange differences on translation of euro and RMB denominated assets and liabilities:

	Equity US$'000	**Post-tax result** US$'000
As at and for the year ended December 31, 2016		
Euro	**32,411**	**808**
RMB	**34,767**	**11,088**
As at and for the year ended December 31, 2015		
Euro	33,203	801
RMB	24,954	6,030

A weakening of the US dollar against the above currencies would have had equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Management monitors and analyses expected exchange rate developments and considers hedging foreign currency exposure should the need arise. In the past, the Group entered into forward exchange contracts to hedge currency exposure between the Mexican peso and the US dollar, the Polish zloty and the US dollar and the European euro and the US dollar.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) 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 expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group has historically managed certain of its cash flow interest rate risk by using a floating to fixed interest rate swap and assessing the ratio of floating to fixed rate borrowings. The interest rate swap matured during February 2016. As at December 31, 2016, 56% (December 31, 2015: 57%) of the Group's borrowings were in floating rate instruments. In the event there is a change in market conditions the Group will assess moving from primarily variable to fixed rate borrowings or enter into additional interest rate swaps.

As at December 31, 2016, if the interest rates had been 100 basis points higher (lower) than the prevailing rate, with all other variables held constant, profit before income tax for the year ended December 31, 2016 would have been US$3,617,000 (2015: US$4,161,000) lower (higher).

(iii) Price risk

Price risk relates to changes in the price of raw materials and related transactional currency risk purchased for production from time of price quotation to customers and production of saleable parts. The Group manages this risk primarily by negotiating recoveries from customers.

(b) Credit risk

The Group sells to automotive manufacturers throughout the world. Credit risk arises from deposits and derivative financial instruments with banks and financial institutions as well as credit exposures to customers, including outstanding receivables. The treasury department is responsible for managing and analysing the credit risk for each new customer before standard payment and delivery terms and conditions are offered. The customer's creditworthiness is assessed at the local level through analysing past due receivables.

The Group's largest customer is General Motors Company and Subsidiaries (**GM**) and its affiliates which comprised 42% of revenues during the year ended December 31, 2016 (2015: 45%). Trade receivables from GM and its affiliates was 38% of total trade receivables as at December 31, 2016 (December 31, 2015: 33%).

The Group monitors the credit ratings of its banks and financial institutions. As at December 31, 2016, the Group holds approximately 87% (December 31, 2015: 91%) of its cash in financial institutions with credit ratings of A3 (Moody's) or higher, meaning the institutions have a very strong to extremely strong capacity to meet financial commitments. The remainder of cash is held in banks within investment grade.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

The Group monitors forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining sufficient availability on its undrawn committed borrowing facilities at all times as to not breach borrowing limits or covenants (where applicable) on any of its facilities. The Group's forecasting takes into consideration debt financing plans, covenant compliance and if applicable, external regulatory or legal requirements.

The tables below analyse the Group's non-derivative financial liabilities. The groups are based on the remaining period as at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows including principal and interest.

	Within 1 year US$'000	**1–2 years** US$'000	**2–5 years** US$'000	**Over 5 years** US$'000
As at December 31, 2016				
Short-term borrowings	**8**	**–**	**–**	**–**
Long-term borrowings	**103,519**	**100,520**	**464,545**	**–**
Finance lease obligations	**1,279**	**1,068**	**1,718**	**–**
	104,806	**101,588**	**466,263**	**–**
Trade payables	**604,498**	**–**	**–**	**–**
Other payables and accruals	**107,362**	**9,161**	**–**	**–**

	Within 1 year US$'000	1–2 years US$'000	2–5 years US$'000	Over 5 years US$'000
As at December 31, 2015				
Short-term borrowings	6,038	–	–	–
Long-term borrowings	104,745	101,875	297,083	264,061
Finance lease obligations	879	610	749	–
	111,662	102,485	297,832	264,061
Trade payables	558,769	–	–	–
Other payables and accruals	97,562	7,174	–	–

3 FINANCIAL MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and maintain an optimal capital structure to reduce the cost of capital. The Group monitors the gearing ratio to evaluate capital efficiency. Gearing ratio is a rate of total borrowings divided by total equity at the end of each year, and is displayed as follows:

	As at December 31,	
	2016	2015
	US$'000	US$'000
Total borrowings (note 17)	**564,147**	641,723
Total equity	**1,091,023**	854,365
Gearing ratio	**51.7%**	75.1%

3.3 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities, including cash and cash equivalents, restricted bank deposits, trade receivables, other receivables and prepayments, trade payables, other payables and accruals 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.

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**)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and (liabilities) that are measured at fair value at December 31, 2016 and 2015:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at December 31, 2016				
Forward foreign exchange contracts, net	–	–	–	–
Interest rate swap	–	–	–	–
As at December 31, 2015				
Forward foreign exchange contracts, net	–	(5,213)	–	(5,213)
Interest rate swap	–	(6)	–	(6)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and, those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below.

(a) Intangible assets not available for use

(i) Capitalisation

Costs incurred on development projects are recognised as intangible assets when it is probable that the projects will be successful considering the criteria set out in note 2.8. The Group's development activities are tracked by its engineering department and documented to support the basis of determining if and when the criteria were met.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Intangible assets not available for use (Continued)

(ii) Impairment

The Group is required to test intangible development assets not available for use on an annual basis. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the intangible development assets not available for use can be supported by the net present value of future cash flows specific to each development asset. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of future unlevered free cash flows, long-term growth rates and the selection of discount rates to reflect the risks involved.

The Group prepares and approves formal five-year management plans for its operations, which are used in estimating the value in use of the assets or Cash Generating Units being tested. Changes in the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the outcome of the Group's impairment evaluation.

The Group uses the most recent detailed calculation of that asset's recoverable amount made in a preceding period when all of the following criteria are met: (I) the assets and liabilities of the Group have not changed significantly from the most recent calculation; (II) the most recent calculation resulted in an amount that exceeded the asset's carrying amount by a substantial margin; and (III) based on an analysis of events that have occurred and circumstances that have changed since the most recent calculation, the likelihood that a current recoverable amount determination would be less than the asset's carrying amount is remote.

(b) Retirement benefits

The costs, assets and liabilities of the defined benefit plans operated by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions and the sensitivity analysis of such assumptions are set out in note 18. Changes in the assumptions used may have a significant effect on the statement of comprehensive income and the balance sheet.

(c) Provisions

The Group recognises a provision when there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where these criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed or those which are not currently recognised or disclosed in the financial statements could have a material effect on the Group's financial position. Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond its control.

(i) Litigation

From time to time the Group is subject to various legal actions and claims incidental to its business, including those arising out of alleged defects, breach of contracts, intellectual property matters and employment related matters.

The Group believes its established reserves are adequate to cover such items; however, the final amounts required to resolve these matters could differ materially from recorded estimates.

Litigation is subject to many uncertainties and the outcome of the individual litigated matters is not predictable with assurance. Based on currently available information, it is the opinion of management that the outcome of such matters will not have a material adverse impact on the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Provisions (Continued)

(ii) Environmental liabilities

The Group records environmental liabilities based upon estimates of financial exposure with respect to environmental sites. Environmental requirements may become more stringent over time or eventual environmental cleanup costs and liabilities may ultimately exceed current estimates. Moreover, future facilities sales could trigger additional, perhaps material, environmental remediation costs, as previously unknown conditions may be identified.

(iii) Warranties

The Group recognises expected warranty costs for products sold principally at the time of sale of the product or when it is determined that such obligations are probable and can be reasonably estimated. Amounts recorded are based on the Group's estimates of the amount that will eventually be required to settle such obligations. These accruals are based on factors such as specific customer arrangements, past experience, production changes, industry developments and various other considerations. The Group's estimates are adjusted from time to time based on facts and circumstances that impact the status of existing claims.

(iv) Decommissioning

The Group identified conditional asset retirement obligations primarily relate to asbestos abatement and removal and disposal of storage tanks at certain of our sites. Amounts recorded are based on the Group's estimate of future obligations to leave or close a facility. Sites are continually monitored for changes that may impact future obligations for decommissioning. The Group records accretion expense monthly to account for discounting of such obligations.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognised only if it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. This determination requires significant judgement regarding the realisability of deferred tax assets. For entities with a recent history of losses, there would need to be convincing other evidence that sufficient taxable profits would be available in the future. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(e) Share-based payment

In determining the fair value of the share option scheme, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions or estimation methodologies may have a material effect on the estimated fair value amounts.

(f) Fair value of derivatives

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select from a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

5 SEGMENT INFORMATION

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's 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.

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

Under the segment structure implemented in 2016, the Group classified its business into three reportable segments: North America, Europe and South America and Asia Pacific. All of the Group's operating segments typically offer the same driveline and steering products. The "Others" category represents parent company activities of the Company and activities of its non-operating direct and indirect subsidiaries, as well as elimination entries between segments.

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

- Operating income before interest, taxes, depreciation and amortisation and share of results of a joint venture (**Adjusted EBITDA**).
- Total assets and total liabilities represent total current and non-current assets and total current and non-current liabilities of the segments and include assets and liabilities between operating segments.

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

	North America US$'000	Asia Pacific US$'000	Europe & South America US$'000	Others US$'000	Total US$'000
For the year ended December 31, 2016					
Total revenue	**2,555,031**	**943,669**	**430,797**	**–**	**3,929,497**
Inter-segment revenue	**(41,405)**	**(44,287)**	**(1,561)**	**–**	**(87,253)**
Revenue from external customers	**2,513,626**	**899,382**	**429,236**	**–**	**3,842,244**
Adjusted EBITDA	**395,884**	**173,777**	**16,256**	**(7,825)**	**578,092**
For the year ended December 31, 2015 (Restated)					
Total revenue	2,256,961	797,725	369,955	–	3,424,641
Inter-segment revenue	(40,112)	(22,948)	(1,069)	–	(64,129)
Revenue from external customers	2,216,849	774,777	368,886	–	3,360,512
Adjusted EBITDA	337,075	112,877	7,153	(1,695)	455,410

Revenue between segments is 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.

5 SEGMENT INFORMATION (Continued)

	North America US$'000	Asia Pacific US$'000	Europe & South America US$'000	Others US$'000	Total US$'000
As at December 31, 2016					
Total assets	**1,667,327**	**705,244**	**338,310**	**(17,513)**	**2,693,368**
Total liabilities	**(1,063,447)**	**(324,899)**	**(155,741)**	**(58,258)**	**(1,602,345)**
As at December 31, 2015 (Restated)					
Total assets	1,546,181	663,484	330,524	(83,367)	2,456,822
Total liabilities	(842,635)	(384,473)	(122,340)	(253,009)	(1,602,457)

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

	For the year ended December 31, 2016 US$'000	2015 US$'000
Adjusted EBITDA from reportable segments	**578,092**	455,410
Depreciation and amortisation expenses	**(162,602)**	(142,280)
Finance costs, net	**(30,168)**	(30,951)
Share of income of a joint venture	**684**	1,185
Profit before income tax	**386,006**	283,364

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

Adjusted EBITDA includes a non-cash component for deferred revenue amortisation. For the year ended December 31, 2016, the North America segment and Asia Pacific segment recognised US$21,570,000 (2015: US$21,603,000) and US$695,000 (2015: US$1,686,000).

The geographic distribution of revenue for the years ended December 31, 2016 and 2015 is as follows:

	For the year ended December 31, 2016 US$'000	2015 US$'000 (Restated)
North America:		
US	**1,746,888**	1,532,730
Mexico	**766,738**	684,119
Asia Pacific:		
China	**855,378**	732,736
Rest of Asia Pacific	**44,004**	42,041
Europe and South America	**429,236**	368,886
	3,842,244	3,360,512

5 SEGMENT INFORMATION (Continued)

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

	As at December 31, 2016 US$'000	2015 US$'000 (Restated)
North America:		
US	**760,114**	708,403
Mexico	**143,049**	111,834
Asia Pacific:		
China	**202,348**	174,104
Rest of Asia Pacific	**11,689**	6,791
Europe and South America	**138,665**	108,457
	1,255,865	1,109,589

Distribution of revenue between product lines for the years ended December 31, 2016 and 2015 is as follows:

	For the year ended December 31, 2016 US$'000	%	For the year ended December 31, 2015 US$'000	%
Steering				
EPS	**2,383,742**	**62.0**	2,000,287	59.5
HPS	**186,745**	**4.9**	167,337	5.0
CIS	**635,257**	**16.5**	609,565	18.1
Driveline	**636,500**	**16.6**	583,323	17.4
	3,842,244	**100.0**	3,360,512	100.0

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

	For the year ended December 31, 2016 US$'000	2015 US$'000
General Motors Company and Subsidiaries	**1,614,454**	1,604,355
Customer A	**782,747**	582,043
Customer B	**499,452**	456,957
	2,896,653	2,643,355

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and land improvements US$'000	Leasehold improvement US$'000	Buildings US$'000	Machinery, equipment and tooling US$'000	Furniture and office equipment US$'000	Construction in progress US$'000	Total US$'000
As at January 1, 2015							
Cost	8,416	5,570	30,068	715,655	2,800	81,770	844,279
Accumulated depreciation	(1,907)	(1,553)	(8,263)	(205,627)	(1,005)	–	(218,355)
Net book amount	6,509	4,017	21,805	510,028	1,795	81,770	625,924
Year ended December 31, 2015							
Opening net book amount	6,509	4,017	21,805	510,028	1,795	81,770	625,924
Additions (transfers upon completion)	1	2,714	4,128	166,684	492	(1,368)	172,651
Disposals	–	(5)	(528)	(5,450)	(6)	–	(5,989)
Depreciation	(95)	(1,220)	(1,368)	(85,727)	(427)	–	(88,837)
Exchange differences	(434)	(164)	(1,598)	(14,097)	(124)	(2,057)	(18,474)
Net book amount as at December 31, 2015	5,981	5,342	22,439	571,438	1,730	78,345	685,275
As at January 1, 2016							
Cost	7,821	7,974	32,602	851,164	2,951	78,345	980,857
Accumulated depreciation	(1,840)	(2,632)	(10,163)	(279,726)	(1,221)	–	(295,582)
Net book amount	5,981	5,342	22,439	571,438	1,730	78,345	685,275
Year ended December 31, 2016							
Opening net book amount	**5,981**	**5,342**	**22,439**	**571,438**	**1,730**	**78,345**	**685,275**
Additions (transfers upon completion)	**1,409**	**9,148**	**8,512**	**137,924**	**1,248**	**44,598**	**202,839**
Disposals	**–**	**(29)**	**(9)**	**(2,079)**	**(40)**	**(236)**	**(2,393)**
Depreciation	**(185)**	**(1,805)**	**(1,245)**	**(90,071)**	**(343)**	**–**	**(93,649)**
Exchange differences	**51**	**(373)**	**(882)**	**(11,701)**	**(91)**	**58**	**(12,938)**
Net book amount as at December 31, 2016	**7,256**	**12,283**	**28,815**	**605,511**	**2,504**	**122,765**	**779,134**
As at December 31, 2016							
Cost	**9,254**	**17,453**	**39,533**	**958,261**	**3,898**	**122,765**	**1,151,164**
Accumulated depreciation	**(1,998)**	**(5,170)**	**(10,718)**	**(352,750)**	**(1,394)**	**–**	**(372,030)**
Net book amount	**7,256**	**12,283**	**28,815**	**605,511**	**2,504**	**122,765**	**779,134**

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

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$574,330,000 as at December 31, 2016 (December 31, 2015: US$524,485,000).

Property, plant and equipment at December 31, 2016 included equipment under finance lease of US$5,723,000 (December 31, 2015: US$2,067,000), including accumulated depreciation of US$1,653,000 (December 31, 2015: US$1,274,000).

Depreciation has been charged to the following function of expenses:

	For the year ended December 31, 2016 US$'000	2015 US$'000
Cost of sales	**87,123**	82,858
Engineering and product development costs	**4,070**	4,430
Administrative expenses	**2,456**	1,549
	93,649	88,837

The additions for the year ended December 31, 2016 include US$264,000 of capitalised borrowing costs (2015: US$331,000). Borrowing costs were capitalised at the weighted average of the borrowing rate of 5.6% for the year ended December 31, 2016 (2015: 4.4%).

7 LAND USE RIGHTS

	For the year ended December 31, 2016 US$'000	2015 US$'000
Cost		
As at January 1	**976**	1,021
Exchange differences	**(44)**	(45)
As at December 31	**932**	976
Accumulated amortisation		
As at January 1	**342**	332
Amortisation	**25**	25
Exchange differences	**(3)**	(15)
	364	342
Net book amount		
As at December 31	**568**	634

8 INTANGIBLE ASSETS

	Product development costs US$'000	Computer software development costs US$'000	Total US$'000
Cost			
As at January 1, 2015	389,313	15,305	404,618
Additions	109,287	8,761	118,048
Exchange differences	(883)	–	(883)
As at December 31, 2015	497,717	24,066	521,783
Accumulated amortisation			
As at January 1, 2015	60,592	199	60,791
Amortisation	50,906	2,512	53,418
Exchange differences	(97)	–	(97)
As at December 31, 2015	111,401	2,711	114,112
Net book amount			
As at December 31, 2015	386,316	21,355	407,671
Cost			
As at January 1, 2016	**497,717**	**24,066**	**521,783**
Additions	**121,704**	**2,956**	**124,660**
Impairment	**(12,249)**	**–**	**(12,249)**
Exchange differences	**(1,682)**	**(18)**	**(1,700)**
As at December 31, 2016	**605,490**	**27,004**	**632,494**
Accumulated amortisation			
As at January 1, 2016	**111,401**	**2,711**	**114,112**
Amortisation	**64,795**	**4,133**	**68,928**
Exchange differences	**(254)**	**–**	**(254)**
As at December 31, 2016	**175,942**	**6,844**	**182,786**
Net book amount			
As at December 31, 2016	**429,548**	**20,160**	**449,708**

The additions for the year ended December 31, 2016 include US$7,028,000 of capitalised interest related to the borrowings associated with developmental costs (2015: US$5,188,000). Borrowing costs were capitalised at the weighted average of the borrowing rate of 5.6% for the year ended December 31, 2016 (2015: 4.4%).

8 INTANGIBLE ASSETS (Continued)

Amortisation has been charged to the following function of expenses:

	For the year ended December 31, 2016 US$'000	2015 US$'000
Cost of sales	**68,215**	50,906
Administrative expenses	**713**	2,512
	68,928	53,418

Impairment tests

Capitalised product development costs not yet available for use are tested annually based on the recoverable amount of the Cash Generating Unit to which the intangible asset is related.

The recoverable amount of the Cash Generating Units is determined based upon value in use from the most recent detailed calculations. The value in use is estimated using the discounted cash flow approach. For significant Cash Generating Units, the pretax discount rates used to estimate future cash flows range between 10.0% and 20.0% (2015: between 13.0% and 20.0%), which are based on an estimated weighted average cost of capital depending on geographical location and risk factors and includes estimates of country risk premiums. Estimated cash flows are based on the estimated useful life of the Cash Generating Unit.

In determining value in use, it is necessary to make a series of assumptions to estimate future cash flows. There is risk in future profitability such as customer volumes and commodity pricing. The assumptions for customer volumes and commodity pricing are reviewed annually as part of the management's budgeting and strategic planning cycles.

The assumptions related to customer volume and timing of sales to customers may vary due to a number of factors, including variation in demand for customers' products, customers' attempts to manage their inventories, design changes, changes in customers' manufacturing strategy, etc. Accordingly, many of the Group's customers do not commit to long term production schedules.

The assumptions related to commodity pricing may vary as raw material costs are influenced by several commodities and the volatility of these prices may have an adverse impact on the Group's business. However, to mitigate the risk the Group continues its efforts to pass material, component and supply cost increases to the Group's customers.

The Group recorded a product development intangible asset impairment of US$12,249,000 related to further declines in the Brazilian economy for the year ended December 31, 2016 (2015: US$nil). The impairment is recorded in the consolidated income statement as engineering and product development costs in the North America Segment. The intangible asset impairment associated with the Brazil operations is recorded in the North America Segment due to the Group's US domiciled intellectual property.

The recoverable amount for the intangible asset was determined based upon value in use from the most recent detailed calculations using the discounted cash flow approach. The pretax discount rate used to estimate future cash flows was the 16% weighted average cost of capital, which is consistent with the evaluation at December 31, 2015.

At December 31, 2016, the recoverable amount of the Group's property, plant and equipment in Brazil, which exceeds its carrying amount, was US$24,006,000 based upon its fair value less costs of disposal. The recoverable amount was determined using the cost approach valuation method, which is a Level 2 fair value input (see Note 3). The cost approach valuation method determines the current cost of reproducing a new replica of the property with the same or closely similar materials as the fair value less cost of disposal adjusted for the remaining useful life of the asset.

9 DEFERRED INCOME TAXES

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at December 31, 2016 US$'000	2015 US$'000
Deferred income tax assets:		
– To be recovered after more than 12 months	**2,649**	5,655
– To be recovered within 12 months	**33,811**	24,725
	36,460	30,380
Deferred income tax liabilities:		
– To be settled after more than 12 months	**(83,216)**	(70,800)
– To be settled within 12 months	**–**	–
	(83,216)	(70,800)
Deferred income tax liabilities, net	**(46,756)**	(40,420)

The reconciliation of deferred income tax liabilities, net to the consolidated balance sheet is as follows:

	As at December 31, 2016 US$'000	2015 US$'000
Deferred income tax assets	**9,948**	11,083
Deferred income tax liabilities	**(56,704)**	(51,503)
Deferred income tax liabilities, net	**(46,756)**	(40,420)

9 DEFERRED INCOME TAXES (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Property, plant and equipment US$'000	Retirement benefits and compensation US$'000	Provisions and accruals US$'000	Tax losses and credits US$'000	Intangible assets US$'000	Others US$'000	Total US$'000
Deferred income tax assets							
As at January 1, 2015	4,775	16,650	71,751	9,571	–	11,100	113,847
Credit (charged) to income statement	(229)	(1,788)	3,765	(5,699)	–	947	(3,004)
Credit (charged) to other comprehensive income	–	(342)	(3,237)	–	–	–	(3,579)
Exchange differences	(115)	(89)	(167)	(21)	–	(37)	(429)
As at December 31, 2015	4,431	14,431	72,112	3,851	–	12,010	106,835
As at January 1, 2016	**4,431**	**14,431**	**72,112**	**3,851**	**–**	**12,010**	**106,835**
(Charged) credit to income statement	**(1,060)**	**2,716**	**2,367**	**(733)**	**–**	**(1,846)**	**1,444**
Credit to other comprehensive income	**–**	**9**	**5,729**	**–**	**–**	**–**	**5,738**
Exchange differences	**(144)**	**(112)**	**(210)**	**(26)**	**–**	**(46)**	**(538)**
As at December 31, 2016	**3,227**	**17,044**	**79,998**	**3,092**	**–**	**10,118**	**113,479**
Deferred income tax liabilities							
As at January 1, 2015	(1,045)	–	(927)	–	(122,568)	(2,095)	(126,635)
Credit (charged) to income statement	325	–	(480)	–	(20,496)	(394)	(21,045)
Credit to other comprehensive income	–	–	517	–	–	–	517
Exchange differences	(31)	–	(41)	–	–	(20)	(92)
As at December 31, 2015	(751)	–	(931)	–	(143,064)	(2,509)	(147,255)
As at January 1, 2016	**(751)**	**–**	**(931)**	**–**	**(143,064)**	**(2,509)**	**(147,255)**
(Charged) credit to income statement	**(881)**	**(8)**	**1,481**	**–**	**(12,885)**	**(51)**	**(12,344)**
Charged to other comprehensive income	**–**	**–**	**(517)**	**–**	**–**	**–**	**(517)**
Exchange differences	**(39)**	**–**	**(52)**	**–**	**–**	**(28)**	**(119)**
As at December 31, 2016	**(1,671)**	**(8)**	**(19)**	**–**	**(155,949)**	**(2,588)**	**(160,235)**

9 DEFERRED INCOME TAXES (Continued)

Deferred income tax assets are recognised for tax loss carry-forwards and deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred income tax assets being calculated at applicable tax rates have not been recognised in respect of the following as management believes it is more likely than not that they would not be utilised before expiration:

	As at December 31,	
	2016	2015
	US$'000	US$'000
Tax losses	**14,112**	10,786
Deductible temporary differences	**5,045**	1,023
	19,157	11,809

As at December 31, 2016, the Group has US$12,865,000 (December 31, 2015: US$13,784,000) of gross net operating loss (**NOL**) carry forwards in the US subject to certain annual utilisation limitations which will begin to expire in 2032. As at December 31, 2016, the Group has US$44,571,000 (December 31, 2015: US$35,757,000) of non-US gross NOL carry forwards which have various expiration dates of which a significant amount is unlimited.

As at December 31, 2016, the Group has utilised all of its available tax credits (comprised of foreign tax credits and research and development tax credits). All available tax credits were also fully utilised at December 31, 2015. With the exception of these credits, the remaining deductible temporary differences do not expire under current tax legislation.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries because the Group is able to control the timing of reversal of the temporary differences and no material amounts of such unremitted earnings are currently intended to be distributed. Unremitted earnings totaled US$764,170,000 as at December 31, 2016 (December 31, 2015: US$463,824,000).

10 DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,			
	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
	US$'000	**US$'000**	US$'000	US$'000
Forward foreign exchange contracts	**–**	**–**	659	5,872
Interest rate swap – cash flow hedge	**–**	**–**	–	6
Current portion	**–**	**–**	659	5,878

10 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Forward foreign exchange contracts

In June 2016, the Group settled all of its Mexican peso, Polish zloty and European euro forward contracts which had been set to be settled monthly through December 2016. The cash settlement of the remaining contracts was US$5,900,000. The total notional principal amount of the contracts settled in June 2016 was US$74,600,000. The total notional principal amount of the outstanding contracts as at December 31, 2015 was US$127,872,000. The settlement of the forward contracts resulted in US$5,300,000 of expense recorded in the consolidated income statement as cost of sales for the year ended December 31, 2016.

(b) Interest rate swap

The Group had interest rate swaps that matured during February 2016. The notional principal amount of the outstanding interest rate swap contracts at December 31, 2015 was US$30,125,000. At December 31, 2015, the fixed interest rate was 0.45% and the floating rate was 1-Month LIBOR.

11 INVENTORIES

	As at December 31,	
	2016	2015
	US$'000	US$'000
Raw materials	**171,364**	156,648
Work in progress	**36,110**	36,110
Finished goods	**69,140**	75,371
	276,614	268,129
Less: provision for impairment losses	**(14,865)**	(14,187)
	261,749	253,942

The cost of inventories recognised as an expense and included in cost of sales for the year ended December 31, 2016 amounted to US$2,958,592,000 (2015: US$2,615,576,000).

The carrying amounts of inventories pledged as collateral were US$164,119,000 as at December 31, 2016 (December 31, 2015: US$149,431,000).

12 TRADE RECEIVABLES

	As at December 31,	
	2016	2015
	US$'000	US$'000
Trade receivables, gross	**590,647**	571,379
Less: provision for impairment	**(1,005)**	(1,401)
	589,642	569,978

12 TRADE RECEIVABLES (Continued)

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

	As at December 31,	
	2016	2015
	US$'000	US$'000
0 to 30 days	**254,713**	261,526
31 to 60 days	**224,652**	220,182
61 to 90 days	**84,107**	51,467
Over 90 days	**27,175**	38,204
	590,647	571,379

Trade receivables of US$47,614,000 were past due but not impaired as at December 31, 2016 (December 31, 2015: US$34,831,000). These relate mainly to a number of customers for whom there is no history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	As at December 31,	
	2016	2015
	US$'000	US$'000
Overdue up to 30 days	**40,687**	21,872
Overdue 31 to 60 days	**3,833**	9,010
Overdue 61 to 90 days	**429**	2,425
Overdue over 90 days	**2,665**	1,524
	47,614	34,831

The provision for impairment of receivables includes estimates and assessments of individual receivables based on the creditworthiness of the respective customer, current economic developments and the analysis of historical losses on receivables. The creditworthiness of a customer is assessed on their payment history, ability to make payments and customer credit rating from third party rating agencies.

Trade receivables of US$1,005,000 were impaired as at December 31, 2016 on which full provisions were made (December 31, 2015: US$1,401,000). These individually impaired receivables are relatively long overdue.

Movement on the provision for impairment of trade receivables is as follows:

	For the year ended December 31,	
	2016	2015
	US$'000	US$'000
As at January 1	**1,401**	2,623
Reversal of provision	**(360)**	(1,097)
Exchange differences	**(36)**	(125)
As at December 31	**1,005**	1,401

The carrying amounts of trade receivables pledged as collateral were US$304,000,000 as at December 31, 2016 (December 31, 2015: US$294,981,000).

13 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2016	2015
	US$'000	US$'000
Amounts reimbursable from customers on tools	**28,576**	42,451
Other taxes recoverable (i)	**37,154**	30,597
Prepaid assets	**27,543**	21,425
Reimbursable engineering expenses	**6,825**	2,932
Deposits to vendors	**5,048**	3,164
Others	**1,685**	61
	106,831	100,630
Less: non-current portion	**(15,869)**	(6,107)
Current portion	**90,962**	94,523

Note:

(i) 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.

14 RESTRICTED BANK DEPOSITS

As at December 31, 2016, restricted bank deposits of US$727,000 (December 31, 2015: US$148,000) are maintained with banks for issuance of letters of credit and pledges of bank borrowings.

15 CASH AND CASH EQUIVALENTS

The Group's RMB balances of US$83,749,000 are deposited with banks in China as at December 31, 2016 (December 31, 2015: US$86,724,000). The RMB is not a freely convertible currency. The conversion of these RMB denominated balances into foreign currencies in China is subject to rules and regulations of foreign exchange control promulgated by the China government. Cash balances denominated in RMB will be used as part of the normal operating activities in China and are classified as unrestricted cash on this basis.

16 RESERVES

	Share premium US$'000	Merger reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Hedging reserve US$'000	Total other reserves US$'000
As at January 1, 2015	230,989	113,000	1,240	(27,059)	(56)	318,114
Dividends paid to shareholders	(32,395)	–	–	–	–	(32,395)
Value of employee services provided under share-option scheme (note 25(a))	–	–	2,725	–	–	2,725
Transfer to share premium under exercise of share options	229	–	(229)	–	–	–
Exercise of options	257	–	–	–	–	257
Exchange differences, net of tax	–	–	–	(32,292)	–	(32,292)
Cash flow hedge, net of tax	–	–	–	–	(834)	(834)
As at December 31, 2015	199,080	113,000	3,736	(59,351)	(890)	255,575
Dividends paid to shareholders	**(39,913)**	**–**	**–**	**–**	**–**	**(39,913)**
Value of employee services provided under share-option scheme (note 25(a))	**–**	**–**	**2,456**	**–**	**–**	**2,456**
Transfer to share premium under exercise of share options	**1,330**	**–**	**(1,330)**	**–**	**–**	**–**
Exercise of options	**2,700**	**–**	**–**	**–**	**–**	**2,700**
Exchange differences, net of tax	**–**	**–**	**–**	**(29,487)**	**–**	**(29,487)**
Cash flow hedge, net of tax	**–**	**–**	**–**	**–**	**890**	**890**
As at December 31, 2016	**163,197**	**113,000**	**4,862**	**(88,838)**	**–**	**192,221**

(i) *Share premium*

Share premium of the Group represents the difference between the fair value of shares issued and their respective par value. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction.

A dividend of US$39,913,000 relating to the Group's year ended December 31, 2015 earnings was paid during the year ended December 31, 2016 (year ended December 31, 2015: US$32,395,000).

(ii) *Merger reserve*

The Company was incorporated on August 21, 2012 and the Group's reorganisation was completed on January 30, 2013. The merger reserve in the consolidated balance sheets at December 31, 2016 and 2015 represent the aggregate amount of share capital of PCM US Steering Holding LLC and PCM (Singapore) Steering Holding Pte. Limited.

(iii) *Hedging reserve*

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

(iv) *Exchange reserve*

Exchange reserve arises from currency translations of all group entities that have a functional currency different from the US dollar being translated into the Group's presentation currency of US dollar.

17 BORROWINGS

	As at December 31,	
	2016	2015
	US$'000	US$'000
Non-current		
Borrowings from banks		
– secured (note (1a))	**58,123**	71,475
– unsecured (note (1b))	**180,793**	241,367
Notes, net of discounts (note (1e))	**247,224**	246,507
Finance lease obligations (note (1f))	**2,519**	1,190
	488,659	560,539
Current		
Borrowings from banks		
– secured, others (note (1c))	**8**	1,260
– unsecured (note (1d))	**–**	4,622
Add: current portion of:		
– non-current secured borrowings (note (1a))	**14,581**	14,744
– non-current unsecured borrowings (note (1b))	**60,573**	60,573
– finance lease obligations (note (1f))	**1,042**	701
– discount on Notes (note (1e))	**(716)**	(716)
	75,488	81,184
Total borrowings	**564,147**	641,723

(1) Note:

(a) This primarily includes:

(i) Long-term borrowings of US$55,357,000 (December 31, 2015: US$66,072,000) which bears interest at LIBOR plus 1.75%–2.25% per annum and matures in 2019. Secured by property, plant and equipment, trade receivables, and inventories.

(ii) Long-term borrowings of US$15,784,000 (December 31, 2015: US$20,147,000) which bears interest at EURIBOR plus 3.1% and matures in 2020. Secured by property, plant and equipment, and inventories.

(iii) Long-term borrowings of US$1,562,000 (December 31, 2015: US$nil) borrowed by a subsidiary of the Group which bears interest at LIBOR plus 2.63% per annum, and is secured by property, plant and equipment, trade receivables and inventories.

(b) This primarily includes:

(i) Bank loans totaling US$243,000,000 as at December 31, 2016 (December 31, 2015: US$304,000,000), which are guaranteed by AVIC and Beijing E-Town International Investment & Development Co., Ltd., (indirect shareholders of Pacific Century Motors, Inc. which is an intermediate holding company of the Company), bear interest at LIBOR plus 3.5% per annum and due in semi-annual installments of US$30,500,000 which commenced in June 2014 and mature in October 2020 with the last repayment to be made then.

17 BORROWINGS (Continued)

(1) Note: (Continued)

(c) This primarily includes:

(i) A revolving line of credit of US$nil (December 31, 2015: US$nil) borrowed by a subsidiary of the Group which bears interest at LIBOR plus 1.50%-prime plus 1.75% per annum, and is secured by property, plant and equipment, trade receivables and inventories.

(ii) A revolving line of credit of US$8,000 (December 31, 2015: US$1,260,000) borrowed by a subsidiary of the Group which bears interest at the Reserve Bank of India Base Rate +2.5% per annum, and is secured by property, plant and equipment, trade receivables and inventories.

(d) This primarily includes short-term bank loan of US$nil (December 31, 2015: US$4,622,000) borrowed by a subsidiary of the Group which bears interest at PBOC Benchmark Rate.

(e) This primarily includes notes of US$250,000,000 in aggregate principal amount of 5.875% senior unsecured notes maturing on November 15, 2021. The notes include unamortised discounts of US$2,865,000 (December 31, 2015: US$3,580,000).

(f) Finance lease obligations

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

	As at December 31,	
	2016	2015
	US$'000	US$'000
Within 1 year	**1,279**	879
Between 1 and 2 years	**1,068**	610
Between 2 and 5 years	**1,718**	749
	4,065	2,238
Less: future finance charges	**(504)**	(347)
	3,561	1,891

(ii) Present value of finance lease obligations:

	As at December 31,	
	2016	2015
	US$'000	US$'000
Within 1 year	**1,042**	701
Between 1 and 2 years	**909**	514
Between 2 and 5 years	**1,610**	676
	3,561	1,891

17 BORROWINGS (Continued)

(2) Maturity of borrowings

	As at December 31, 2016 US$'000	2015 US$'000
Within 1 year	**75,488**	81,184
Between 1 and 2 years	**75,668**	75,115
Between 2 and 5 years	**412,991**	236,051
Over 5 years	**–**	249,373
	564,147	641,723

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

	As at December 31, Carrying Amount		Fair value	
	2016 US$'000	2015 US$'000	**2016 US$'000**	2015 US$'000
Bank borrowings	**238,916**	312,842	**231,332**	307,720
Other borrowings	**247,224**	246,507	**258,631**	251,014
Finance lease obligations	**2,519**	1,190	**2,786**	1,190
	488,659	560,539	**492,749**	559,924

The fair values of bank borrowings 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 characteristic as at the balance sheet dates. Such discount rates ranged from 5.12% to 5.22% as at December 31, 2016 (December 31, 2015: 3.04% to 3.37%), depending on the type of the debt, and were within Level 2 of the fair value hierarchy.

The fair values of other borrowings are based on quoted prices in active markets, and were within Level 1 of the fair value hierarchy.

The carrying amounts of current borrowings approximate their fair value.

(4) Weighted average annual interest rates

	As at December 31, 2016	2015
Bank borrowings	**5.1%**	4.4%
Notes	**5.9%**	5.9%

17 BORROWINGS (Continued)

(5) Currency denomination

	As at December 31, 2016 US$'000	2015 US$'000
US$	**546,793**	615,694
Euro	**17,346**	20,147
RMB	**–**	4,622
Others	**8**	1,260
	564,147	641,723

18 RETIREMENT BENEFITS AND COMPENSATION

	As at December 31, 2016 US$'000	2015 US$'000
Pension – defined benefit plans (note (a))	**10,057**	10,511
Extended disability benefits (note (b))	**5,435**	2,884
Workers' compensation (note (c))	**6,095**	7,098
	21,587	20,493
Less: non-current portion	**(18,160)**	(17,544)
Current portion	**3,427**	2,949

(a) Pension – defined benefit plans

The Group sponsors various defined benefit plans that generally provide benefits based on negotiated amounts for each year of eligible service. The Group's most significant plans are under regulatory frameworks in Mexico, Germany, France, Korea and US. The US Supplemental Executive Retirement Plan (**US SERP**) is a frozen plan. The plans had no curtailments or settlements affecting the defined benefit obligation.

18 RETIREMENT BENEFITS AND COMPENSATION (Continued)

(a) Pension – defined benefit plans (Continued)

The Group employs Mercer (U.S.) Inc., an independent qualified actuary, to measure pension costs using the projected unit credit method. The amounts recognised in balance sheets are determined as follows:

	For the year ended December 31, 2016			For the year ended December 31, 2015		
	Non-US plans US$'000	US SERP US$'000	Total US$'000	Non-US plans US$'000	US SERP US$'000	Total US$'000
Present value of funded obligations (note (i))	**9,647**	**1,651**	**11,298**	9,309	1,685	10,994
Fair value of plan assets (note (ii))	**(1,241)**	**–**	**(1,241)**	(483)	–	(483)
Deficit of funded plans	**8,406**	**1,651**	**10,057**	8,826	1,685	10,511

There is no current requirement for the Group to fund the deficit between the fair value of plan assets and the present value of the defined benefit plan obligations as at December 31, 2016.

(i) Movement in the present value of defined benefit obligations:

	For the year ended December 31, 2016			For the year ended December 31, 2015		
	Non-US plans US$'000	US SERP US$'000	Total US$'000	Non-US plans US$'000	US SERP US$'000	Total US$'000
Opening balance	**9,309**	**1,685**	**10,994**	11,392	1,747	13,139
Current service cost	**668**	**–**	**668**	630	–	630
Past service income[1]	**(49)**	**–**	**(49)**	(74)	–	(74)
Interest cost	**469**	**51**	**520**	482	51	533
(Gains) losses from changes in financial assumptions	**(373)**	**12**	**(361)**	(1,040)	(16)	(1,056)
Increase due to effect of business combinations, divestitures, transfers	**775**	**–**	**775**	–	–	–
Experience losses (gains)	**336**	**(30)**	**306**	(181)	(58)	(239)
(Gains) losses from changes in demographic assumptions	**(99)**	**–**	**(99)**	23	–	23
Exchange differences	**(926)**	**–**	**(926)**	(1,197)	–	(1,197)
Benefits paid	**(463)**	**(67)**	**(530)**	(726)	(39)	(765)
Ending balance	**9,647**	**1,651**	**11,298**	9,309	1,685	10,994

(1) Past service income relate to non-US plan amendments which resulted in a change to plan membership.

18 RETIREMENT BENEFITS AND COMPENSATION (Continued)

(a) Pension – defined benefit plans (Continued)

(ii) Movement in the fair value of plan assets:

	For the year ended December 31, 2016			For the year ended December 31, 2015		
	Non-US plans US$'000	**US SERP US$'000**	**Total US$'000**	Non-US plans US$'000	US SERP US$'000	Total US$'000
Opening balance	**(483)**	**–**	**(483)**	(810)	–	(810)
Interest income	**(27)**	**–**	**(27)**	(45)	–	(45)
Return on plan assets, excluding amounts included in interest income	**6**	**–**	**6**	29	–	29
Administrative expenses	**1**	**–**	**1**	–	–	–
Employer contributions	**(1,313)**	**(67)**	**(1,380)**	(486)	(39)	(525)
Exchange differences	**112**	**–**	**112**	103	–	103
Benefits paid	**463**	**67**	**530**	726	39	765
Ending balance	**(1,241)**	**–**	**(1,241)**	(483)	–	(483)

Plan assets comprise as follows:

	As at December 31, 2016	2015
Equities	**12%**	36%
Bonds	**11%**	32%
Cash and cash equivalents	**11%**	32%
Other	**66%**	0%
	100%	100%

Amounts recognised in other comprehensive income:

	For the year ended December 31, 2016			For the year ended December 31, 2015		
	Non-US plans US$'000	**US SERP US$'000**	**Total US$'000**	Non-US plans US$'000	US SERP US$'000	Total US$'000
Gains (losses) from changes in financial assumptions	**373**	**(12)**	**361**	1,040	16	1,056
Experience (losses) gains	**(336)**	**30**	**(306)**	181	58	239
Gains (losses) from changes in demographic assumptions	**99**	**–**	**99**	(23)	–	(23)
Return on plan assets, excluding amounts included in interest income	**(6)**	**–**	**(6)**	(29)	–	(29)
Total	**130**	**18**	**148**	1,169	74	1,243

18 RETIREMENT BENEFITS AND COMPENSATION (Continued)

(a) Pension – defined benefit plans (Continued)

Amount recognised in income statement:

	For the year ended December 31, 2016			For the year ended December 31, 2015		
	Non-US plans US$'000	US SERP US$'000	Total US$'000	Non-US plans US$'000	US SERP US$'000	Total US$'000
Current service cost	668	–	668	630	–	630
Past service income	(49)	–	(49)	(74)	–	(74)
Interest cost	442	51	493	437	51	488
Administrative expenses	1	–	1	–	–	–
Total	1,062	51	1,113	993	51	1,044
Included in:						
Cost of sales	695	–	695	717	–	717
Engineering and product development costs	139	–	139	72	–	72
Selling and distribution costs	7	–	7	7	–	7
Administrative expenses	221	51	272	197	51	248
	1,062	51	1,113	993	51	1,044

Principal actuarial assumptions used were as follows:

	December 31, 2016		December 31, 2015	
	Non-US plans	US SERP	Non-US plans	US SERP
Discount rate	5.12%	2.94%	5.28%	3.11%
Salary increase rate	3.47%	NA	3.50%	NA
Price inflation rate	3.02%	NA	3.14%	NA
Pension increase rate	1.75%	NA	1.75%	NA

18 RETIREMENT BENEFITS AND COMPENSATION (Continued)

(a) Pension – defined benefit plans (Continued)

Balances of pension obligations derived from changes in the discount rate and salary increase rate at the respective year ends were as follows:

	December 31, 2016			December 31, 2015		
	Non-US plans US$'000	US SERP US$'000	Total US$'000	Non-US plans US$'000	US SERP US$'000	Total US$'000
1% increase in discount rate	**8,722**	**1,585**	**10,307**	8,361	1,607	9,968
1% decrease in discount rate	**10,799**	**1,723**	**12,522**	10,489	1,770	12,259
1% increase in salary increase rate	**10,317**	**NA**	**10,317**	10,031	NA	10,031
1% decrease in salary increase rate	**9,049**	**NA**	**9,049**	8,674	NA	8,674

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation the same actuarial method has been applied in arriving at the pension liability recognised in the balance sheet.

(b) Extended disability benefits

Costs associated with extended disability benefits provided to injured employees in the US are accrued throughout the duration of active employment. Workforce demographic data and historical experience are utilised to develop projections of time frames and related expenses for these post-employment benefits. During 2015, certain plan amendments reducing future benefits for union participants were adopted that reduced past and future service costs.

(c) Workers' compensation

The Group is self-insured up to a certain amount of workers' compensation claims for hourly workforce and accrues estimated costs for filed claims based upon an actuarially determined estimate. Workers' compensation liability includes benefits related to medical, dental and vision benefits.

19 PROVISIONS

	As at December 31, 2016			As at December 31, 2015		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Restructuring	**970**	**–**	**970**	727	–	727
Litigation (note (a))	**19**	**1,511**	**1,530**	62	215	277
Environmental liabilities (note (b))	**150**	**12,059**	**12,209**	150	12,081	12,231
Warranties (note (c))	**26,656**	**55,345**	**82,001**	22,832	45,071	67,903
Decommissioning (note (d))	**–**	**7,565**	**7,565**	–	7,318	7,318
Other	**1,500**	**–**	**1,500**	–	1,270	1,270
	29,295	**76,480**	**105,775**	23,771	65,955	89,726

19 PROVISIONS (Continued)

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$'000	Other US$'000	Total US$'000
As at January 1, 2015	791	642	12,340	59,604	7,094	–	80,471
Additions (reversals)	(64)	(142)	–	25,650	312	1,270	27,026
Payments	–	(207)	(113)	(16,446)	–	–	(16,766)
Exchange differences	–	(16)	4	(905)	(88)	–	(1,005)
As at December 31, 2015	727	277	12,231	67,903	7,318	1,270	89,726
As at January 1, 2016	**727**	**277**	**12,231**	**67,903**	**7,318**	**1,270**	**89,726**
Additions (reversals)	**293**	**1,618**	**(5)**	**30,334**	**281**	**29**	**32,550**
Payments	**–**	**(389)**	**(31)**	**(14,707)**	**–**	**–**	**(15,127)**
Exchange differences	**(50)**	**24**	**14**	**(1,529)**	**(34)**	**201**	**(1,374)**
As at December 31, 2016	**970**	**1,530**	**12,209**	**82,001**	**7,565**	**1,500**	**105,775**

Notes:

(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 remediation costs to be incurred for the restoration of the manufacturing sites upon the initial recognition of the related assets.

(c) Warranty

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.

(d) Decommissioning

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

20 DEFERRED REVENUE

The Group periodically receives upfront consideration from customers in connection with engineering, prototyping and pre-production program-specific activities. These revenue amounts are deferred and recognised over the life of the related program, which typically ranges between four and seven years. The carrying amount of deferred revenue is as follows:

	As at December 31, 2016			As at December 31, 2015		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Pre-production activity	**24,907**	**92,855**	**117,762**	24,710	92,416	117,126

Movement of deferred revenue is as follows:

	As at December 31, 2016 US$'000	2015 US$'000
As at January 1	**117,126**	104,705
Additions	**24,128**	36,198
Amortisation	**(22,265)**	(23,289)
Reversals	**(1,006)**	(335)
Exchange differences	**(221)**	(153)
As at December 31	**117,762**	117,126

21 TRADE PAYABLES

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

	As at December 31, 2016 US$'000	2015 US$'000
0 to 30 days	**382,752**	313,247
31 to 60 days	**159,932**	193,339
61 to 90 days	**40,623**	32,328
91 to 120 days	**14,719**	13,532
Over 120 days	**6,472**	6,323
	604,498	558,769

Notes to the Consolidated Financial Statements

22 OTHER PAYABLES AND ACCRUALS

	For the year ended December 31, 2016 US$'000	2015 US$'000
Accrued expenses	**106,402**	92,746
Deposits from customers	**1,555**	6,157
Other taxes payable	**6,907**	5,221
Others	**1,659**	612
	116,523	104,736
Less: non-current portion	**(9,161)**	(7,174)
Current portion	**107,362**	97,562

23 OTHER GAINS (LOSSES), NET

	For the year ended December 31, 2016 US$'000	2015 US$'000
Foreign exchange gains (losses)	**8,268**	(6,642)
Loss on disposal of property, plant and equipment	**(431)**	(2,453)
Fair value losses on derivative financial instruments (note 10)	**(1,542)**	(6,686)
Others	**738**	(1,668)
	7,033	(17,449)

Foreign exchange gains (losses) includes a gain of US$15,478,000 associated with the settlement of an intercompany loan.

24 EXPENSE BY NATURE

	For the year ended December 31, 2016 US$'000	2015 US$'000
Raw materials used	**2,252,478**	1,945,025
Changes in inventories of finished goods and work-in-progress	**(6,231)**	25,309
Employee benefit costs (note 25)	**566,287**	467,846
Temporary labour costs	**108,427**	99,229
Restructuring costs (note 19)	**293**	(64)
Supplies and tools	**192,189**	216,809
Depreciation on property, plant and equipment (note 6)	**93,649**	88,837
Amortisation on		
– land use rights (note 7)	**25**	25
– intangible assets (note 8)	**68,928**	53,418
Impairment charges (reversal of provisions) on		
– inventories (note 11)	**678**	3,209
– receivables (note 12)	**(396)**	(1,222)
– intangible assets (note 8)	**12,249**	–
Operating lease expenses	**14,386**	12,557
Warranty expenses (note 19)	**30,334**	25,650
Auditors' remuneration		
– audit services	**2,299**	2,160
– non-audit services	**1,421**	1,457
Others	**96,771**	89,688
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**3,433,787**	3,029,933

Amounts for the year ended December 31, 2015 have been reclassified to conform with the current period presentation.

25 EMPLOYEE BENEFIT COSTS

	For the year ended December 31,	
	2016	2015
	US$'000	US$'000
Salary expenses	**386,421**	305,328
Pension costs – defined contribution plans	**24,768**	26,676
Pension costs – defined benefit plans (note 18)	**1,113**	1,044
Other employee costs	**153,985**	134,798
	566,287	467,846

Amounts for the year ended December 31, 2015 have been reclassified to conform with the current period presentation.

(a) 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 and the period within which the option may be exercised must expire no later than 10 years from the relevant date of grant.

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 daily quotations sheet issued by The Stock Exchange of Hong Kong Limited on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares of the Company.

The options will be vested and become exercisable gradually after the grantees complete a period of service of 1 to 3 years from the date of grant and the Group achieving its performance targets.

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 as at the date of grant, were granted to 15 selected participants at the exercise price of HK$5.150 per share.

On June 10, 2015, the Board of Directors approved a second grant of share options under the Scheme, pursuant to which options to subscribe for 10,358,990 shares, representing approximately 0.415% of the issued share capital of the Company as at the date of grant, were granted to 13 selected participants at the exercise price of HK$8.610 per share.

On June 10, 2016, the Board of Directors approved a third grant of share options under the Scheme, pursuant to which options to subscribe for 10,602,490 shares, representing approximately 0.424% of the issued share capital of the Company as at the date of grant, were granted to 13 selected participants at the exercise price of HK$7.584 per share.

25 EMPLOYEE BENEFIT COSTS (Continued)

(a) Share-based payments (Continued)

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)
As at January 1, 2015	5.150	10,535
Granted	8.610	10,359
Exercised	5.150	(673)
Forfeited	7.030	(3,716)
As at December 31, 2015	6.898	16,505
Exercisable as at December 31, 2015	5.150	2,721
As at January 1, 2016	**6.898**	**16,505**
Granted	**7.584**	**10,602**
Exercised	**6.361**	**(3,346)**
Forfeited	**7.520**	**(5,970)**
As at December 31, 2016	**7.199**	**17,791**
Exercisable as at December 31, 2016	**6.292**	**4,878**

Share options outstanding and not yet exercisable at the end of the period have the following vesting dates and exercise prices:

	Average exercise price (per share) HK$	Outstanding options (thousands)
June 9, 2017	8.008	4,324
June 10, 2017	5.150	1,726
June 9, 2018	8.008	4,324
June 9, 2019	7.584	2,539

The weighted average fair value of options granted during the period determined using a binomial valuation model was HK$3.320 per option. The significant inputs into the model were share price at the measurement date of HK$7.340, exercise price of HK$7.584, volatility of 40%, dividend yield of nil, an expected term of 8.58 years, and an annual risk-free interest rate of 1.02%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of historical 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.

25 EMPLOYEE BENEFIT COSTS (Continued)

(a) Share-based payments (Continued)

The fair value of the share options charged to the consolidated income statement was US$2,456,000 for the year ended December 31, 2016 (year ended December 31, 2015: US$2,725,000).

(b) Directors' emoluments

The remuneration of each director for the year ended December 31, 2016 is set out below:

Name	Fees (note (ix)) US$'000	Salary US$'000	Annual Incentive Compensation (note (ii)) US$'000	Other benefits (note (iii)) US$'000
Mr. Guibin Zhao*(i)	200	–	–	–
Mr. Yi Fan (i)	–	220	74	52
Mr. Michael Paul Richardson (i)	–	760	364	144
Mr. Hing Lun Tsang	65	–	–	–
Mr. Kevin Cheng Wei	65	–	–	–
Mr. Jianjun Liu	53	–	–	–
Mr. Daen Lu (x)	40	–	–	–
Mr. Xiaobo Wang	40	–	–	–
	463	980	438	196

The remuneration of each director for the year ended December 31, 2015 is set out below:

Name	Fees (note (ix)) US$'000	Salary US$'000	Annual Incentive Compensation (note (ii)) US$'000	Other benefits (note (iii)) US$'000
Mr. Guibin Zhao*(i)	200	–	–	–
Mr. Yi Fan (i)	–	220	71	52
Mr. Michael Paul Richardson (i)	–	760	–	165
Mr. Hing Lun Tsang	44	–	–	–
Mr. Kevin Cheng Wei	44	–	–	–
Mr. Jianjun Liu	44	–	–	–
Mr. Daen Lu (x)	30	–	–	–
Mr. Xiaobo Wang	30	–	–	–
	392	980	71	217

* Chief Executive Officer of the Company

25 EMPLOYEE BENEFIT COSTS (Continued)

(b) Directors' emoluments (Continued)

Notes:

(i) Individual is a member of senior management.

(ii) The annual incentive compensation plan is payable within one year from year end.

(iii) Other benefits include payments made for dental, disability and healthcare coverage; contributions to social security and health-saving accounts; and other non-monetary benefits.

(iv) During the year ended December 31, 2016, no retirement benefits by a defined benefit pension plan operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2015: Nil).

(v) During the year ended December 31, 2016, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2015: Nil).

(vi) During the year ended December 31, 2016, no consideration was provided to or receivable by third parties for making available director's services (2015: Nil).

(vii) There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: Nil).

(viii) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).

(ix) Fees paid are in respect to service as a director, other emoluments are in respect of other services in connection with management of the Company or its subsidiaries.

(x) Mr. LU, Daen resigned as non-Executive Director with effect from March 14, 2017.

(xi) Deferred incentive compensation plans will be settled when all the conditions are met and with approval by the Board of Directors (certain of which with estimates based upon the extent of meeting certain performance targets). During the year ended December 31, 2016, the deferred incentive compensation of Mr. Guibin Zhao, Mr. Yi Fan, Mr. Daen Lu, Mr. Xiaobo Wang and Mr. Michael Paul Richardson were approximately US$582,000, US$307,000, US$123,000, US$123,000 and US$152,000, (2015: US$534,000, US$358,000, US$113,000, US$113,000 and US$210,000) respectively. The share-based payments of the share option scheme included in the deferred incentive compensation are calculated and disclosed in accordance with the method set out in note 25(a). These disclosed values deviate from the intrinsic value because the Company used the binomial model to calculate the fair value of the options granted on June 11, 2014, June 10, 2015 and June 10, 2016 amounting to HK$2.710, HK$3.920 and HK$3.320 per option, respectively. When the actual share price is lower than the exercise price of HK$5.150, HK$8.610 and HK$7.584 per share for options granted on June 11, 2014, June 10, 2015, and June 10, 2016, respectively the options are out-of-money and the holders will not be benefitted by exercising the options.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2016 include one director (2015: one), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2015: four) individuals during the year are as follows:

	For the year ended December 31,	
	2016	2015
	US$'000	US$'000
Salaries and allowances	**2,143**	1,422
Annual and deferred incentive compensation	**2,116**	4,227
Other benefits	**487**	449
	4,746	6,098

25 EMPLOYEE BENEFIT COSTS (Continued)

(c) Five highest paid individuals (Continued)

The emoluments of the remaining individuals fell within the following bands:

	For the year ended December 31, 2016	2015
	Number of individuals	
HK$5,500,000 – HK$6,000,000 (US$710,000 – US$774,000)	**–**	1
HK$6,000,000 – HK$6,500,000 (US$774,000 – US$839,000)	**1**	–
HK$6,500,000 – HK$7,000,000 (US$839,000 – US$903,000)	**–**	1
HK$7,000,000 – HK$7,500,000 (US$903,000 – US$968,000)	**–**	1
HK$7,500,000 – HK$8,000,000 (US$968,000 – US$1,032,000)	**1**	–
HK$8,000,000 – HK$8,500,000 (US$1,032,000 – US$1,096,000)	**1**	–
HK$14,000,000 – HK$14,500,000 (US$1,805,000 – US$1,870,000)	**1**	–
HK$27,000,000 – HK$27,500,000 (US$3,483,000 – US$3,548,000)	**–**	1

26 FINANCE COSTS, NET

	For the year ended December 31, 2016 US$'000	2015 US$'000
Finance income		
Interest on bank deposits	**1,407**	2,253
Finance costs		
Interest expense on bank borrowings	**16,616**	17,436
Interest on notes	**14,688**	14,769
	31,304	32,205
Interest on finance leases	**170**	75
Realised losses on interest rate swap	**–**	808
Other finance costs	**7,393**	5,635
	38,867	38,723
Less: amount capitalised in qualifying assets (notes 6 and 8)	**(7,292)**	(5,519)
	31,575	33,204
Finance costs, net	**30,168**	30,951

27 INCOME TAX EXPENSE

	For the year ended December 31, 2016 US$'000	2015 US$'000
Current income tax	**73,241**	49,167
Deferred income tax (note 9)	**10,900**	24,049
	84,141	73,216

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

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the combined entities as follows:

	For the year ended December 31, 2016 US$'000	2015 US$'000
Profit before income tax	**386,006**	283,364
Tax calculated at rates applicable to profits in respective countries	**122,115**	91,175
Expenses not deductible for tax purposes	**481**	3,411
Non-taxable income	**(22,641)**	(18,252)
Tax credits (note (i))	**(10,577)**	(7,649)
Preferential rates and tax holidays (note (ii))	**(13,696)**	(8,559)
Tax losses and deductible temporary differences for which no deferred tax was recognised	**2,493**	6,283
US state and withholding taxes	**6,062**	5,110
Others	**(96)**	1,697
Tax charge	**84,141**	73,216

Note:

(i) Mainly represents US production incentives and research credits.

(ii) Derived mainly from profits subject to preferential tax rate in China for high-technology enterprises and income tax exemption through 2026 for the Group's investment in Special Economic Zones in Poland according to the relevant Polish tax rules.

28 EARNINGS PER SHARE

(a) Basic

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

	For the year ended December 31, 2016	2015
Profit attributable to the equity holders of the Company (US$'000)	**294,723**	205,432
Weighted average number of ordinary shares in issue (thousands)	**2,499,534**	2,497,875
Basic earnings per share (in US$)	**0.12**	0.08

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise of shares issued under the share option scheme that are vested as at December 31, 2016. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares within the denominator for calculating diluted earnings per share. For the year ended December 31, 2016 and 2015, the details are within the table below.

	For the year ended December 31, 2016	2015
Profit attributable to equity holders of the Company, used to determine diluted earnings per share (US$'000)	**294,723**	205,432
Weighted average number of ordinary shares in issue (thousands)	**2,499,534**	2,497,875
Adjustment for share options (thousands)	**4,282**	2,547
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**2,503,816**	2,500,422
Diluted earnings per share (in US$)	**0.12**	0.08

29 DIVIDENDS

	For the year ended December 31, 2016 US$'000	2015 US$'000
Dividend proposed of US$0.024 (2015: US$0.016) per share	**58,945**	41,086

This dividend was proposed by the directors at a meeting held on the date of approval of these financial statements, which is not reflected as a dividend payable in these financial statements. The dividend would be paid out of the share premium account of the Company for the year ending December 31, 2017.

30 CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

	For the year ended December 31, 2016 US$'000	2015 US$'000
Profit before income tax	**386,006**	283,364
Adjustments for:		
Finance costs	**31,575**	33,204
Depreciation on property, plant and equipment	**93,649**	88,837
Amortisation on land use rights and intangible assets	**68,953**	53,443
Amortisation of deferred revenue	**(22,265)**	(23,289)
Impairment charges on inventories and receivables	**415**	1,987
Impairment charges on intangible assets	**12,249**	–
Exchange differences	**(15,478)**	–
Fair value loss on derivative financial instruments	**1,542**	6,686
Share of income of a joint venture	**(684)**	(1,185)
Share-based compensation	**2,456**	2,725
Others	**431**	2,453
	558,849	448,225
Changes in working capital:		
Increase in receivables	**(43,321)**	(61,135)
Increase in inventories	**(13,308)**	(40,624)
Increase in payables and accruals	**34,033**	137,839
Increase in provisions	**17,423**	7,984
Increase (decrease) in retirement benefits and compensations	**980**	(10,980)
Increase in deferred revenue	**23,100**	35,711
Cash generated from operations	**577,756**	517,020

(b) Major non-cash transactions

During the years ended December 31, 2016, the Group purchased property, plant and equipment which were recorded in payables in the amounts of US$85,237,000 (December 31, 2015: US$51,575,000).

31 COMMITMENTS

(a) Capital commitments

The Group has capital commitments of US$185,137,000 as at December 31, 2016 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2015: US$101,508,000).

(b) Operating lease commitments

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

	As at December 31,	
	2016	2015
	US$'000	US$'000
Up to 1 year	**12,743**	11,953
1 to 5 years	**25,401**	26,657
Over 5 years	**9,745**	11,781
	47,889	50,391

32 RELATED PARTY TRANSACTIONS

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

	For the year ended December 31,	
	2016	2015
	US$'000	US$'000
Purchase of goods	**14,952**	18,724

(b) Transactions with a joint venture

On August 20, 2013, Nexteer Automotive (Suzhou) Co., Ltd. (a wholly-owned indirect subsidiary of the Company) and Chongqing Changfeng Machine Company., Ltd. (a subsidiary controlled by China South Industries Group Corporation, a China state-owned enterprise) entered into an agreement, pursuant to which the parties shall establish a joint venture Chongqing Nexteer Steering Systems Co., Ltd. in China to manufacture and sell steering products. On January 22, 2014, the entity was established and legally registered as a joint venture in Chongqing. On September 12, 2014, Nexteer Automotive (Suzhou) Co., Ltd. (a wholly-owned indirect subsidiary of the Company) transferred its 50% ownership interest to Nexteer (China) Holding Co., Ltd. (a wholly-owned direct subsidiary of the Company). On September 10, 2015, Chongqing Changfeng Machine Company., Ltd. transferred its 50% ownership interest to Chongqing Jianshe Industry (Group) Co., Ltd.

As at December 31, 2016 the Group has invested US$9,434,000 into the joint venture (December 31, 2015: US$9,434,000). For the year ended December 31, 2016, the Group's share of gains from the joint venture amount to US$684,000 (year ended December 31, 2015: US$1,185,000).

32 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with a joint venture (Continued)

The following table sets forth the transactions between the Group and its joint venture.

	For the year ended December 31, 2016 US$'000	2015 US$'000
Sale of product and services (i)	**36,489**	6,295
Purchase of services	**9,344**	13,228

(i) Services include engineering services, rent and other fees.

(c) Key management compensation

The remunerations of the Chief Executive Officer, directors and other key management members were as follows:

	For the year ended December 31, 2016 US$'000	2015 US$'000
Basic salaries, other allowances and benefits	**5,205**	4,574
Bonuses	**5,146**	6,488
Others	**596**	752
	10,947	11,814

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

33 BALANCE SHEET OF THE COMPANY

The balance sheet of the Company on a non-consolidated basis is as follows:

	As at December 31, 2016 US$'000	2015 US$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**682,771**	658,315
Other receivables and prepayments	**149,631**	44,000
	832,402	702,315
Current assets		
Cash and cash equivalents	**11,350**	47,539
Other receivables and prepayments	**71,805**	220,870
	83,155	268,409
Total assets	**915,557**	970,724
EQUITY		
Capital and reserves		
Share capital	**32,274**	32,231
Other reserves	**672,459**	707,216
Accumulated losses	**(38,667)**	(20,752)
Total equity	**666,066**	718,695
Non-current liabilities		
Borrowings	**247,224**	246,507
Current liabilities		
Other payables and accruals	**2,267**	5,522
Total equity and liabilities	**915,557**	970,724

The balance sheet of the Company was approved by the Board of Directors on March 14, 2017 and was signed on its behalf.

Fan, Yi	**Richardson, Michael Paul**
Director	*Director*

33 BALANCE SHEET OF THE COMPANY (Continued)

The movement in reserves of the Company on a non-consolidated basis is as follows:

	Share premium US$'000	Share-based compensation reserve US$'000	Capital reserve US$'000	Accumulated losses US$'000	Total reserves US$'000
As at January 1, 2015	230,989	1,240	504,400	(8,176)	728,453
Loss for the year	–	–	–	(12,576)	(12,576)
Value of employee services provided under share-option scheme (note 25(a))	–	2,725	–	–	2,725
Transfer to share premium under exercise of share options	229	(229)	–	–	–
Dividends paid to shareholders	(32,395)	–	–	–	(32,395)
Exercise of options	257	–	–	–	257
As at December 31, 2015	199,080	3,736	504,400	(20,752)	686,464
Loss for the year	**–**	**–**	**–**	**(17,915)**	**(17,915)**
Value of employee services provided under share-option scheme (note 25(a))	**–**	**2,456**	**–**	**–**	**2,456**
Transfer to share premium under exercise of share options	**1,330**	**(1,330)**	**–**	**–**	**–**
Dividends paid to shareholders	**(39,913)**	**–**	**–**	**–**	**(39,913)**
Exercise of options	**2,700**	**–**	**–**	**–**	**2,700**
As at December 31, 2016	**163,197**	**4,862**	**504,400**	**(38,667)**	**633,792**

34 SHARE CAPITAL

	Number of ordinary shares	Amount
Issued and fully paid:		
HK$0.10 each at January 1, 2015	2,497,804,000	HK$249,780,400
Exercise of share options	673,040	HK$67,304
HK$0.10 each at December 31, 2015	2,498,477,040	HK$249,847,704
Exercise of share options	3,345,633	HK$334,563
HK$0.10 each at December 31, 2016	2,501,822,673	HK$250,182,267

35 SUBSEQUENT EVENT

On January 4, 2017, Nexteer Automotive Corporation and Continental Automotive Systems, Inc. entered into a contribution agreement, which provides, among other things, that the parties will establish a joint arrangement principally engaged in research and development activities for the advancement of optimised longitudinal and lateral vehicle motion control systems for assisted and automated driving. Each of the parties will hold 50% of the interest in this joint arrangement. As at the release of these Consolidated Financial Statements, the joint arrangement has not been formed or organised.

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURE

Name	Place of operation, incorporation and date of incorporation	Issued and paid up capital	Attributable equity interest	Principal activities
Subsidiaries				
Directly held:				
Nexteer (China) Holding Co., Ltd.	China June 16, 2014	US$30,000,000	100%	Investment holding
Nexteer UK Holding Ltd.	United Kingdom February 5, 2015	US$104,120,152	100%	Investment holding
PCM (Singapore) Steering Holding Pte. Limited	Singapore November 4, 2010	US$154,200,000 and SGD 1	100%	Investment holding

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURE (Continued)

Name	Place of operation, incorporation and date of incorporation	Issued and paid up capital	Attributable equity interest	Principal activities
Indirectly held:				
Nexteer Automotive (Suzhou) Co., Ltd.	China January 24, 2007	US$32,800,000	100%	Manufacturing of steering components
Nexteer Automotive Australia Pty Ltd	Australia January 23, 2008	AUD$2,849,108	100%	Manufacturing of steering components
Nexteer Automotive Corporation	Delaware, US January 2, 2008	US$1	100%	Manufacturing of steering components
Nexteer Automotive France SAS	France March 25, 2008	EUR 1,287,000	100%	Customer support, engineering centre
Nexteer Automotive Germany GmbH	Germany January 2, 2008	EUR 25,000	100%	Customer support, engineering centre
Nexteer Automotive India Private Limited	India February 25, 2008	INR 207,917,940	100%	Manufacturing of steering components
Nexteer Automotive Italy S.r.l.	Italy January 30, 2008	EUR 10,000	100%	Customer support, engineering centre
Nexteer Automotive Japan LLC	Japan February 21, 2008	JPY 1	100%	Customer support, engineering centre
Nexteer Automotive Korea Limited	Korea February 28, 2008	KRW 6,400,000,000	100%	Customer support, engineering centre
Nexteer Automotive Luxembourg S.à r.l.	Luxembourg November 5, 2013	US$20,000	100%	Investment Holding
Nexteer Automotive Mexico S. de R.L. de C.V.	Mexico June 10, 2014	MXN 129,912	100%	Distribution company
Nexteer Automotive Poland sp.zo.o.	Poland January 2, 1997	PLN 20,923,750	100%	Manufacturing of steering components
Nexteer Automotive Systems (Liuzhou) Co., Ltd.	China January 8, 2015	US$10,000,000	100%	Manufacturing of steering components

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURE (Continued)

Name	Place of operation, incorporation and date of incorporation	Issued and paid up capital	Attributable equity interest	Principal activities
Nexteer Industria e Comercio de Sistemas Automotivos Ltda.	Brazil February 22,2007	BRL 279,248,316	100%	Manufacturing of steering components
Nexteer Lingyun Driveline (Wuhu) Co., Ltd.	China December 22, 2006	US$22,400,000	60%	Manufacturing of steering components
Nexteer Lingyun Driveline (Zhuozhou) Co., Ltd.	China October 6, 1995	US$22,000,000	60%	Manufacturing of steering components
Nexteer Luxembourg Holding IV S.à r.l.	Luxembourg March 18, 2015	US$500,001	100%	Investment holding
Nexteer Luxembourg Holding V S.à r.l.	Luxembourg March 20, 2015	US$100,001	100%	Investment holding
Nexteer Otomotiv Sanayi ve Ticaret Limited Sirketi	Turkey March 28, 2008	TRY 1,105,000	100%	Manufacturing of steering components
Nexteer Poland Holding sp. z o.o.	Poland December 23, 2010	PLN 3,895,126,650	100%	Investment holding
Nexteer US Holding I LLC	Delaware, US May 18, 2007	–	100%	Investment holding
PCM US Steering Holding LLC	Delaware, US March 9, 2009	–	100%	Investment holding
PT Nexteer Automotive Indonesia	Indonesia March 23, 2016	US$1,600,000	100%	Manufacturing of steering components
Rhodes Holding I S.à r.l.	Luxembourg January 15, 2008	EUR 22,500	100%	Investment holding
Rhodes Holding II S.à r.l.	Luxembourg January 15, 2008	EUR 4,331,151	100%	Investment holding

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURE (Continued)

Name	Place of operation, incorporation and date of incorporation	Issued and paid up capital	Attributable equity interest	Principal activities
Rhodes I LLC	Michigan, US November 7, 2007	–	100%	Investment holding
Rhodes II LLC	Michigan, US November 7, 2007	–	100%	Investment holding
Steering Holding Pte. Ltd.	Singapore February 15, 2008	US$6,400,000 and EUR 1	100%	Investment holding
Steering Solutions Corporation	Delaware, US October 29, 2007	US$1	100%	Investment holding
Steering Solutions Expat Holding Corporation	Delaware, US January 2, 2008	US$1	100%	Investment holding
Steering Solutions IP Holding Corporation	Delaware, US January 2, 2008	US$1	100%	Investment holding
Steeringmex S. de R.L. de C.V.	Mexico December 14, 2007	MXN 100,292,971	100%	Manufacturing of steering components
Joint venture:				
Chongqing Nexteer Steering Systems Co., Ltd.	China January 22, 2014	RMB120,000,000	50%	Manufacturing of steering components

Five Years' Financial Summary

	For the year ended December 31,				
	2016 US$'000	2015 US$'000	2014 US$'000	2013 US$'000	2012 US$'000
RESULTS					
Revenue	**3,842,244**	3,360,512	2,978,068	2,386,823	2,167,802
Profit before taxation	**386,006**	283,364	214,596	151,258	62,194
Income tax expense	**(84,141)**	(73,216)	(51,339)	(40,337)	(3,567)
Profit for the year	**301,865**	210,148	163,257	110,921	58,627
Attributable to:					
Owners of the Company	**294,723**	205,432	161,398	109,191	57,096
Non-controlling interests	**7,142**	4,716	1,859	1,730	1,531
	301,865	210,148	163,257	110,921	58,627
Earnings per share, USD					
Basic	**0.12**	0.08	0.06	0.06	0.03
Diluted	**0.12**	0.08	0.06	0.06	0.03
ASSETS AND LIABILITIES					
Total assets	**2,693,368**	2,456,822	2,221,972	1,805,189	1,258,871
Total liabilities	**(1,602,345)**	(1,602,457)	(1,513,953)	(1,214,443)	(1,067,062)
Total equity	**1,091,023**	854,365	708,019	590,746	191,809
Equity attributable to owners of the Company	**1,058,991**	827,422	683,619	567,703	170,931
Non-controlling interests	**32,032**	26,943	24,400	23,043	20,878
	1,091,023	854,365	708,019	590,746	191,809