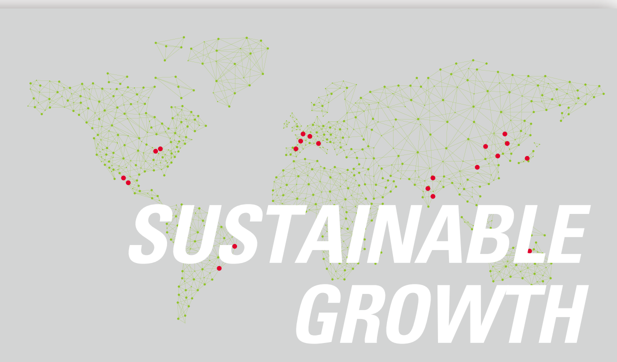
nexteer AUTOMOTIVE

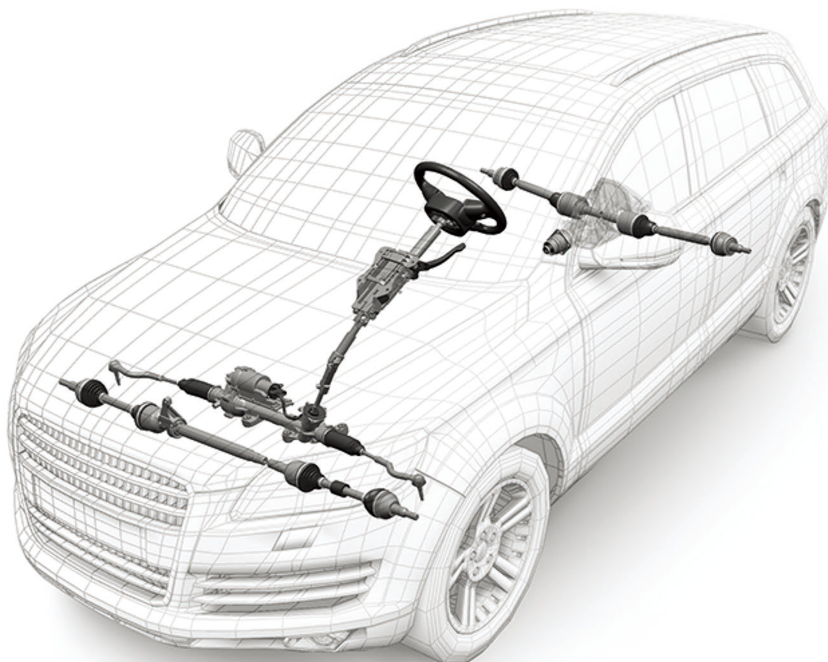
a leader in intuitive motion control

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 : 1316)





INTERIM REPORT 2017

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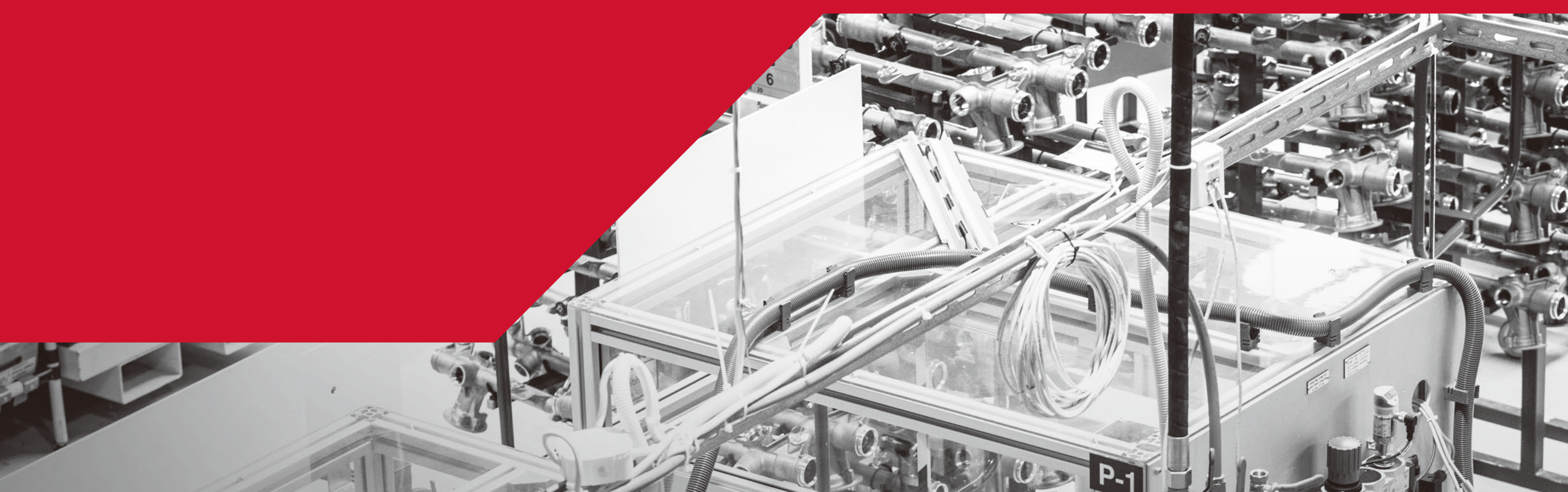


Corporate Profile

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 assist 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 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's (**OEM**) vehicles is a testament to 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

GLOBAL FOOTPRINT

World Headquarters:	Auburn Hills, Michigan, United States of America (**USA** or **US**)
Manufacturing Plants:	24, including 1 non-consolidated joint venture
Technical Centres:	3
Customer Service Centres:	12
Full-Time Equivalent Global Workforce:	13,600+
Global Customers:	50+, including BMW Group (**BMW**), Fiat Chrysler Automobiles N.V. (**FCA**), Ford Motor Company (**Ford**), General Motors Company and Subsidiaries (**GM**), PSA Groupe (**PSA**), SAIC General Motors Co., Ltd. (**SGM** or **Shanghai GM**), SAIC-GM-Wuling Automobile Co. Ltd. (**SGMW**), Toyota Motor Corporation (**Toyota**) and Volkswagen Group (**Volkswagen**) as well as domestic automakers in India, China and South America
Products:	EPS, Hydraulic Power Steering (**HPS**), Steering Columns and Intermediate Shafts (**CIS**), Driveline Systems (**DL**), ADAS and Automated Driving (**AD**)

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

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

Independent Non-Executive Directors

TSANG, Hing Lun (曾慶麟)
(passed away on June 4, 2017)
LIU, Jianjun (劉健君)
WEI, Kevin Cheng (蔚成)
YICK, Wing Fat Simon (易永發)
(appointed with effect from August 15, 2017)

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 (蔚成) *(Chairman)*
TSANG, Hing Lun (曾慶麟)
(passed away on June 4, 2017)
YANG, Shengqun (楊勝群)
(appointed with effect from March 14, 2017)
Lu, Daen (錄大恩)
(resigned with effect from and upon the conclusion of the board meeting held on March 14, 2017)
YICK, Wing Fat Simon (易永發)
(appointed with effect from August 15, 2017)

REMUNERATION AND NOMINATION COMMITTEE

TSANG, Hing Lun (曾慶麟) *(Chairman)*
(passed away on June 4, 2017)
LIU, Jianjun (劉健君)
WANG, Xiaobo (王曉波)
YICK, Wing Fat Simon (易永發) *(Chairman)*
(appointed with effect from August 15, 2017)

HEADQUARTERS

1272 Doris Road
Auburn Hills, Michigan 48326, USA

REGISTERED OFFICE

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

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/

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 market growth
- Optimise cost structure
- Pursue select acquisitions and alliances

FIRST HALF OF 2017 BUSINESS HIGHLIGHTS

The following are business highlights for the first half of 2017 which demonstrate Nexteer's focus on delivering profitable growth:

- Successfully launched 15 new EPS and DL programmes across multiple regions and customers
- Strong backlog of US$24.0 billion reflected by all business awarded but not yet delivered to customers
- Continued engagement with key global customers to jointly develop ADAS functionality
- Received industry recognition for multiple accomplishments

NEW PRODUCTION LAUNCHES

With the launch of 15 customer programmes during the first six months of 2017, inclusive of 1 programme from our non-consolidated joint venture, we introduced new or improved product applications in DL and EPS. These programmes included incumbent and conquest business. Customer programmes that began production during the six months ended June 30, 2017 included:

OEMs	Vehicle Nameplate	Our Products
North America		
GM	Chevrolet Equinox	DL
	Buick Terrain	DL
	Chevrolet Traverse	Rack-assist EPS, DL
Europe & South America		
FCA	Fiat Argo	Column-assist EPS (**CEPS**)
GM	Opel Crossland	Single pinion-assist EPS (**SPEPS**)
Asia Pacific		
BMW	1-Series	SPEPS
	X1	SPEPS
*Changan	Changan CS55	CEPS
Dongfeng Liuzhou	Jingyi S50 EV	CEPS
	Jingyi SX3	CEPS
GM	Buick Velite	DL
	Chevrolet Equinox	DL
Renault Nissan	Renault Lodgy	DL
Tata Motors	Ace, Iris, Majic, Zip	DL

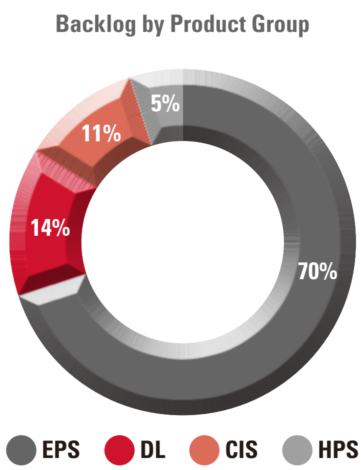
* Related to a non-consolidated joint venture

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 products, which amounts to approximately US$24.0 billion (the **Booked Business Amount** or **Booked Business**) as at June 30, 2017, compared to US$25.6 billion as at December 31, 2016. The backlog decreased due to the partial cancellation of a programme, as well as other platform adjustments, as a result of GM's plan to sell its Opel-Vauxhall subsidiary to PSA during the six months ended June 30, 2017.

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 programme 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 to the estimated Booked Business Amount due to various factors beyond the Group's control.

Cumulative Booked Business:



PRODUCT RESEARCH & 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 ADAS, AD and adjacent markets.

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 AD

We initiated the development of ADAS focused modules in EPS ten years ago and began system integration with global OEMs 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.

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

Nexteer is working with three customer categories on automated driving 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 health.

The migration to higher levels of vehicle automation requires a robust and dependable architecture that enables the transition between the driver and automated driving control through safe and intuitive steering transitions. As vehicle system capabilities increase in autonomy, system redundancy must be in place to deliver automated steering functionality with high reliability and operational availability. Nexteer technologies address new safety challenges that come along with an evolving automotive market.

In the second half of 2017, we will begin mass production of our third generation of EPS with redundant features for a North American global OEM. This will be one of many innovations over the coming years that enhances system reliability and operational availability through system integration of software, sensors and mechanical technologies. The Company is committed to bringing to market steering systems with built-in redundancies so that a steering "safety net is always on." These systems include redundant motors, actuators, sensors and processors for enhanced reliability and back-up function which is similar to the role redundant systems play in the aviation industry.

Portfolio Expansion

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**).

As vehicles adopt advanced electronics to enable AD, internet connectivity and vehicle-to-everything (**V2X**) communication, they become more susceptible to remote hacking. As a safety-critical system, the security of our steering technologies is a top priority. While customers incorporate cyber security at the vehicle level, we are taking safety to the next degree by integrating multi-layer cyber security at a system level for maximum protection. Today, Nexteer's proprietary cyber security technologies are intended to efficiently and accurately validate true steering commands and support multi-vehicle applications. These cyber security technologies consist of specifically designed hardware modules on the semi-conductor level, as well as a multi-layered cryptographic software structure, that identifies and authorises information and command flow between the steering system and other in-vehicle or external controllers.

The Company's cyber security technologies are also enablers of its latest automated driving offering – Nexteer's Steering on Demand™ system and Nexteer's Quiet Wheel™ steering. Both introductions utilise Nexteer's steer-by-wire technology, eliminating the mechanical link between the road wheels and the steering wheel. Steering on Demand™ enables the transition between the driver and automated driving control, while also providing sport, comfort and manual override modes for a custom driving experience. Quiet Wheel™ steering eliminates steering wheel rotation when a vehicle completes an automated directional change. We have developed our Steering on Demand™ system and Quiet Wheel™ steering around a robust steer-by-wire system. We designed these products and their underlying technologies to seamlessly integrate with our customers' vehicle systems and provide an extra layer of security. By implementing cyber security and redundant component best practices, we provide solutions with a "safety net always on".

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.

With all major regulatory approvals in place as at June 30, 2017, we have begun to operationalise the arrangement and establish the corresponding legal entity. The arrangement will be known in the market as CNXMotion™ (**Con-Nex-motion**) and will employ team members who will leverage existing technical talent from both Nexteer and Continental, with plans for future growth. CNXMotion™ will be based in Grand Blanc, Michigan, USA at a refurbished brownfield facility that is ready for occupancy in the third quarter of 2017. For details on the aforesaid joint arrangement, please refer to the Company's announcement dated January 11, 2017.

ORGANISATIONAL CHANGES

The Board of Directors of the Company (the **Board**), appointed Mr. Robin Z. Milavec as Vice President, Global Current Product Engineering of the Company effective from June 5, 2017.

The Board appointed Mr. Steven C. Spicer as Vice President, Global EPS Product Line of the Company effective from June 5, 2017.

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 tenets 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 provides a platform to focus on strong system functionality and efficiency. PLM is a key input to our Enterprise Resource Planning (**ERP**) system and will be an enabler for process specifications and documents in our Manufacturing Execution System (**MES**).

- **ERP**: Our global ERP system offers 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. Benefits of system data and linkage to enterprise data include:

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

- **Traceability**: Our product traceability system improves 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 includes extensive redesign of operator and machine interfaces. Collaborative robots will integrate with existing assembly equipment to reduce labour 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 continued to ramp up operations at our 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 a Chinese domestic enterprise to relate effectively with all customers and to maximise market opportunities.

In addition to four new product launches during 2016, we launched a new Brush CEPS system for the Changan CS55 in our Chongqing-based joint venture with Chongqing Jianshe Industry (Group) Co., Ltd. during the first half of 2017. The joint venture remains focused on production launches for a range of Changan brand vehicles. Our product application range includes both brush and brushless motor-powered CEPS. In 2017, we plan to continue to expand production capacity with the installation of production lines transferred from our wholly-owned facility in Suzhou.

In March 2017, we signed a joint venture agreement with Dongfeng Motor Parts and Components Group Co., Ltd. The joint venture, equally owned by both parties, will design and manufacture EPS systems for Dongfeng Motor Group Company Limited and its affiliated companies. By providing our advanced steering technologies specifically tailored to the needs of our customers like Dongfeng, we continue to increase our presence in the growing China market, which is a core component of Nexteer's strategy for profitable growth. Upon obtaining the necessary regulatory approvals, the joint venture facility will be strategically located in close proximity to the Dongfeng Motor Group headquarters in Wuhan, China. For details on the aforesaid joint venture, please refer to the Company's announcement dated April 10, 2017.

Mexico

The Company dedicated the fourth manufacturing facility in Mexico in January 2017. Located in Juarez, the new plant will be focused on Steering Columns production for North American customers. We expect the first production programme to be launched in the second half of 2017.

INDUSTRY RECOGNITION

Nexteer has received recognition of its outstanding manufacturing performance during the six months ended June 30, 2017.

In February 2017, Nexteer received two awards at the SGMW 2017 Annual Supplier Conference in Shenzhen, China. Nexteer was recognised as "2017 SGMW Best Supplier." Only 5 suppliers out of 700 suppliers received this distinction for outstanding 2016 performance in quality, responsiveness, delivery and cost. As a strategic partner, Nexteer also received the "Overseas Development Award" for its support of SGMW's overseas business expansion. SGMW also awarded Nexteer's manufacturing facility in Liuzhou, China with an "Excellent Supplier Award" for quality, service, design and cost performance.

Toyota recognised one of Nexteer's Juarez, Mexico manufacturing facilities with a certificate of achievement for quality performance.

Ford Asia-Pacific nominated one of the Company's Suzhou, China manufacturing facilities for the world excellence award recognising their outstanding quality, delivery and cost performance.

GM recognised one of Nexteer's Saginaw, Michigan, USA manufacturing facilities and two of the Company's Suzhou, China manufacturing facilities with supplier excellence awards for meeting or exceeding a stringent set of quality performance criteria.

In June 2017, the China Association for Quality awarded two of our manufacturing facilities in China 1st place certification at the National Six Sigma Project Competition: 1) Nexteer Lingyun Driveline (Zhuozhou) Co., Ltd., one of our consolidated joint ventures, for a Six Sigma black belt project to reduce assembly line first time quality and 2) GM China and one of Nexteer's Suzhou, China manufacturing facilities (jointly) for use of lean and six sigma tools to improve line capacity.

Nexteer was also recognised by the Manufacturing Leadership Council as a "2017 Integration Award" winner. The Manufacturing Leadership Council is a collection of over 100 companies from a wide spectrum of industries and sizes. The award recognised the development and implementation of eight production systems inside the manufacturing operating system, integrating them together to create a digital thread. These key elements will support the continuous improvement in quality, cost and capacity at Nexteer's global manufacturing sites.

Financial Highlights

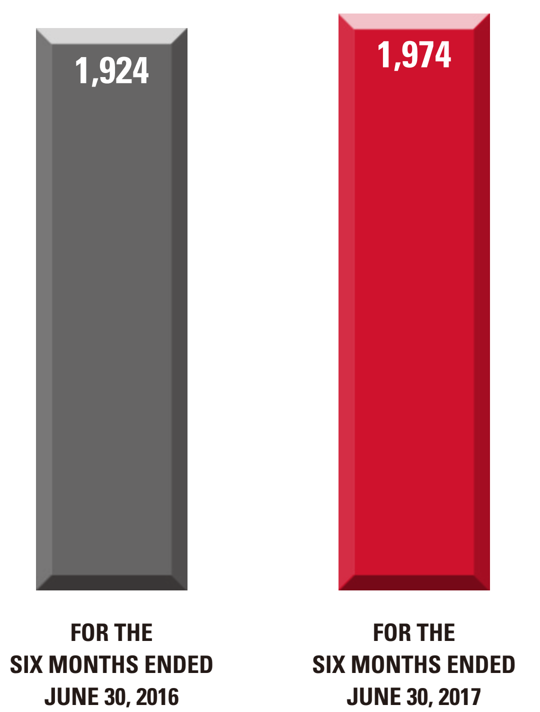
Results (US'$000)	**For the six months ended June 30, 2017 (Unaudited)**	For the six months ended June 30, 2016 (Unaudited)	Growth rate %
Revenue	**1,974,087**	1,923,800	2.6
Gross profit	**371,486**	334,397	11.1
Profit before income tax	**226,642**	201,111	12.7
Income tax expense	**(44,088)**	(48,189)	(8.5)
Profit attributable to equity holders	**179,686**	148,869	20.7
Profit for the period	**182,554**	152,922	19.4
Adjusted EBITDA	**326,890**	292,282	11.8

Revenue

US$ million

Growth Rate

2.6%

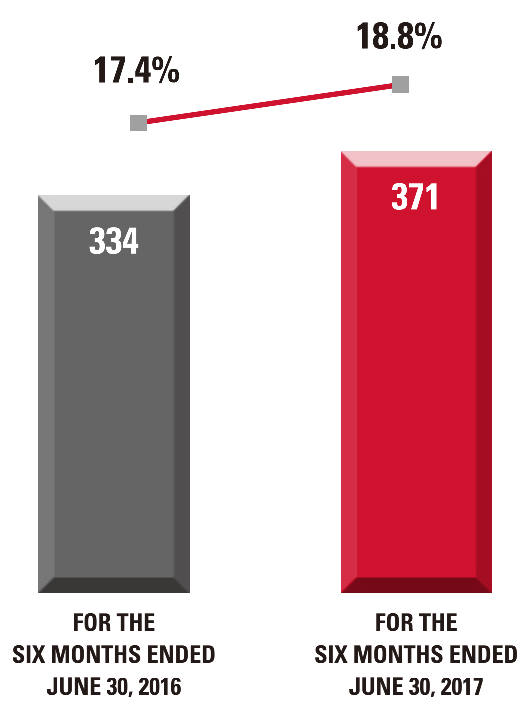


Gross Profit

US$ million

Growth Rate

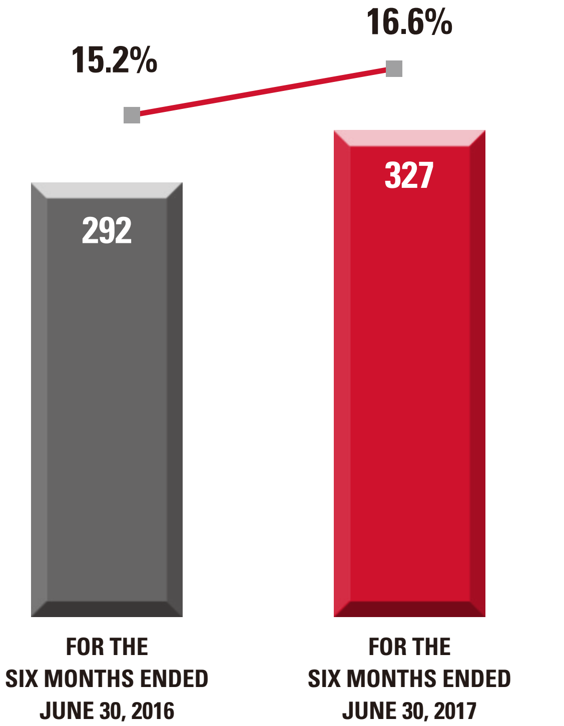
11.1%



Adjusted EBITDA

US$ million

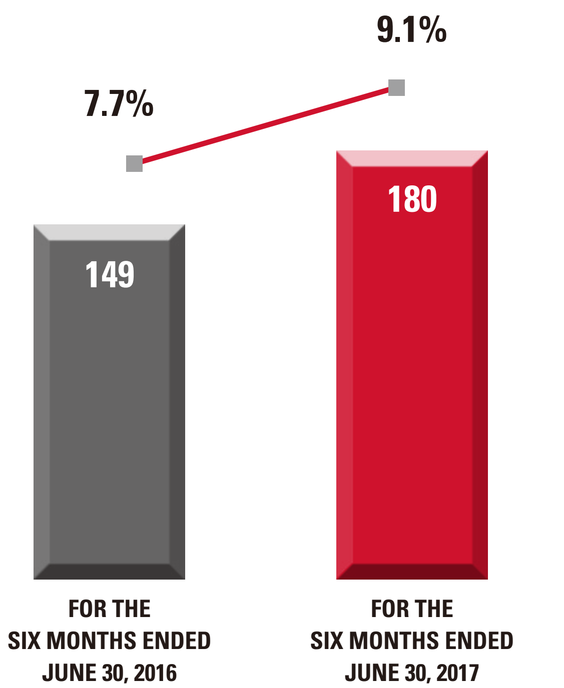
Growth Rate
11.8%



Profit Attributable to Equity Holders

US$ million

Growth Rate
20.7%



Assets and Liabilities (US'$000)	**As at June 30, 2017 (Unaudited)**	As at December 31, 2016 (Audited)	Change %
Non-current assets	**1,332,014**	1,265,813	5.2
Current assets	**1,474,098**	1,427,555	3.3
Non-current liabilities	**710,299**	742,109	(4.3)
Current liabilities	**856,664**	860,326	(0.4)
Equity attributable to the Group's equity holders	**1,203,449**	1,058,991	13.6

These financial highlights should be read in conjunction with the Group's unaudited Condensed Consolidated Interim Financial Information for the six months ended June 30, 2017 (the **Condensed Consolidated Interim Financial Information**).

Management Discussion and Analysis

The following management discussion and analysis should be read in conjunction with the unaudited Condensed Consolidated Interim Financial Information, included herein, which have been prepared in accordance with International Accounting Standards (**IAS**) 34 "Interim Financial Reporting."

FINANCIAL REVIEW

Financial Summary

The Group advanced its strong financial position in the first half of 2017. Continued steady industry production in North America, China and Europe led to increased sales. The Group also continued to successfully launch new products to deliver continued top line revenue growth. The Company's top line growth through successful launches and focus on operational efficiency continues to drive earnings and cash flow accretion, despite a stagnant automotive market.

Operating Environment

The global automotive market has a direct impact on our business and operating results. The factors affecting the industry include macro-economic factors such as consumer confidence, fluctuations in commodity, currency, fuel prices and regulatory environments. The Group operates primarily in North America, China, Europe, India and Brazil. Automotive industry production levels increased in the first half of 2017 over the first half of 2016 despite stable, yet lacklustre, growth in the global economy. According to IHS Markit Ltd., global light vehicle production for the six months ended June 30, 2017 increased 2.5% compared to the six months ended June 30, 2016, while North America remains consistent. Global light vehicle production for the Asia Pacific segment in total for the six months ended June 30, 2017 increased 3.6% compared to the six months ended June 30, 2016, while the China light vehicle market growth alone was 3.1% for the same period. Global light vehicle production for the Europe and South America segment in total increased 2.8% related to an increase in the Europe market of 1.3%.

The Group's net profit attributable to equity holders of the Company for the six months ended June 30, 2017 was US$179.7 million or 9.1% of total revenue, an increase of 20.7% compared to the six months ended June 30, 2016 of US$148.9 million or 7.7% of total revenue. This increase was attributable to the following:

- Successfully launched new production of awarded programmes across multiple regions and customers
- Improved product line mix
- Increased customer demand due to market strength offsetting significant foreign exchange translation impact
- Focus on continuous improvement in operating efficiency and cost competitiveness

Revenue

The Group's revenue for the six months ended June 30, 2017 was US$1,974.1 million, an increase of US$50.3 million or a 2.6% increase from the six months ended June 30, 2016 of US$1,923.8 million. According to IHS Markit Ltd., global OEM production volume for the six months ended June 30, 2017 increased 2.5% compared to the six months ended June 30, 2016. The Group's revenue was negatively impacted by approximately US$22.5 million of foreign currency translation. The Group's revenue would have increased an additional 1.2% from the six months ended June 30, 2016 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 six months ended June 30, 2017, the Group experienced an increase in global revenue compared to the six months ended June 30, 2016.

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

	For the six months ended June 30, 2017		For the six months ended June 30, 2016	
	US$'000 (Unaudited)	**%**	US$'000 (Unaudited)	%
North America	**1,307,192**	**66.2**	1,262,516	65.6
Asia Pacific	**415,588**	**21.1**	431,989	22.5
Europe and South America	**251,307**	**12.7**	229,295	11.9
Total	**1,974,087**	**100.0**	1,923,800	100.0

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

- The North America segment experienced a 3.5% increase for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, outperforming the industry. The North America segment held strong, despite flat industry volume and was able to capitalise on the continued increase in North American full-size truck production. According to IHS Markit Ltd., OEM production volume in North America decreased 0.7% for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, however, full-size truck production increased 3.3% for the same period. The North America segment launched 10 new customer programmes in 2016 and 4 new customer programmes in the first half of 2017.

- The Asia Pacific segment experienced a 3.8% decrease in revenue for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. The decrease is directly attributable to fluctuations in the exchange rates. The Asia Pacific segment experienced US$19.2 million of negative foreign currency translation impact. The Asia Pacific segment revenue would have increased by 4.4% for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, excluding the negative foreign currency translation impact. According to IHS Markit Ltd., OEM production volumes in the Asia Pacific segment and China increased 3.6% and 3.1%, respectively, for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. The Asia Pacific segment launched 21 new customer programmes in 2016 and 9 new customer programmes in the first half of 2017.

- The Europe and South America segment experienced a 9.6% increase in revenue for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. This increase is attributable to improved customer production volumes offset by US$3.3 million negative foreign currency translation impact. The Europe and South America segment revenue would have increased an additional 1.4% for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, excluding the negative foreign currency translation impact. The Europe and South America segment launched 2 new customer programmes in 2016 and 2 new customer programmes in the first half of 2017. According to IHS Markit Ltd., OEM production volume in Europe and South America increased 2.8% for the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Revenue by Products

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

	For the six months ended June 30, 2017		For the six months ended June 30, 2016	
	US$'000 (Unaudited)	**%**	US$'000 (Unaudited)	%
Steering				
EPS	**1,257,181**	**63.7**	1,189,846	61.8
CIS	**334,508**	**16.9**	318,891	16.6
HPS	**92,813**	**4.7**	96,752	5.0
DL	**289,585**	**14.7**	318,311	16.6
Total	**1,974,087**	**100.0**	1,923,800	100.0

The increase in steering revenue resulted from the growth of EPS products sold. Volume increases have followed customer demand as well as the successful launches of conquest business from the backlog of Booked Business. The decrease in DL revenue resulted from lower production schedules from key customer.

Cost of Sales

The Group's cost of sales for the six months ended June 30, 2017 was US$1,602.6 million, an increase of US$13.2 million from US$1,589.4 million as compared with the six months ended June 30, 2016. The Group's cost of sales for the six months ended June 30, 2017 primarily included raw material costs of US$1,145.9 million (for the six months ended June 30, 2016: US$1,126.1 million), manufacturing expense of US$429.1 million (for the six months ended June 30, 2016: US$428.1 million), as well as other costs of sales of US$27.6 million (for the six months ended June 30, 2016: US$35.2 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 for the six months ended June 30, 2017 when compared to the six months ended June 30, 2016. The increase in depreciation and amortisation is consistent with an increase in programmes launched. Depreciation and amortisation charged to cost of sales for the six months ended June 30, 2017 was US$82.1 million, an increase of US$8.4 million from US$73.7 million for the six months ended June 30, 2016.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$36.4 million for the six months ended June 30, 2017, representing 1.8% of revenue, an increase of US$4.7 million as compared with US$31.7 million or 1.6% of revenue for the six months ended June 30, 2016. We expect amortisation expense to continue to increase in future years with the launch of new programmes that are currently in development.

Gross Profit

The Group's gross profit for the six months ended June 30, 2017 was US$371.5 million, an increase of US$37.1 million or 11.1% as compared with US$334.4 million for the six months ended June 30, 2016. Gross profit percentage for the six months ended June 30, 2017 was 18.8%, an increase of 140 basis points as compared with 17.4% for the six months ended June 30, 2016. The increase in both gross profit and gross profit percentage was attributable to increased market growth, improved product line mix 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 six months ended June 30, 2017, the Group's engineering and product development costs charged to the income statement were US$63.1 million, representing 3.2% of revenue, a decrease of US$1.3 million as compared with US$64.4 million or 3.3% of revenue for the six months ended June 30, 2016. The decrease in engineering and product development costs is due to a non-recurring impairment charge of US$12.2 million recorded during the six months ended June 30, 2016. Excluding the impairment charge of US$12.2 million for the six months ended June 30, 2016, the Group's engineering and product development costs charged to the income statement would have been US$52.2 million, representing 2.7% of revenue, and there would have been an increase of US$10.9 million or 20.9% for the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Engineering development costs capitalised as intangible assets, including capitalised interest, for the six months ended June 30, 2017 were US$55.8 million, representing 2.8% of revenue, a decrease of US$1.6 million from US$57.4 million or 3.0% of revenue for the six months ended June 30, 2016. Capitalised interest related to engineering development costs totalled US$4.7 million for the six months ended June 30, 2017 and US$2.9 million for the six months ended June 30, 2016.

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 six months ended June 30, 2017, the Group's aggregate investment in R&D was US$118.9 million, an increase of US$9.3 million as compared with US$109.6 million for the six months ended June 30, 2016.

Administrative Expenses

The Group's administrative expenses for the six months ended June 30, 2017 were US$60.3 million representing 3.1% of revenue, an increase of US$5.3 million as compared with US$55.0 million or 2.9% of revenue for the six months ended June 30, 2016. The increase in administrative expenses includes expanded activities in information technology to support the expanding production footprint and product development activities.

Other (Losses) Gains, net

Other (losses) gains, 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 losses for the six months ended June 30, 2017 were US$1.0 million, a decrease of US$8.7 million compared to a gain of US$7.7 million for the six months ended June 30, 2016. The decrease is due to a non-recurring US$15.5 million gain recorded during the six months ended June 30, 2016 associated with the settlement of an inter-company loan, partially offset by decreases in losses on disposal of property, plant and equipment, and non-recurring losses on 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 six months ended June 30, 2017 were US$13.2 million, which is a decrease of US$2.6 million as compared with US$15.8 million for the six months ended June 30, 2016. The amount of capitalised interest on qualifying assets was US$4.7 million for the six months ended June 30, 2017 (six months ended June 30, 2016: US$3.2 million).

Share of (Loss) Income of a Joint Venture

Share of (loss) income of a joint venture relates to the Company's investment in Chongqing Nexteer Steering Systems Co., Ltd. The Group's share of loss for the six months ended June 30, 2017 was US$0.3 million, which is a decrease of US$1.8 million as compared with income of US$1.5 million for the six months ended June 30, 2016, as a result of reduced revenue caused by lower production schedules from key customers.

Income Tax Expense

The Group's income tax expense was US$44.1 million for the six months ended June 30, 2017, representing 19.5% of the Group's profit before income tax, a decrease of US$4.1 million as compared with US$48.2 million, or 24.0% of profit before income tax for the six months ended June 30, 2016. The US$4.1 million decrease in income tax expense is primarily the result of additional profit incurred in lower tax rate jurisdictions on the incremental US$25.5 million of profit before income tax for the six months ended June 30, 2017. The change in the mix of income generated by US and non-US operations favourably impacted the effective tax rate for the six months ended June 30, 2017.

Provisions

As at June 30, 2017, the Group has provisions of US$112.5 million for restructuring, litigation, environmental liabilities, warranties and decommissioning, an increase of US$6.7 million as compared with US$105.8 million as at December 31, 2016. 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 programmes and engineering and product development costs. We have historically met our working capital and other capital requirements principally from cash generated from operations and loans from banks. In recent years, the Group has invested extensively in capital equipment and engineering and product development costs. For the six months ended June 30, 2017, the Group invested US$125.8 million and US$51.0 million in capital equipment and intangible assets, respectively.

The Company had a positive total cash flow for the six months ended June 30, 2017. 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 consolidated statement of cash flows for the Group for the periods indicated:

	For the six months ended June 30, 2017 US$'000 (Unaudited)	For the six months ended June 30, 2016 US$'000 (Unaudited)
Cash generated from (used in):		
Operating activities	**311,925**	168,572
Investing activities	**(175,792)**	(144,372)
Financing activities	**(116,047)**	(96,564)
Net increase (decrease) in cash and cash equivalents	**20,086**	(72,364)

Cash Flows Generated from Operating Activities

For the six months ended June 30, 2017, the Group's net cash generated from operating activities was US$311.9 million, an increase of US$143.3 million compared to US$168.6 million for the six months ended June 30, 2016. The increase in cash flows from operating activities is primarily due to increased earnings as well as a strong improvement in managed working capital.

Cash Flows Used in Investing Activities

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

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

	For the six months ended June 30, 2017 US$'000 (Unaudited)	For the six months ended June 30, 2016 US$'000 (Unaudited)
Purchase of property, plant and equipment	**(125,787)**	(88,056)
Addition of intangible assets	**(51,049)**	(57,134)
Proceeds from sale of property, plant and equipment	**317**	839
Changes in restricted bank deposits	**727**	(21)
Net cash used in investing activities	**(175,792)**	(144,372)

Cash Flows Used in Financing Activities

The Group's net cash used in financing activities was US$116.0 million for the six months ended June 30, 2017, which was mainly attributable to the net repayment of borrowings of US$38.1 million, finance costs paid of US$18.7 million and dividends paid of US$59.9 million, offset by proceeds from the exercise of share options of US$0.6 million.

Indebtedness

As at June 30, 2017, the Group's total borrowings were US$528.2 million which is a decrease of US$35.9 million from December 31, 2016. This decrease is primarily due to the utilisation of cash generated from operations to repay maturing debt.

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

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
Current borrowings	**74,998**	74,446
Non-current borrowings	**449,999**	486,140
Finance lease obligations	**3,164**	3,561
Total borrowings	**528,161**	564,147

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

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
Within 1 year	**76,040**	75,488
Between 1 and 2 years	**75,775**	75,668
Between 2 and 5 years	**376,346**	412,991
Total borrowings	**528,161**	564,147

Details of the borrowings of the Group during the period are set out in note 11 to the unaudited Condensed Consolidated Interim Financial Information.

Pledge of Assets

The Group has several secured borrowings at certain subsidiaries. The assets securing the borrowings differ by site and include trade receivables, inventories, property, plant and equipment, equity interests of certain subsidiaries and intellectual property. As at June 30, 2017, the Group had approximately US$1,047.9 million total assets pledged as collateral, an increase of US$5.5 million as compared with US$1,042.4 million as at December 31, 2016.

Exposure to Currency Rate Fluctuations and Related Hedges

The Group seeks to limit its foreign currency exposure by naturally matching its purchase of materials and sale of finished goods in the same currencies subject to sourcing constraints. The Group monitors its remaining foreign currency exposure regularly to reduce the risk of foreign currency fluctuations in its operations. Historically, the Group hedged its US dollar exposure risk to the Mexican peso, Polish zloty and European euro by participating in a hedging programme that included forward exchange contracts. The Company did not have any outstanding hedging instruments as at June 30, 2017 nor did it as at December 31, 2016.

Gearing Ratio

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

The gearing ratio as at June 30, 2017 was 42.6%, a decrease of 910 basis points as compared with December 31, 2016 which was 51.7%. The gearing ratio decreased compared to 2016 due to improved profits and lower total borrowings.

OTHER INFORMATION

Future Prospects

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Company recognises that sound corporate governance practices are fundamental to our effective and transparent operation and to the Group's ability to protect the rights of the shareholders of the Company (**Shareholders**) and enhance Shareholder value.

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

Except as expressly described below, in the opinion of the directors of the Board (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 six months ended June 30, 2017.

Chairman and Chief Executive Officer

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 we believe there are sufficient checks and balances on the Board; (ii) Mr. ZHAO and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that each Director, including Mr. ZHAO, acts for the benefit and in the best interests of the Group and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which is comprised of experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic, financial and operational policies of the Group are made collectively after thorough discussion at both 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 the 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 sound corporate governance practices and procedures and has taken appropriate steps to provide effective communication with Shareholders and other stakeholders outlined later in the report.

Board Committee Composition

Following the passing away of Mr. TSANG Hing Lun on June 4, 2017, the Remuneration and Nomination Committee does not have a chairman, which constitutes a deviation from Code Provision A.5.1 of the Hong Kong CG Code. Please refer to the section headed "Compliance with Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules" below for further information relating to non-compliance with the relevant Listing Rules.

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 for Securities Transactions by Directors of Listed Issuers (the **Model Code**) as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code for the six months ended June 30, 2017.

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

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

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

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

COMPLIANCE WITH RULES 3.10(1), 3.10A, 3.21 AND 3.25 OF THE LISTING RULES

According to Rule 3.10(1) and 3.10A of the Listing Rules, the Board must include at least three Independent non-Executive Directors and the Company must appoint Independent non-Executive Directors representing one-third of the Board, respectively. In addition, Rule 3.21 of the Listing Rules requires, among others, an audit committee to comprise a minimum of three members and Rule 3.25 of the Listing Rules requires the remuneration committee to be chaired by an Independent non-Executive Director.

Following the passing away of Mr. TSANG Hing Lun on June 4, 2017, the Board comprises only two Independent non-Executive Directors, the Audit and Compliance Committee comprises only two members, and the Remuneration and Nomination Committee does not have a chairman. On August 15, 2017, with the appointment of Mr. YICK, Wing Fat Simon as the Independent non-Executive Director, the chairman of the Remuneration and Nomination Committee and a member of the Audit and Compliance Committee, the Company has once again complied with the requirements of relevant Listing Rules above, details of Mr. YICK's biography has been disclosed in the Company's announcement dated August 15, 2017.

RISK MANAGEMENT AND INTERNAL CONTROL

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

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2017.

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

The Audit and Compliance Committee had reviewed together with management and the external auditor the unaudited Condensed Consolidated Interim Financial Information of the Company for the six months ended June 30, 2017. There has been no disagreement between the Audit and Compliance Committee or the auditor with the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES BY THE COMPANY

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended June 30, 2017.

SHARE OPTION SCHEME

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

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

The summary of the options initially granted under the Share Option Scheme and still outstanding as at June 30, 2017 are as follows:

	Grant date	Options granted	Options held as at January 1, 2017	Options granted during the interim period	Options exercised during the interim period	Options cancelled/ lapsed during the interim period	Options held as at June 30, 2017	Exercise period [1]	Exercise price per share HK$	Share price on the grant date[2] HK$	Share price on the exercise date[3] HK$
Director											
ZHAO, Guibin	June 11, 2014	1,667,970	1,667,970	–	–	–	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
	May 29, 2017	1,667,970	–	1,667,970	–	–	1,667,970	May 29, 2017 – May 28, 2027	11.620	11.620	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
	May 29, 2017	526,730	–	526,730	–	–	526,730	May 29, 2017 – May 28, 2027	11.620	11.620	N/A
LU, Daen [5]	June 11, 2014	351,150	351,150	–	234,100	117,050	–	June 11, 2014 – June 10, 2024	5.150	5.150	12.460
	June 10, 2015	351,150	351,150	–	117,050	234,100	–	June 10, 2015 – June 9, 2025	8.610	8.480	12.440
	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
	May 29, 2017	351,150	–	351,150	–	–	351,150	May 29, 2017 – May 28, 2027	11.620	11.620	N/A
RICHARDSON, Michael Paul	May 29, 2017	2,633,650	–	2,633,650	–	–	2,633,650	May 29, 2017 – May 28, 2027	11.620	11.620	N/A
YANG, Shengqun	May 29, 2017	351,150	–	351,150	–	–	351,150	May 29, 2017 – May 28, 2027	11.620	11.620	N/A
Sub-total		**14,221,650**	**8,691,000**	**5,530,650**	**351,150**	**702,300**	**13,168,200**				
All Other Participants (in aggregate)	June 11, 2014	8,339,860	2,097,230	–	550,000	175,570	1,371,660	June 11, 2014 – June 10, 2024	5.150	5.150	10.201
	June 10, 2015	7,461,990	2,282,490	–	–	351,150	1,931,340	June 10, 2015 – June 9, 2025	8.610	8.480	N/A
	June 10, 2016	7,705,490	4,720,690	–	–	526,730	4,193,960	June 10, 2016 – June 9, 2026	7.584	7.340	N/A
	May 29, 2017	6,388,660	–	6,388,660	–	–	6,388,660	May 29, 2017 – May 28, 2027	11.620	11.620	N/A
Sub-total		**29,896,000**	**9,100,410**	**6,388,660**	**550,000**	**1,053,450**	**13,885,620**				
Total		**44,117,650**	**17,791,410**	**11,919,310**	**901,150**	**1,755,750**	**27,053,820**				

Notes:

(1) The options granted in 2014, 2015, 2016 and 2017 must be held for one year from June 11, 2014, June 10, 2015, June 10, 2016 and May 29, 2017, 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 of Hong Kong Limited (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. The exercise price for the options granted on May 29, 2017 was the closing price of the shares quoted on the Stock Exchange on the trading 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. May 26, 2017) was HK$11.20.

(3) Options were exercised during the six months ended June 30, 2017.

(4) For the value of the options granted during the six months ended June 30, 2017, please refer to note 18 to the unaudited Condensed Consolidated Interim Financial Information for details.

(5) 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.

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

As at June 30, 2017, the interests or short positions of the Directors or chief executives of the Company in the shares of the Company (the **Shares**), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the **SFO**)) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

Interest in the Company

Name	Capacity	Nature of Interest	No. of underlying Shares of the Company held (through share options)(1)	Approximate Percentage of Total Issued Shares %(2)
ZHAO Guibin	Director	Beneficial owner	6,671,880(L)	0.27
WANG Xiaobo	Director	Beneficial owner	1,404,600(L)	0.06
FAN Yi	Director	Beneficial owner	2,106,920(L)	0.08
YANG Shengqun	Director	Beneficial owner	351,150(L)	0.01
RICHARDSON Michael Paul	Director	Beneficial owner	2,633,650(L)	0.11

Notes:

(L) Denotes a long position in the 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 2,502,723,823 Shares in issue as at June 30, 2017.

Except as disclosed above, as at June 30, 2017, none of our Directors and chief executives of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 six months ended June 30, 2017.

EMPLOYEES REMUNERATION POLICY

As at June 30, 2017, the Group had over 13,600 full-time equivalents of which approximately 12,400 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 programmes that include individual development plans, performance based wage adjustments, annual incentive plans and promotions.

We offer training programmes 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.

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

As at June 30, 2017, the following Shareholders (excluding the Directors and chief executives 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	Nature of Interest	No. of Shares	Approximate Percentage of Total Issued Shares %[1]
Nexteer Automotive (Hong Kong) Holdings Limited (**Nexteer Hong Kong**) [2]	Beneficial owner	1,680,000,000(L)	67.13%
Pacific Century Motors, Inc. (**PCM China**) [2]	Interest of controlled corporation	1,680,000,000(L)	67.13%
AVIC Automobile Systems Holding Co., Ltd. (**AVIC Auto**) [3]	Interest of controlled corporation	1,680,000,000(L)	67.13%
Aviation Industry Corporation of China (**AVIC**) [3]	Interest of controlled corporation	1,680,000,000(L)	67.13%

Notes:

(L) Denotes a long position in the Shares.

(1) The calculation is based on the total number of 2,502,723,823 Shares in issue as at June 30, 2017.

(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 direct wholly-owned subsidiary of Beijing E-Town International Investment & Development Co. Ltd.). Each of PCM China and AVIC Auto is deemed to be interested in the 1,680,000,000 Shares held by Nexteer Hong Kong.

(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.

Report on Review of Interim Financial Information

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 62, which comprises the interim condensed consolidated balance sheet of Nexteer Automotive Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at June 30, 2017 and the related interim condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

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羅兵咸永道

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 15, 2017

Interim Condensed Consolidated Balance Sheet

As at June 30, 2017

	Notes	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**825,446**	779,134
Land use rights	7	**1,465**	568
Intangible assets	7	**466,366**	449,708
Deferred income tax assets		**10,064**	9,948
Other receivables and prepayments	9	**18,357**	15,869
Investment in a joint venture	24(b)	**10,316**	10,586
		1,332,014	1,265,813
Current assets			
Inventories		**244,562**	261,749
Trade receivables	8	**632,442**	589,642
Other receivables and prepayments	9	**84,589**	90,962
Restricted bank deposits		**37**	727
Cash and cash equivalents		**512,468**	484,475
		1,474,098	1,427,555
Total assets		**2,806,112**	2,693,368

The notes on pages 36 to 62 are an integral part of this condensed consolidated interim financial information.

	Notes	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	10	**32,286**	32,274
Other reserves		**157,184**	192,221
Retained earnings		**1,013,979**	834,496
		1,203,449	1,058,991
Non-controlling interests		**35,700**	32,032
Total equity		**1,239,149**	1,091,023
LIABILITIES			
Non-current liabilities			
Borrowings	11	**452,121**	488,659
Retirement benefits and compensations		**18,323**	18,160
Deferred income tax liabilities		**57,560**	56,704
Provisions	12	**90,161**	76,480
Deferred revenue	13	**83,839**	92,855
Other payables and accruals	15	**8,295**	9,161
		710,299	742,019
Current liabilities			
Trade payables	14	**584,487**	604,498
Other payables and accruals	15	**110,164**	107,362
Current income tax liabilities		**33,182**	15,349
Retirement benefits and compensations		**3,126**	3,427
Provisions	12	**22,358**	29,295
Deferred revenue	13	**27,307**	24,907
Borrowings	11	**76,040**	75,488
		856,664	860,326
Total liabilities		**1,566,963**	1,602,345
Total equity and liabilities		**2,806,112**	2,693,368

The notes on pages 36 to 62 are an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 30 to 62 were approved by the Board of Directors on August 15, 2017 and were signed on its behalf.

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

Interim Condensed Consolidated Income Statement

For the six months ended June 30, 2017

	Notes	For the six months ended June 30, 2017 US$'000 (Unaudited)	2016 US$'000 (Unaudited)
Revenue	6	**1,974,087**	1,923,800
Cost of sales	17	**(1,602,601)**	(1,589,403)
Gross profit		**371,486**	334,397
Engineering and product development costs	17	**(63,068)**	(64,413)
Selling and distribution expenses	17	**(6,938)**	(7,226)
Administrative expenses	17	**(60,295)**	(55,049)
Other (losses) gains, net	16	**(1,037)**	7,739
Operating profit		**240,148**	215,448
Finance income	19	**1,235**	611
Finance costs	19	**(14,471)**	(16,442)
Finance costs, net		**(13,236)**	(15,831)
Share of (loss) income of a joint venture	24(b)	**(270)**	1,494
Profit before income tax		**226,642**	201,111
Income tax expense	20	**(44,088)**	(48,189)
Profit for the period		**182,554**	152,922
Attributable to:			
Equity holders of the Company		**179,686**	148,869
Non-controlling interests		**2,868**	4,053
		182,554	152,922
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
Basic and diluted	21	**0.07**	0.06

The notes on pages 36 to 62 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2017

	For the six months ended June 30, 2017 US$'000 (Unaudited)	2016 US$'000 (Unaudited)
Profit for the period	**182,554**	152,922
Other comprehensive (loss) income		
Items that will not be reclassified to profit or loss		
Actuarial (losses) gains on defined benefit plans, net of tax	**(203)**	34
Items that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**23,751**	(6,806)
Cash flow hedges	**–**	890
	23,548	(5,882)
Total comprehensive income for the period	**206,102**	147,040
Attributable to:		
Equity holders of the Company	**202,434**	143,610
Non-controlling interests	**3,668**	3,430
	206,102	147,040

The notes on pages 36 to 62 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2017

	Attributable to equity holders of the Company								Non-controlling interests	
	Share capital US$'000 (Note 10)	Share premium US$'000	Merger reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Sub-total US$'000	US$'000	Total US$'000
For the six months ended June 30, 2016 (Unaudited)										
Balance at January 1, 2016	32,231	198,851	113,000	3,965	(59,351)	(890)	539,616	827,422	26,943	854,365
Comprehensive income										
Profit for the period	–	–	–	–	–	–	148,869	148,869	4,053	152,922
Other comprehensive (loss) income										
Exchange Differences	–	–	–	–	(6,183)	–	–	(6,183)	(623)	(6,806)
Actuarial gains on defined benefit plans, net of tax	–	–	–	–	–	–	34	34	–	34
Cash flow hedge	–	–	–	–	–	890	–	890	–	890
Total comprehensive (loss) income	–	–	–	–	(6,183)	890	148,903	143,610	3,430	147,040
Transactions with owners										
Value of employee services provided under share option scheme (Note 18)	–	–	–	1,304	–	–	–	1,304	–	1,304
Dividends paid to shareholders (Note 22)	–	(39,913)	–	–	–	–	–	(39,913)	–	(39,913)
Balance at June 30, 2016	32,231	158,938	113,000	5,269	(65,534)	–	688,519	932,423	30,373	962,796
For the six months ended June 30, 2017 (Unaudited)										
Balance at January 1, 2017	**32,274**	**163,197**	**113,000**	**4,862**	**(88,838)**	**–**	**834,496**	**1,058,991**	**32,032**	**1,091,023**
Comprehensive income										
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**179,686**	**179,686**	**2,868**	**182,554**
Other comprehensive (loss) income										
Exchange Differences	**–**	**–**	**–**	**–**	**22,951**	**–**	**–**	**22,951**	**800**	**23,751**
Actuarial losses on defined benefit plans, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**(203)**	**(203)**	**–**	**(203)**
Total comprehensive income	**–**	**–**	**–**	**–**	**22,951**	**–**	**179,483**	**202,434**	**3,668**	**206,102**
Transactions with owners										
Value of employee services provided under share option scheme (Note 18)	**–**	**–**	**–**	**1,231**	**–**	**–**	**–**	**1,231**	**–**	**1,231**
Transfer to Share Premium under exercise of share options	**–**	**328**	**–**	**(328)**	**–**	**–**	**–**	**–**	**–**	**–**
Proceeds from exercise of options	**12**	**637**	**–**	**–**	**–**	**–**	**–**	**649**	**–**	**649**
Dividends paid to shareholders (Note 22)	**–**	**(59,856)**	**–**	**–**	**–**	**–**	**–**	**(59,856)**	**–**	**(59,856)**
Balance at June 30, 2017	**32,286**	**104,306**	**113,000**	**5,765**	**(65,887)**	**–**	**1,013,979**	**1,203,449**	**35,700**	**1,239,149**

The notes on pages 36 to 62 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2017

	For the six months ended June 30, 2017 US$'000 (Unaudited)	2016 US$'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	**336,918**	199,142
Income tax paid	**(24,993)**	(30,570)
Net cash generated from operating activities	**311,925**	168,572
Cash flows from investing activities		
Purchase of property, plant and equipment	**(125,787)**	(88,056)
Addition of intangible assets	**(51,049)**	(57,134)
Proceeds from sale of property, plant and equipment	**317**	839
Changes in restricted bank deposits	**727**	(21)
Net cash used in investing activities	**(175,792)**	(144,372)
Cash flows from financing activities		
Proceeds from borrowings	**1,298**	2,321
Repayments of borrowings	**(39,408)**	(39,157)
Finance costs paid	**(18,730)**	(19,815)
Dividend paid to equity holders of the Company	**(59,856)**	(39,913)
Proceeds from exercise of options	**649**	–
Net cash used in financing activities	**(116,047)**	(96,564)
Net increase (decrease) in cash and cash equivalents	**20,086**	(72,364)
Cash and cash equivalents at January 1	**484,475**	416,900
Exchange gains on cash and cash equivalents	**7,907**	4,030
Cash and cash equivalents at June 30	**512,468**	348,566

The notes on pages 36 to 62 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2017

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 the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company, together with its subsidiaries (collectively referred to as the **Group**), are principally engaged in the design and manufacture of steering and driveline systems, Advanced Driver Assist Systems and Automated Driving and components for automobile manufactures 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 (the **Listing**).

This condensed consolidated interim financial information (**Condensed Financial Information**) is presented in thousands of US dollars (**US$'000**), unless otherwise stated. This Condensed Financial Information was approved for issue by the Board of Directors of the Company (the **Board**) on August 15, 2017.

This Condensed Financial Information has not been audited.

2 BASIS OF PREPARATION

This Condensed Financial Information has been prepared in accordance with International Accounting Standard (**IAS**) 34 "Interim Financial Reporting." This Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with all applicable International Financial Reporting Standards (**IFRS**), as issued by the International Accounting Standards Board (**IASB**).

3 ACCOUNTING POLICIES

In addition to those described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2016, as described in those annual financial statements.

3 ACCOUNTING POLICIES (Continued)

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

The Group adopts the following amendment which is relevant to the Group and mandatory for the annual accounting period beginning on January 1, 2017.

IAS 7 (Amendment)	Statement of Cash Flows

The adoption of the above amendment, resulting in certain disclosure changes, will be reflected in the annual financial statement.

The following new standards, amendments to standards, and interpretations relevant to the Group have been issued but are not yet effective for the financial year beginning January 1, 2017 and have not been early adopted:

		Effective for accounting periods beginning on or after
IFRS 15	Revenue from contracts with customers	1-Jan-18
IFRS 9	Financial instruments	1-Jan-18
IFRS 16	Leases	1-Jan-19
IFRIC Interpretation 22	Foreign currency transactions and advance consideration	1-Jan-18
IFRIC Interpretation 23	Uncertainty over income tax treatments	1-Jan-19
IFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1-Jan-18

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this Condensed Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended December 31, 2016.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

This Condensed Financial Information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at December 31, 2016.

(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 European euro (**Euro**), Polish zloty, Mexican peso and Chinese renminbi (**RMB**).

As at each period 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 period 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 six months ended June 30, 2017 (Unaudited)		
Euro	**35,380**	**1,582**
RMB	**41,474**	**9,134**
As at and for the six months ended June 30, 2016 (Unaudited)		
Euro	34,785	1,348
RMB	29,303	4,510

A weakening of the US dollar by 10% against the above currencies would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

Management monitors and analyses expected exchange rate developments and considers hedging foreign currency exposure should the need arise. Prior to 2017, the Group entered in forward exchange contracts to hedge currency exposure between the Mexican peso and US dollar, the Polish zloty and the US dollar and the Euro and the US dollar.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities, including cash and cash equivalents, restricted bank deposits, trade 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 Group had no financial assets or liabilities measured at fair value as at June 30, 2017 and December 31, 2016. The different levels are defined as follows:

- 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.

6 SEGMENT INFORMATION

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's Chief Executive Officer (**CEO**), in order to allocate resources to the segments and assess their performance. For each of the Group's reportable segments, the Group's CEO reviews internal management reports on a quarterly basis, at a minimum.

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

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

- 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.

6 SEGMENT INFORMATION (Continued)

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

	North America US$'000	Asia Pacific US$'000	Europe and South America US$'000	Others US$'000	Total US$'000
For the six months ended June 30, 2017 (Unaudited)					
Total revenue	**1,327,497**	**440,070**	**257,381**	**–**	**2,024,948**
Inter-segment revenue	**(20,305)**	**(24,482)**	**(6,074)**	**–**	**(50,861)**
Revenue from external customers	**1,307,192**	**415,588**	**251,307**	**–**	**1,974,087**
Adjusted EBITDA	**218,722**	**89,153**	**21,755**	**(2,740)**	**326,890**
For the six months ended June 30, 2016 (Unaudited)					
Total revenue	1,284,070	450,656	229,893	–	1,964,619
Inter-segment revenue	(21,554)	(18,667)	(598)	–	(40,819)
Revenue from external customers	1,262,516	431,989	229,295	–	1,923,800
Adjusted EBITDA	205,297	75,201	13,775	(1,991)	292,282

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

6 SEGMENT INFORMATION (Continued)

	North America US$'000	Asia Pacific US$'000	Europe and South America US$'000	Others US$'000	Total US$'000
As at June 30, 2017 (Unaudited)					
Total assets	**1,790,384**	**693,367**	**397,947**	**(75,586)**	**2,806,112**
Total liabilities	**(1,063,957)**	**(241,885)**	**(177,194)**	**(83,927)**	**(1,566,963)**
As at December 31, 2016 (Audited)					
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)

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

	For the six months ended June 30,	
	2017 US$'000 (Unaudited)	2016 US$'000 (Unaudited)
Adjusted EBITDA from reportable segments	**326,890**	292,282
Depreciation and amortisation expenses	**(86,742)**	(76,834)
Finance costs, net	**(13,236)**	(15,831)
Share of (loss) income of a joint venture	**(270)**	1,494
Profit before income tax	**226,642**	201,111

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

Adjusted EBITDA includes a non-cash component for deferred revenue amortisation. For the six months ended June 30, 2017, the North America segment and Asia Pacific segment recognised US$11,977,000 (six months ended June 30, 2016: US$12,353,000) and US$409,000 (six months ended June 30, 2016: US$1,159,000), respectively.

6 SEGMENT INFORMATION (Continued)

The geographic distribution of revenue for the six months ended June 30, 2017 and 2016, respectively, is as follows:

	For the six months ended June 30, 2017 US$'000 (Unaudited)	2016 US$'000 (Unaudited)
North America:		
US	**885,614**	872,016
Mexico	**421,578**	390,500
Asia Pacific:		
China	**382,806**	412,137
Rest of Asia Pacific	**32,782**	19,852
Europe and South America:		
Poland	**217,561**	207,950
Rest of Europe and South America	**33,746**	21,345
	1,974,087	1,923,800

The geographic distribution of non-current assets excluding deferred income tax assets as at June 30, 2017 and December 31, 2016, respectively, is as follows:

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
North America:		
US	**777,758**	760,114
Mexico	**165,737**	143,049
Asia Pacific:		
China	**210,092**	202,348
Rest of Asia Pacific	**13,674**	11,689
Europe and South America:		
Poland	**132,892**	114,827
Rest of Europe and South America	**21,797**	23,838
	1,321,950	1,255,865

6 SEGMENT INFORMATION (Continued)

Distribution of revenue between product lines for the six months ended June 30, 2017 and 2016, respectively, is as follows:

	For the six months ended June 30,			
	2017		2016	
	US$'000	**% of**	US$'000	% of
	(Unaudited)	**Revenue**	(Unaudited)	Revenue
Steering				
EPS	**1,257,181**	**63.7**	1,189,846	61.8
CIS	**334,508**	**16.9**	318,891	16.6
HPS	**92,813**	**4.7**	96,752	5.0
DL	**289,585**	**14.7**	318,311	16.6
Total	**1,974,087**	**100.0**	1,923,800	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 six months ended June 30,	
	2017	2016
	US$'000	US$'000
	(Unaudited)	(Unaudited)
General Motors Company and Subsidiaries	**863,882**	844,799
Customer A	**407,741**	404,748
Customer B	**269,480**	264,163
	1,541,103	1,513,710

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

	Property, plant and equipment US$'000	Land use rights US$'000	Intangible assets US$'000
Six months ended June 30, 2017 (Unaudited)			
Net book amount as at January 1, 2017	**779,134**	**568**	**449,708**
Additions	**80,896**	**891**	**55,805**
Disposals	**(1,916)**	**–**	**–**
Depreciation and amortisation	**(47,004)**	**(22)**	**(39,716)**
Exchange differences	**14,336**	**28**	**569**
Net book amount as at June 30, 2017	**825,446**	**1,465**	**466,366**
Six months ended June 30, 2016 (Unaudited)			
Net book amount as at January 1, 2016	685,275	634	407,671
Additions	59,146	–	59,685
Disposals	(1,251)	–	–
Impairments	–	–	(12,249)
Depreciation and amortisation	(44,884)	(13)	(31,937)
Exchange differences	729	(13)	(451)
Net book amount as at June 30, 2016	699,015	608	422,719

Intangible asset additions include additions for product development. Product development cost additions, including capitalised interest for the period ended June 30, 2017 were US$55,804,000 (six months ended June 30, 2016: US$57,424,000).

The Group recorded a product development intangible asset impairment of US$12,249,000 related to further declines in the Brazilian economy during the six months ended June 30, 2016. The impairment is recorded in the condensed 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.

The recoverable amount for the intangible asset was determined during 2016 based upon value in use from the most recent detailed calculations using the discounted cash flow approach. The pre-tax discount rate used to estimate future cash flows was a 16 percent weighted average cost of capital.

No impairment has occurred during the six months ended June 30, 2017.

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$511,966,000 as at June 30, 2017 (December 31, 2016: US$574,330,000).

8 TRADE RECEIVABLES

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
Trade receivables, gross	**633,503**	590,647
Less: provision for impairment	**(1,061)**	(1,005)
	632,442	589,642

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

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
0 to 30 days	**376,925**	254,713
31 to 60 days	**205,844**	224,652
61 to 90 days	**35,950**	84,107
Over 90 days	**14,784**	27,175
	633,503	590,647

Trade receivables of US$24,976,000 were past due but not impaired as at June 30, 2017 (December 31, 2016: US$47,614,000). These relate mainly to a number of customers for whom there is no history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
Overdue up to 30 days	**9,878**	40,687
Overdue 31 to 60 days	**3,479**	3,833
Overdue 61 to 90 days	**9,181**	429
Overdue over 90 days	**2,438**	2,665
	24,976	47,614

The carrying amounts of trade receivables pledged as collateral were US$377,328,000 as at June 30, 2017 (December 31, 2016: US$304,000,000).

9 OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
Amounts reimbursable from customers on tools	**29,027**	28,576
Other taxes recoverable[(i)]	**34,291**	37,154
Prepaid assets	**26,261**	27,543
Reimbursable engineering expenses	**3,665**	6,825
Deposits to vendors	**6,558**	5,048
Others	**3,144**	1,685
	102,946	106,831
Less: non-current portion	**(18,357)**	(15,869)
Current portion	**84,589**	90,962

(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.

10 SHARE CAPITAL

	Number of ordinary shares	Amount
Issued and fully paid:		
HK$0.10 each as at December 31,2016	2,501,822,673	HK$250,182,267
Exercise of share options	901,150	HK$90,115
HK$0.10 each as at June 30, 2017	2,502,723,823	HK$250,272,382

11 BORROWINGS

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
Non-current		
Borrowings from banks		
– secured (note (1.a))	**51,911**	58,123
– unsecured (note (1.b))	**150,506**	180,793
Notes, net of discounts (note (1.d))	**247,582**	247,224
Finance lease obligations (note (1.e))	**2,122**	2,519
	452,121	488,659
Current		
Borrowings from banks		
– secured, others (note (1.c))	**209**	8
Add: current portion of		
– non-current secured borrowings from banks (note (1.a))	**14,932**	14,581
– non-current unsecured borrowings from banks (note (1.b))	**60,573**	60,573
– finance lease obligations (note (1.e))	**1,042**	1,042
– discount on Notes (1.d))	**(716)**	(716)
	76,040	75,488
Total borrowings	**528,161**	564,147

1. Notes:

(a) This primarily includes:

(i) Long-term borrowings of US$50,000,000 as at June 30, 2017 (December 31, 2016: US$55,357,000) which bear 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$14,761,000 as at June 30, 2017 (December 31, 2016: US$15,784,000) which bear interests at EURIBOR plus 3.1% and matures in 2020. Secured by property and plant.

(iii) Long-term borrowings of US$2,082,000 as at June 30, 2017 (December 31, 2016: US$1,562,000) 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 bank loans totalling US$212,500,000 as at June 30, 2017 (December 31, 2016: US$243,000,000), which are guaranteed by AVIC and Beijing E-Town International Investment & Development Co., Ltd. (indirect shareholder of Pacific Century Motors, Inc., an intermediate holding company of the Company), bear interest at LIBOR plus 3.5% per annum and due in semi-annual instalments of US$30,500,000 which commenced in June 2014 and mature in October 2020 with the last repayment to be made then.

11 BORROWINGS (Continued)

1. Notes: (Continued)

(c) This primarily includes:

(i) A revolving line of credit of US$nil as at June 30, 2017 (December 31, 2016: US$nil) borrowed by an indirect, wholly-owned subsidiary of the Company with an available credit line of US$250,000,000, 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$209,000 as at June 30, 2017 (December 31, 2016: US$8,000) borrowed by an indirect, wholly-owned subsidiary of the Company 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 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$3,134,000.

(e) Finance lease obligations

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

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
Within 1 year	**1,243**	1,279
Between 1 and 2 years	**1,108**	1,068
Between 2 and 5 years	**1,192**	1,718
	3,543	4,065
Less: future finance charges	**(379)**	(504)
	3,164	3,561

(ii) Present value of finance lease obligations:

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
Within 1 year	**1,042**	1,042
Between 1 and 2 years	**986**	909
Between 2 and 5 years	**1,136**	1,610
	3,164	3,561

11 BORROWINGS (Continued)

2. Maturity of borrowings

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
Within 1 year	**76,040**	75,488
Between 1 and 2 years	**75,775**	75,668
Between 2 and 5 years	**376,346**	412,991
	528,161	564,147

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

	Carrying amount		Fair value	
	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
Bank borrowings	**202,417**	238,916	**199,269**	231,332
Other borrowings	**247,582**	247,224	**260,637**	258,631
Finance lease obligations	**2,122**	2,519	**2,300**	2,786
	452,121	488,659	**462,206**	492,749

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 characteristics as at the balance sheet dates. Such discount rates ranged from 2.68% to 5.07% as at June 30, 2017 (December 31, 2016: 5.12% to 5.22%), 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.

11 BORROWINGS (Continued)

4. Weighted average annual interest rates

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
Bank borrowings	5.3%	5.1%
Notes	5.9%	5.9%

5. Currency denomination

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
US$	511,109	546,793
Euro	16,843	17,346
Others	209	8
	528,161	564,147

12 PROVISIONS

	As at June 30, 2017 (Unaudited)			As at December 31, 2016 (Audited)		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Restructuring	1,005	–	1,005	970	–	970
Litigation (note (a))	21	1,541	1,562	19	1,511	1,530
Environmental liabilities (note (b))	149	12,047	12,196	150	12,059	12,209
Warranties (note (c))	21,183	68,784	89,967	26,656	55,345	82,001
Decommissioning (note (d))	–	7,789	7,789	–	7,565	7,565
Other	–	–	–	1,500	–	1,500
	22,358	90,161	112,519	29,295	76,480	105,775

12 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
Six months ended June 30, 2017 (Unaudited)							
As at January 1, 2017	**970**	**1,530**	**12,209**	**82,001**	**7,565**	**1,500**	**105,775**
(Reversals)/additions	**(28)**	**1,443**	**–**	**12,865**	**188**	**(1,500)**	**12,968**
Payments	**–**	**(1,472)**	**(12)**	**(6,446)**	**–**	**–**	**(7,930)**
Exchange differences	**63**	**61**	**(1)**	**1,547**	**36**	**–**	**1,706**
As at June 30, 2017	**1,005**	**1,562**	**12,196**	**89,967**	**7,789**	**–**	**112,519**
Six months ended June 30, 2016 (Unaudited)							
As at January 1, 2016	727	277	12,231	67,903	7,318	1,270	89,726
(Reversals)/additions	(727)	403	(2)	14,395	127	(396)	13,800
Payments	–	(249)	(19)	(6,700)	–	–	(6,968)
Exchange differences	–	70	15	(240)	(2)	231	74
As at June 30, 2016	–	501	12,225	75,358	7,443	1,105	96,632

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.

13 DEFERRED REVENUE

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

	As at June 30, 2017 (Unaudited)			As at December 31, 2016 (Audited)		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Pre-production activity	**27,307**	**83,839**	**111,146**	24,907	92,855	117,762

Movement of deferred revenue is as follows:

	US$'000
Six months ended June 30, 2017 (Unaudited)	
As at January 1, 2017	**117,762**
Additions	**5,704**
Amortisation	**(12,386)**
Exchange differences	**66**
As at June 30, 2017	**111,146**
Six months ended June 30, 2016 (Unaudited)	
As at January 1, 2016	117,126
Additions	9,501
Amortisation	(13,512)
Exchange differences	(63)
As at June 30, 2016	113,052

14 TRADE PAYABLES

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

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
0 to 30 days	**278,058**	382,752
31 to 60 days	**214,566**	159,932
61 to 90 days	**55,742**	40,623
91 to 120 days	**19,981**	14,719
Over 121 days	**16,140**	6,472
	584,487	604,498

15 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
Accrued expenses	**105,130**	106,402
Deposits from customers	**3,506**	1,555
Other taxes payable	**5,913**	6,907
Others	**3,910**	1,659
	118,459	116,523
Less: non-current portion	**(8,295)**	(9,161)
Current portion	**110,164**	107,362

16 OTHER (LOSSES) GAINS, NET

	For the six months ended June 30, 2017 US$'000 (Unaudited)	2016 US$'000 (Unaudited)
Foreign exchange (losses) gains	**(2,116)**	9,181
Loss on disposal of property, plant and equipment	**(302)**	(412)
Fair value losses on derivative financial instruments	**–**	(1,542)
Others	**1,381**	512
	(1,037)	7,739

17 EXPENSE BY NATURE

	For the six months ended June 30, 2017 US$'000 (Unaudited)	2016 US$'000 (Unaudited)
Raw materials used	**1,145,915**	1,126,053
Changes in inventories of finished goods and work-in-progress	**(7,783)**	1,556
Employee labour benefit costs	**276,705**	268,203
Temporary labour costs	**58,932**	56,472
Restructuring costs (Note 12)	**(28)**	(727)
Supplies and tools	**101,722**	105,684
Depreciation on property, plant and equipment (Note 7)	**47,004**	44,884
Amortisation on		
– land use rights (Note 7)	**22**	13
– intangible assets (Note 7)	**39,716**	31,937
Impairment charges (reversal of provisions) on		
– inventories	**433**	904
– receivables	**56**	(131)
– intangible assets	**–**	12,249
Operating lease expenses	**8,051**	7,010
Warranty expenses (Note 12)	**12,865**	14,395
Auditors' remuneration		
– Audit services	**734**	538
Others	**48,558**	47,051
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**1,732,902**	1,716,091

Amounts for the six months ended June 30, 2016 have been reclassified to conform with the current period presentation.

18 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 and will be the higher 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 subject to the Group achieving its performance targets.

On June 10, 2016, the Board 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.

On May 29, 2017, the Board approved a forth grant of share options under the Scheme, pursuant to which options to subscribe for 11,919,310 shares, representing approximately 0.476% 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$11.620 per share.

18 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, 2016	6.900	16,505
Granted	7.584	10,602
Forfeited	–	–
As at June 30, 2016 (Unaudited)	7.170	27,107
Exercisable as at June 30, 2016	6.320	8,223
As at January 1, 2017	**7.199**	**17,791**
Granted	**11.620**	**11,919**
Exercised	**11.079**	**(901)**
Forfeited	**7.520**	**(1,755)**
As at June 30, 2017 (Unaudited)	**9.180**	**27,054**
Exercisable as at June 30, 2017	**6.877**	**9,149**

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)
May 28, 2018	11.620	3,973
June 9, 2018	7.994	3,739
May 28, 2019	11.620	3,973
June 9, 2019	7.584	2,247
May 28, 2020	11.620	3,973

18 SHARE-BASED PAYMENTS (Continued)

The weighted average fair value of options granted during the period determined using a binomial valuation model was HK$4.440 per option. The significant inputs into the model were share price at the measurement date of HK$11.620, exercise price of HK$11.620, volatility of 37%, dividend yield of 1.5%, an expected term of 8.66 years and an annual risk-free interest rate of 1.17%. Considering there is limited information on the historical share price of the Company, the Group referred to benchmarked companies' historical share prices, in the same industry, to determine the historical volatility.

The fair value of the share options charged to the interim condensed consolidated income statement was US$1,231,000 during the six months ended June 30, 2017 (six months ended June 30, 2016: US$1,304,000).

19 FINANCE COSTS, NET

	For the six months ended June 30,	
	2017	2016
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Finance income		
Interest on bank deposits	**1,235**	611
Finance costs		
Interest expense on bank borrowings	**7,508**	8,431
Interest on notes	**7,344**	7,344
	14,852	15,775
Interest on finance leases	**129**	85
Other finance costs	**4,226**	3,769
	19,207	19,629
Less: amount capitalised in qualifying assets	**(4,736)**	(3,187)
	14,471	16,442
Finance costs, net	**13,236**	15,831

20 INCOME TAX EXPENSE

	For the six months ended June 30, 2017 US$'000 (Unaudited)	2016 US$'000 (Unaudited)
Current income tax	**42,229**	46,242
Deferred income tax charges	**1,859**	1,947
	44,088	48,189

For interim income tax reporting, the Group estimates its annual effective tax rate and applies it to its ordinary income (loss) for the six months ended June 30, 2017 and 2016. The tax effects of certain unusual or infrequently occurring items, including changes in judgement about the realisability of deferred tax assets and effects of changes in tax laws or rates are recognised in the interim period in which they occur.

The effective income tax rates of 19.5% and 24.0% for the six months ended June 30, 2017 and 2016, respectively, vary from the statutory rates primarily due to tax credits, tax holidays and foreign rate differentials in certain jurisdictions.

21 EARNINGS PER SHARE

a. Basic

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

	For the six months ended June 30, 2017 (Unaudited)	2016 (Unaudited)
Profit attributable to the equity holders of the Company (US$'000)	**179,686**	148,869
Weighted average number of ordinary shares in issue (thousands)	**2,502,355**	2,498,477
Basic earnings per share (in US$)	**0.07**	0.06

21 EARNINGS PER SHARE (Continued)

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the Scheme that are vested as at June 30, 2017. 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 six months ended June 30, 2017) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares within the denominator for calculating diluted earnings per share. For the six months ended June 30, 2017 and 2016, the details are within the table below.

	For the six months ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Profit attributable to equity holders of the Company, used to determine diluted earnings per share (US$'000)	**179,686**	148,869
Weighted average number of ordinary shares in issue (thousands)	**2,502,355**	2,498,477
Adjustment for share options (thousands)	**3,770**	1,869
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**2,506,125**	2,500,346
Diluted earnings per share (in US$)	**0.07**	0.06

22 DIVIDEND

A dividend of approximately US$59,856,000 relating to the Group's year ended December 31, 2016 earnings was paid during the six months ended June 30, 2017 (six months ended June 30, 2016: US$39,913,000). The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2017 (six months ended June 30, 2016: Nil).

23 COMMITMENTS

a. Capital commitments

The Group has capital commitments of US$197,237,000 as at June 30, 2017 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2016: US$185,137,000).

b. Operating lease commitments

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

	As at June 30, 2017 US$'000 (Unaudited)	As at December 31, 2016 US$'000 (Audited)
Up to 1 year	**12,256**	12,743
1 to 5 years	**23,850**	25,401
Over 5 years	**8,858**	9,745
	44,964	47,889

24 RELATED PARTY TRANSACTIONS

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

	For the six months ended June 30,	
	2017	2016
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Purchase of goods	**3,803**	8,367

b. Transactions with a joint venture

Nexteer (China) Holding Co., Ltd. (a direct, wholly-owned subsidiary of the Company) holds a 50% ownership interest in a joint venture, Chongqing Nexteer Steering Systems Co., Ltd. in Chongqing, China. The joint venture was formed to manufacture and sell steering parts, and the remaining 50% interest is held by Chongqing Changfeng Machine Company., Ltd. (a subsidiary controlled by China South Industries Group Corporation, a China state-owned enterprise).

As at June 30, 2017 the Group has invested US$9,434,000 into the joint venture (December 31, 2016: US$9,434,000). For the six months ended June 30, 2017, the Group's share of loss from the joint venture amount to US$270,000 (six months ended June 30, 2016: share of income US$1,494,000).

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

	For the six months ended June 30,	
	2017	2016
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Sale of services[i]	**8,798**	16,962
Purchase of services	**112**	23,680

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

24 RELATED PARTY TRANSACTIONS (Continued)

c. Key management compensation

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

	For the six months ended June 30, 2017 US$'000 (Unaudited)	2016 US$'000 (Unaudited)
Basic salaries, other allowances and benefits	**2,545**	2,104
Bonuses	**3,218**	3,698
Others	**465**	555
Purchase of services	**6,228**	6,357

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