Nexteer Automotive Group Limited
耐世特汽車系統集團有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 01316)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2015

HIGHLIGHTS

- Revenue increased by approximately 14.5% to US$1,642.3 million (Six months ended June 30, 2014: US$1,434.4 million)
- Gross profit increased by approximately 24.7% to US$254.8 million (Six months ended June 30, 2014: US$204.4 million)
- Profit attributable to equity holders of the Company increased by approximately 19.3% to US$96.5 million (Six months ended June 30, 2014: US$80.9 million)
- Achieved a strong new business backlog of US$11.5 billion

RESULTS

The board (the **Board**) of directors (the **Directors**) of Nexteer Automotive Group Limited (the **Company**) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the **Group**) for the six months ended June 30, 2015, together with the comparative figures for the previous period as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2015

	Notes	For the six months ended June 30, 2015 US$'000 (Unaudited)	2014 US$'000 (Unaudited)
Revenue	2	**1,642,321**	1,434,372
Cost of sales	3	**(1,387,480)**	(1,230,011)
Gross profit		**254,841**	204,361
Engineering and product development costs	3	**(42,258)**	(37,009)
Selling and distribution expenses	3	**(5,701)**	(4,060)
Administrative expenses	3	**(50,206)**	(40,405)
Other losses, net	4	**(7,406)**	(706)
Operating profit		**149,270**	122,181
Finance income	5	**1,362**	978
Finance costs	5	**(16,675)**	(11,211)
Finance costs, net		**(15,313)**	(10,233)
Share of income/(loss) of a joint venture		**457**	(198)
Profit before income tax		**134,414**	111,750
Income tax expense	6	**(35,349)**	(30,149)
Profit for the period		**99,065**	81,601
Attributable to:			
Equity holders of the Company		**96,519**	80,900
Non-controlling interests		**2,546**	701
		99,065	81,601
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
– Basic and diluted	7	**0.04**	0.03
Dividend	8	**–**	–

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2015

	For the six months ended June 30,	
	2015	2014
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**99,065**	81,601
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans, net of tax of US$47,000 (six months ended June 30, 2014: US$(271,000))	**107**	(652)
Items that may be reclassified subsequently to profit or loss		
Exchange differences	**(15,104)**	(3,684)
Cash flow hedges	**11**	(110)
	(14,986)	(4,446)
Total comprehensive income for the period	**84,079**	77,155
Attributable to:		
Equity holders of the Company	**81,555**	77,162
Non-controlling interests	**2,524**	(7)
	84,079	77,155

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2015

	Notes	**June 30, 2015 US$'000 (Unaudited)**	December 31, 2014 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**634,711**	625,924
Land use rights		**675**	689
Intangible assets		**375,791**	343,827
Investment in a joint venture		**7,726**	5,645
Deferred income tax assets		**31,386**	29,908
Derivative financial instruments		**64**	–
Other receivables and prepayments		**7,108**	10,410
		1,057,461	1,016,403
Current assets			
Inventories		**241,887**	226,049
Trade receivables	*9*	**561,240**	525,225
Other receivables and prepayments		**76,033**	93,291
Derivative financial instruments		**156**	–
Restricted bank deposits		**145**	772
Cash and cash equivalents		**326,953**	380,173
		1,206,414	1,225,510
Total assets		**2,263,875**	2,241,913
EQUITY			
Capital and reserves attributable to equity holders			
Share capital		**32,222**	32,222
Other reserves		**271,766**	318,114
Retained earnings		**429,909**	333,283
		733,897	683,619
Non-controlling interests		**25,893**	24,400
Total equity		**759,790**	708,019

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
As at June 30, 2015

	Notes	**June 30, 2015 US$'000 (Unaudited)**	December 31, 2014 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**597,507**	634,012
Retirement benefits and compensations		**29,894**	29,960
Deferred income tax liabilities		**55,094**	42,696
Derivative financial instruments		**1,311**	543
Provisions		**59,403**	54,458
Deferred revenue		**88,302**	82,452
Other payables and accruals		**6,603**	7,908
		838,114	852,029
Current liabilities			
Trade payables	*10*	**433,220**	438,975
Other payables and accruals		**86,686**	77,341
Current income tax liabilities		**15,687**	14,072
Retirement benefits and compensations		**3,493**	2,757
Derivative financial instruments		**4,495**	3,484
Provisions		**23,768**	26,013
Deferred revenue		**22,211**	22,253
Borrowings		**76,411**	96,970
		665,971	681,865
Total liabilities		**1,504,085**	1,533,894
Total equity and liabilities		**2,263,875**	2,241,913

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2015

1. GENERAL INFORMATION

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

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

The Company's directors regard Aviation Industry Corporation of China (**AVIC**), a company established in China, as being the ultimate holding company of the Company.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since October 7, 2013 (the **Listing**).

This condensed consolidated interim financial information (**Condensed Financial Information**) is presented in thousands of US dollars (**US$'000**), unless otherwise stated. This Condensed Financial Information was approved for issue by the Board of Directors on August 27, 2015.

This Condensed Financial Information has not been audited.

Basis of Preparation

This Condensed Financial Information has been prepared in accordance with International Accounting Standard (**IAS**) 34 "Interim Financial Reporting". This Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards (**IFRS**).

New/revised standards, amendments to standards and interpretations

The Group has adopted the following amendments and interpretations which are mandatory for the accounting period beginning on January 1, 2015:

Annual improvements 2012	Annual improvements 2010-2012 cycle
Annual improvements 2013	Annual improvements 2011-2013 cycle
IAS 19 (Amendment)	Employee Benefits

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

The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning January 1, 2015 and have not been early adopted:

		Effective for accounting periods beginning on or after
IAS 16 and IAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	January 1, 2016
IAS 27 (Amendment)	Equity Method in Separate Financial Statements	January 1, 2016
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation	January 1, 2016
IFRS 14	Regulatory deferral accounts	January 1, 2016
IFRS 10, IFRS 12, and IAS 28 (Amendments)	Investment Entities: Applying the Consolidated Exceptions	January 1, 2016
IAS 1 (Amendment)	Disclosure Initiative	January 1, 2016
Annual Improvements 2014	Annual improvements 2012-2014 cycle	January 1, 2016
IAS 16 and IAS 41 (Amendments)	Agriculture: bearer plants	January 1, 2016
IAS 28 and IFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	January 1, 2016
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRS 9	Financial instruments	January 1, 2018

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

2. SEGMENT INFORMATION

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

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

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

- Adjusted EBITDA, which represents operating income before interest, taxes and depreciation and amortization and share of income/(loss) of a joint venture

- Total assets and total liabilities represent total current and non-current assets and total current and non-current liabilities of the segments and include assets and liabilities between operating segments. During the period ended June 30, 2015 the Group changed its balance sheet metric reported to the chief operating decision maker from net working capital which represented inventory and trade receivables net of trade payables to total assets and total liabilities.

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

For the six months ended June 30, 2015 (unaudited)	**North America** *US$'000*	**China** *US$'000*	**Europe** *US$'000*	**Rest of World** *US$'000*	**Others** *US$'000*	**Total** *US$'000*
Total revenue	1,122,083	334,364	183,398	45,742	–	1,685,587
Inter-segment revenue	(25,159)	(4,542)	(5,301)	(8,264)	–	(43,266)
Revenue from external customers	1,096,924	329,822	178,097	37,478	–	1,642,321
Adjusted EBITDA	162,800	51,041	10,016	(2,904)	(3,132)	217,821
For the six months ended June 30, 2014 (unaudited)						
Total revenue	1,023,073	187,722	201,371	63,919	–	1,476,085
Inter-segment revenue	(20,717)	(3,849)	(10,014)	(7,133)	–	(41,713)
Revenue from external customers	1,002,356	183,873	191,357	56,786	–	1,434,372
Adjusted EBITDA	118,614	30,031	25,830	(7,280)	3,873	171,068

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

	North America *US$'000*	**China** *US$'000*	**Europe** *US$'000*	**Rest of World** *US$'000*	**Others** *US$'000*	**Total** *US$'000*
As at June 30, 2015 (unaudited)						
Total assets	**1,429,700**	**500,467**	**323,231**	**80,596**	**(70,119)**	**2,263,875**
Total liabilities	**(764,485)**	**(277,836)**	**(124,586)**	**(27,642)**	**(309,536)**	**(1,504,085)**
As at December 31, 2014 (audited)						
Total assets	1,299,664	463,398	333,672	94,953	50,226	2,241,913
Total liabilities	(720,901)	(298,407)	(124,022)	(32,285)	(358,279)	(1,533,894)

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

	For the six months ended June 30,	
	2015	2014
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Adjusted EBITDA from reportable segments	**217,821**	171,068
Depreciation and amortisation expenses	**(68,551)**	(48,887)
Finance costs, net	**(15,313)**	(10,233)
Share of income/(loss) of a joint venture	**457**	(198)
Profit before income tax	**134,414**	111,750

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

Adjusted EBITDA includes non-cash component for deferred revenue amortisation. For the period ended June 30, 2015, the North America segment and China segment recognized US$10,052,000 (six months ended June 30, 2014: US$4,977,000) and US$917,000 (six months ended June 30, 2014: US$600,000) respectively.

The geographic distribution of revenue for the six months ended June 30, 2015 and 2014 respectively is as follows:

	For the six months ended June 30,	
	2015	2014
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
North America	**1,096,924**	1,002,356
China	**329,822**	183,873
Europe:		
Poland	**174,647**	188,708
Rest of Europe	**3,450**	2,649
Rest of World	**37,478**	56,786
	1,642,321	1,434,372

The geographic distribution of non-current assets excluding deferred income tax assets as at June 30, 2015 and December 31, 2014 respectively is as follows:

	June 30, 2015	December 31, 2014
	US$'000	*US$'000*
	(Unaudited)	(Audited)
North America	**759,881**	729,801
China	**159,187**	151,831
Europe:		
Poland	**90,610**	87,109
Rest of Europe	**2,585**	2,819
Rest of World	**13,812**	14,935
	1,026,075	986,495

Distribution of revenue between product lines for the six months ended June 30, 2015 and 2014 respectively is as follows:

	For the six months ended June 30,			
	2015		2014	
	US$'000		*US$'000*	
	(Unaudited)	%	(Unaudited)	%
Steering				
Electric Power Steering (**EPS**)	**973,100**	59.3	783,852	54.6
Column and Intermediate Shafts (**CIS**)	**301,135**	18.3	293,574	20.5
Hydraulic Power Steering (**HPS**)	**80,971**	4.9	92,754	6.5
Driveline (**DL**)	**287,115**	17.5	264,192	18.4
	1,642,321	100.0	1,434,372	100.0

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

	For the six months ended June 30,	
	2015	2014
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
General Motors Group and its affiliates	**799,749**	801,139
Customer A	**306,638**	235,300
Customer B	**204,369**	148,200
	1,310,756	1,184,639

3. EXPENSE BY NATURE

	For the six months ended June 30,	
	2015	2014
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Raw materials used	**936,162**	836,834
Changes in inventories of finished goods and work-in-progress	**7,525**	7,410
Employee benefit costs	**238,618**	219,084
Temporary labour costs	**40,034**	35,277
Restructuring costs	**(64)**	(11)
Supplies and tools	**92,303**	69,509
Depreciation on property, plant and equipment	**43,446**	33,923
Amortisation on		
– land use rights	**13**	13
– intangible assets	**25,092**	14,951
Impairment charges/(reversal of provisions) on		
– inventories	**3,920**	1,098
– receivables *(note 9)*	**(789)**	175
Utilities	**19,455**	20,765
Transportation expenses	**5,733**	4,131
Operating lease expenses	**6,212**	6,204
Warranty expenses	**13,742**	23,482
Auditors' remuneration		
– Audit services	**424**	339
Others	**53,819**	38,301
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**1,485,645**	1,311,485

4. OTHER LOSSES, NET

	For the six months ended June 30,	
	2015	2014
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Foreign exchange losses	**2,616**	575
Loss on disposal of property, plant and equipment	**782**	257
Fair value losses/(gains) on derivative financial instruments	**4,054**	(337)
Others	**(46)**	211
	7,406	706

5. FINANCE COSTS, NET

	For the six months ended June 30,	
	2015	2014
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest on bank deposits	**1,362**	978
Finance costs		
Interest expense on bank borrowings	**9,195**	12,960
Interest on notes	**7,425**	–
	16,620	12,960
Interest on finance leases	**35**	34
Realised losses on interest rate swap	**406**	–
Other finance costs	**2,380**	812
	19,441	13,806
Less: amount capitalised in qualifying assets	**(2,766)**	(2,595)
	16,675	11,211
Finance costs, net	**15,313**	10,233

6. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2015	2014
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current income tax	**27,054**	22,958
Deferred income tax charges	**8,295**	7,191
	35,349	30,149

Taxation on the Group's profits has been calculated on the estimated assessable profits for the year at the statutory rates of 35%, 25% and 29% in US, China, and Luxembourg, respectively, from where the Group's profits were mainly generated.

For interim income tax reporting, the Group estimates its annual effective tax rate and applies it to its ordinary income/(loss) for the six months ended June 30, 2015. 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 26.3% and 27.0% for the six months ended June 30, 2015 and 2014, respectively, vary from the statutory rates primarily due to tax credits, tax holidays, and foreign rate differentials in certain jurisdictions.

7. EARNINGS PER SHARE

a. Basic 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,	
	2015	2014
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company *(US$'000)*	**96,519**	80,900
Weighted average number of ordinary shares in issue *(thousands)*	**2,497,804**	2,497,804
Basic earnings per share *(in US$)*	**0.04**	0.03

b. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the share option scheme that are vested as of June 30, 2015. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares within the denominator for calculating diluted earnings per share. For the six months ended June 30, 2015, the details are within the table below. For the six months ended June 30, 2014, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares as the performance-based share options could not be exercised because the annual performance targets were not met.

	For the six months ended June 30,	
	2015	2014
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company used to determine diluted earnings per share *(US$'000)*	**96,519**	80,900
Weighted average number of ordinary shares in issue *(thousands)*	**2,497,804**	2,497,804
Adjustment for share options *(thousands)*	**1,298**	–
Weighted average number of ordinary shares in issue for calculating diluted earnings per share *(thousands)*	**2,499,102**	2,497,804
Basic earnings per share *(in US$)*	**0.04**	0.03

8. DIVIDEND

A dividend of approximately US$32,395,000 relating to the Group's year ended December 31, 2014 earnings was paid in the six months ended June 30, 2015 (six months ended June 30, 2014: US$21,654,000). The Board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended June 30, 2015 (six months ended June 30, 2014: Nil).

9. TRADE RECEIVABLES

	June 30, 2015 *US$'000* (Unaudited)	December 31, 2014 *US$'000* (Audited)
Trade receivables, gross	**563,074**	527,848
Less: provision for impairment	**(1,834)**	(2,623)
	561,240	525,225

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

	June 30, 2015 *US$'000* (Unaudited)	December 31, 2014 *US$'000* (Audited)
Not overdue	**535,624**	489,286
Overdue up to 30 days	**17,451**	26,182
Overdue 30 to 60 days	**3,585**	8,512
Overdue 60 to 90 days	**1,198**	2,295
Overdue over 90 days	**5,216**	1,573
	563,074	527,848

The carrying amounts of trade receivables pledged as collateral were US$313,781,000 as at June 30, 2015 (December 31, 2014: US$268,768,000).

10. TRADE PAYABLES

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

	June 30, 2015 *US$'000* (Unaudited)	December 31, 2014 *US$'000* (Audited)
Not overdue	**396,454**	407,308
Overdue up to 30 days	**12,065**	15,895
Overdue 30 to 60 days	**11,263**	5,875
Overdue 60 to 90 days	**3,023**	2,784
Overdue over 90 days	**10,415**	7,113
	433,220	438,975

FINANCIAL REVIEW

Financial Summary

The Group advanced its strong financial position in the first half of 2015. Robust industry production and improved markets in North America, China, and Europe led to increased volume. The Group also continued to successfully launch new products in China, North America and Rest of World to deliver continued top line revenue growth. The Company's strong top line growth through successful launches and focus on operational efficiency coupled with a strong automotive market, continues to drive earnings and cash flow accretion.

Operating Environment

The global automotive market has a direct impact on our business and operating results. The factors affecting the industry include macroeconomic factors such as consumer confidence, fluctuations in commodity, currency, fuel prices, and regulatory environments. The Company operates primarily in North America, China, Europe, India and Brazil. Automotive industry production levels increased in the first half of 2015 over the first half of 2014 despite stable, yet lackluster, growth in the global economy. Improvements were seen in North America where global light vehicle production increased 1.7% from the six months ended June 30, 2014 to the six months ended June 30, 2015. In China, the automotive market continues to expand and thus provide a benefit to the Group. The China global light vehicle production increased 7.3% from the six months ended June 30, 2014 to the six months ended June 30, 2015. Additionally, the Group has benefitted from strong mix with sport utility vehicles (**SUV**). The European market continued modest growth. The European global light vehicle production increased 0.6%. The environment in India remained stable with signs of growth while the environment in Brazil deteriorated. Global light vehicle production in rest of world including India, Brazil, Korea, and Australia declined 2.5% from the six months ended June 30, 2014 to the six months ended June 30, 2015.

The Group's profit attributable to equity holders of the Company for the six months ended June 30, 2015 was US$96.5 million or 5.9% of total revenue, an increase of 19.3% compared to the six months ended June 30, 2014 of US$80.9 million or 5.6% of total revenue. This increase was attributable to the following:

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

- Increased customer demand due to market strength

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

- Focused on continuous improvement in operating efficiency and cost competitiveness

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

Revenue

The Group's revenue for the six months ended June 30, 2015 was US$1,642.3 million, an increase of US$207.9 million or a 14.5% increase from the six months ended June 30, 2014 of US$1,434.4 million. The Group's revenue was negatively impacted by approximately US$43.0 million of foreign exchange. The Group's revenue would have increased an additional 3% from the six months ended June 30, 2014 excluding the foreign exchange impact.

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

Revenue by Geographical Segments

For the six months ended June 30, 2015, the Group experienced an increase in revenue in North America and China segments. This increase was partially offset by a decrease in revenue in the Europe and Rest of World segments.

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

	Six months ended June 30, 2015		Six months ended June 30, 2014	
	***US$'000* (unaudited)**	*%*	*US$'000* (unaudited)	*%*
North America	**1,096,924**	66.8	1,002,356	69.9
China	**329,822**	20.1	183,873	12.8
Europe	**178,097**	10.8	191,357	13.3
Rest of World[1]	**37,478**	2.3	56,786	4.0
Total	**1,642,321**	100.0	1,434,372	100.0

Note:

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

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

- The North America segment experienced a 9.4% increase from the prior six months ended June 30, 2014 to the six months ended June 30, 2015 which is consistent with strong North America automotive industry production. The North America segment benefitted from increased volume as a result of increased end-user customer demand for new vehicles and new customer program launches. The North America segment launched eleven new customer programs in 2014 and two in the first half of 2015. The increased volume is primarily attributed to EPS and CIS programs.

- The China segment experienced a 79.4% increase in revenue from the six months ended June 30, 2014 to the six months ended June 30, 2015. The increase is directly attributable to our increased exposure in the China market. The China segment launched eight new customer programs in the second half of 2014 and four new customer programs in the first half of 2015. Additionally, main model sales to key customers are strong, which is allowing for sales above the overall market.

- The Europe segment experienced a 6.9% decrease in revenue from the six months ended June 30, 2014 to the six months ended June 30, 2015. This decrease is attributable to unfavorable foreign exchange offset by improved customer schedules. The negative foreign exchange impact on revenue for the Europe segment was approximately US$35.0 million with a negative EBITDA impact of approximately US$10.0 million. The Europe segment revenue would have increased 11.4% from the six months ended June 30, 2014 to the six months ended June 30, 2015 excluding the negative foreign exchange impact.

- The Rest of World segment experienced a 34.0% decrease in revenue from the six months ended June 30, 2014 to the six months ended June 30, 2015. This decrease is attributable to the reduction of sales in Korea, and unfavorable customer demand as a result of the less than favorable economic environment in Brazil.

Revenue by Products

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

	Six months ended June 30, 2015		Six months ended June 30, 2014	
	US$'000 **(unaudited)**	*%*	*US$'000* (unaudited)	*%*
Steering				
EPS	**973,100**	59.3	783,852	54.6
CIS	**301,135**	18.3	293,574	20.5
HPS	**80,971**	4.9	92,754	6.5
Driveline	**287,115**	17.5	264,192	18.4
Total	**1,642,321**	100.0	1,434,372	100.0

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

Cost of Sales

The Group's cost of sales for the six months ended June 30, 2015 was US$1,387.5 million, an increase of US$157.5 million from the six months ended June 30, 2014. The Group's cost of sales as of for the six months ended June 30, 2015 primarily included raw material costs of US$936.2 million, manufacturing expense of US$416.8 million, as well as other costs of sales of US$34.5 million.

The Group's cost of sales increased as a result of increased sales volume. The increase was partially offset by cost efficiencies in raw material and improved quality resulting in a reduction in warranty expense in the six months ended June 30, 2015 from the six months ended June 30, 2014. However, the Company experienced increased depreciation on property, plant, and equipment, and increased amortisation of capitalised product development costs in the six months ended June 30, 2015 when compared to the first six months of 2014. The increased depreciation and amortisation is consistent with an increase in programs launched. The depreciation and amortisation charged to cost of sales for the six months ended June 30, 2015 was US$65.3 million, an increase of US$18.1 million from the six months ended June 30, 2014.

Engineering and Product Development Costs

For the six months ended June 30, 2015, the Group's engineering and product development costs charged to the income statement was US$42.3 million, representing 2.6% of revenue, an increase of US$5.3 million from US$37.0 million or 2.6% of revenue for the six months ended June 30, 2014. The stable engineering and product development costs as a percentage of revenue is attributable to efficiency of scale with increased revenue growth. The absolute increase in engineering and product development costs includes additional global headcount as the Company continues its strong focus on engineering and product development.

Engineering development costs capitalised as intangible assets, including capitalised interest, for the six months ended June 30, 2015 were US$54.0 million (six months ended June 30, 2014: US$52.0 million).

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$24.8 million for the six months ended June 30, 2015, an increase of US$9.8 million from US$15.0 million for the six months ended June 30, 2014. We expect amortisation expense to continue to increase in future years with the launch of several programs that are currently in development.

Other Losses, net

Other losses, net represents losses 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, 2015 were US$7.4 million, an increase of US$6.7 million compared to the six months ended June 30, 2014. The increase is driven by unfavorable foreign exchange transaction loss and loss on derivative financial instruments associated forward exchange contracts.

Administrative Expenses

The Group's administrative expenses for the six months ended June 30, 2015 were US$50.2 million, an increase of US$9.8 million compared to the six months ended June 30, 2014. The increase was primarily due to increased support aligned to our strategy of continued growth.

Finance Costs, net

Finance costs, net, consist of interest income and expense reduced by interest capitalized on qualifying assets and product development. The Group's net finance costs as of the six months ended June 30, 2015 were US$15.3 million which is an increase of US$5.1 million from the six months ended June 30, 2014. The increase was primarily due to increased interest expense related to the senior unsecured notes. Finance costs, net, were offset by US$2.8 million of interest capitalized for the six months ended June 30, 2015 compared to US$2.6 million for the six months ended June 30, 2014.

Income Tax Expense

The Group's income tax expense was US$35.3 million for the six months ended June 30, 2015, representing 26.3% of the Group's profit before income tax, an increase of US$5.2 million from US$30.1 million, or 27.0% of profit before tax for the six months ended June 30, 2014.

The US$5.2 million increase in income tax expense is primarily the result of additional income tax expense incurred on the incremental US$22.7 million of profit before tax for the six months ended June 30, 2015. The reduced effective tax rate reflects the Group's continued focus on strategies to minimize tax exposure.

Gross Profit and Gross Margin

The Group's gross profit for the six months ended June 30, 2015 was US$254.8 million, an increase of US$50.4 million or 24.7% from US$204.4 million for the six months ended June 30, 2014. Gross margin for the six months ended June 30, 2015 was 15.5%, a 1.3% increase from 14.2% for the six months ended June 30, 2014. The increase in the gross profit was attributed to increased revenue, continued rotation to EPS, and cost improvement initiatives. This was partially offset by unfavorable foreign exchange, depreciation on property, plant and equipment, and amortisation of capitalised product development costs.

Provisions

As of June 30, 2015, the Group has provisions of US$83.2 million for restructuring, legal disputes, environmental liabilities, warranties and decommissioning, an increase of US$2.7 million from US$80.5 million as at December 31, 2014. This increase in provisions was primarily due to the net change in warranty reserves.

Liquidity and Capital Resources

Cash Flows

Our business requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials, capital spending for customer programs, and engineering and product development costs. We have historically met our working capital and other capital requirements principally from cash provided by 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, 2015, the Group invested US$80.4 million and US$54.4 million in capital equipment and engineering product development, respectively. Due to an increase in cash generated from operations, the Group has reduced the principal balance on some of its borrowings.

The Company was free cash flow positive for the period ended June 30, 2015. We believe that in the future our liquidity and capital expenditure requirements will be satisfied by cash generated from operating activities and existing debt facilities.

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

	Six months ended June 30, 2015	Six months ended June 30, 2014
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Cash generated from/(used in):		
Operating Activities	**188,117**	76,179
Investing Activities	**(132,103)**	(140,631)
Financing Activities	**(109,923)**	(64,711)
Net decrease in cash and cash equivalents	**(53,909)**	(129,163)

Cash Flows Generated from Operating Activities

For the six months ended June 30, 2015, the Group's net cash generated from operating activities was US$188.1 million, an increase of US$111.9 million compared to six months ended June 30, 2014 of US$76.2 million. The increase in cash flows from operating activities is primarily due to increased earnings. This was partially offset by increased demands for working capital driven by higher sales volumes.

Cash Flows Used in Investing Activities

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

In the six months ended June 30, 2015, the Company invested US$1.6 million in a 50% owned joint venture in Chongqing, China to manufacture and sell EPS products (six months ended June 30, 2014: US$2.0 million).

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

	Six months ended June 30, 2015 *US$'000* **(unaudited)**	Six months ended June 30, 2014 *US$'000* (unaudited)
Purchase of property, plant and equipment	**(80,438)**	(87,132)
Addition of intangible assets	**(54,380)**	(52,933)
Proceeds from sale of property, plant and equipment	**3,705**	1,818
Change in restricted bank deposits	**634**	(403)
Investment in a joint venture	**(1,624)**	(1,981)
Net cash used in investing activities	**(132,103)**	(140,631)

Cash Flows Used in Financing Activities

The Group's net cash used in financing activities was US$109.9 million for the six months June 30, 2015, which was mainly attributable to the net repayment of borrowings of US$57.8 million, finance costs paid of US$19.7 million, and dividends paid of US$32.4 million.

Indebtedness

As at June 30, 2015, the Group's total borrowings were US$673.9 million which is a US$57.1 million decrease from December 31, 2014. This decrease is due to the utilization of cash generated through operations to pay maturing debt.

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

	June 30, 2015 *US$'000* **(unaudited)**	December 31, 2014 *US$'000* (audited)
Current borrowings	**75,848**	96,586
Non-current borrowings	**597,110**	633,700
Finance lease obligations	**960**	696
Total borrowings	**673,918**	730,982

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

	June 30, 2015 *US$'000* **(unaudited)**	December 31, 2014 *US$'000* (audited)
Within 1 year	**76,411**	96,970
Between 1 and 2 years	**75,102**	74,233
Between 2 and 5 years	**241,973**	252,733
Over 5 years	**280,432**	307,046
Total borrowings	**673,918**	730,982

Pledge of Assets

The Group has several secured borrowings at specific subsidiaries. The assets securing the borrowings differ by site and include accounts receivable, inventory, property, plant and equipment, the equity interests of certain subsidiaries, and intellectual property. As at June 30, 2015, the Group had approximately US$947.8 million total assets pledged as collateral, an increase of US$56.9 million from US$890.9 million as of December 31, 2014.

Exposure to Currency Rate Fluctuations and Related Hedges

The Group actively limits its foreign currency exposure through focusing on naturally matching its purchase of materials and sale of finish goods in the same currencies. The Group monitors its remaining foreign currency exposure regularly to reduce the risk of foreign currency fluctuations in its operations. The Group currently hedges its exposure USD risk to the Mexican Peso, Polish Zloty, and the European Euro by participating in a hedging program that includes forward exchange contracts. The total notional principal amount of the outstanding contracts at June 30, 2015 was US$107.3 million (December 31, 2014: US$64.8 million).

Gearing Ratio

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

The gearing ratio as of June 30, 2015 was 88.7%, a decrease of 14.5% from December 31, 2014 which was 103.2%. The ratio decreased compared to 2014 due to improved profits and payment of borrowings.

OTHER INFORMATION

Future Prospects

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

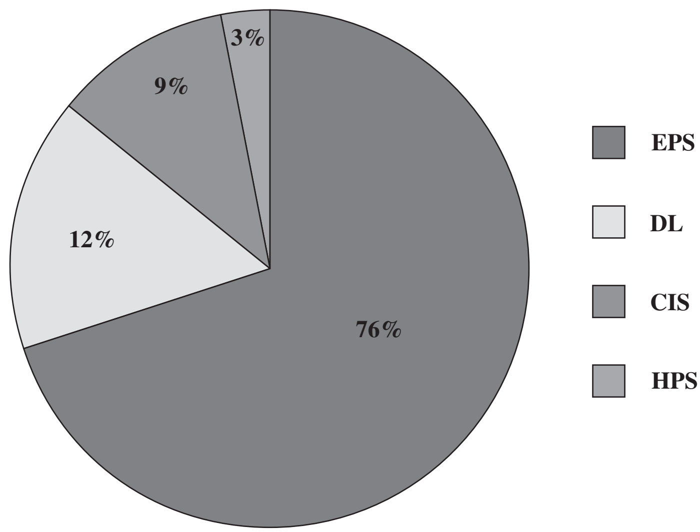
Backlog of Booked Business

We begin to realise revenue under a new business contract at the start of production, which is generally 24 to 30 months from the date when the new business is contractually awarded. **As of June 30, 2015, we have secured new contracts for a number of customer programs which are expected to begin production starting in the second half of 2015. As of June 30, 2015, we estimate the value of all booked business under contracts that have been awarded, but which have not yet begun production amounts to approximately US$11.5 billion over the lifetime of the relevant vehicle programs (the Booked Business Amount).** This robust backlog provides a strong and visible revenue stream through our projection years. The Booked Business Amount is based on estimated lifetime volume of the programs derived from indicative production arrangements provided by the applicable original equipment manufacturer (**OEM**) customers and information provided by third-party industry sources. In calculating the Booked Business Amount, we also assume that the relevant contracts will be performed in accordance with their terms. Any modification or suspension of the contracts related to the booked business by the Group's customers may have a substantial and immediate effect on the value of the booked business. The value of booked business is not a measure defined by IFRS, and our methodology for determining the Booked Business Amount may not be comparable to the methodology used by other companies in determining the value of their booked business.

While we believe that our current Booked Business Amount is a relevant financial metric, we must emphasize that the above information in relation to the booked business and the Booked Business Amount shall not constitute any forecast or prediction of the profits of the Group and the actual value may differ to the estimated Booked Business Amount due to various factors beyond the Group's control.

Cumulative Booked Business:

Backlog by Product Group



Employees Remuneration Policy

As of June 30, 2015, the Group had over 12,000 full-time equivalents of which approximately 10,000 are direct employees of the Group. The Group's remuneration policies are formulated based on the performance of individual employees and Company performance and are reviewed regularly. Our full time employees participate in various employee benefit plans including health care, extended disability benefits, and workers' compensation. In addition, we have adopted employee incentive plans designed to attract, retain, motivate, and encourage employees to commit to enhancing value for us and our Shareholders as a whole. For example, the Group has retention programs that include individual development plans, merit wage adjustments, annual incentive plans and promotions.

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

CORPORATE GOVERNANCE PRACTICES

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

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

Except as expressly described below, in the opinion of the Directors, the Company complied with all applicable code provisions set out in the Hong Kong CG Code throughout the six months ended June 30, 2015.

Chairman and Chief Executive Officer

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

COMPLIANCE WITH CODE ON CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **Model Code**) as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the six months ended June 30, 2015.

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

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2015.

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

The Audit and Compliance Committee has reviewed together with management and the external auditor the unaudited condensed consolidated interim financial information of the Company for the six months ended June 30, 2015. There has been no disagreement between the Audit and Compliance Committee or the auditor with the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION BY THE COMPANY

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended June 30, 2015.

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

Hong Kong, August 27, 2015

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