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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2013

HIGHLIGHTS

- ***Revenue increased by approximately 10.1% to US$2,386.8 million (2012: US$2,167.8 million)***
- ***Gross profit increased by approximately 25.1% to US$339.4 million (2012: US$271.4 million)***
- ***Profit attributable to equity holders of the Company increased by approximately 91.2% to US$109.2 million (2012: US$57.1 million)***

The board of directors (the **Board**) of Nexteer Automotive Group Limited (the **Company**) announces that the consolidated results of the Company and its subsidiaries (the **Group**) for the year ended December 31, 2013, together with the comparative figures for 2012, are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2013

	Notes	For the year ended December 31, 2013 US$'000	2012 US$'000
Revenue	2	**2,386,823**	2,167,802
Cost of sales	3	**(2,047,417)**	(1,896,392)
Gross profit		**339,406**	271,410
Engineering and product development costs	3	**(73,297)**	(81,623)
Selling and distribution expenses	3	**(8,493)**	(9,343)
Administrative expenses	3	**(80,808)**	(88,563)
Other losses, net	4	**(3,780)**	(7,958)
Operating profit		**173,028**	83,923
Finance income	5	**1,277**	562
Finance costs	5	**(23,047)**	(22,291)
Finance costs, net		**(21,770)**	(21,729)
Profit before income tax		**151,258**	62,194
Income tax expense	6	**(40,337)**	(3,567)
Profit for the year		**110,921**	58,627
Attributable to:			
Equity holders of the Company		**109,191**	57,096
Non-controlling interests		**1,730**	1,531
		110,921	58,627
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in US$ per share)			
– Basic and diluted	7	**$0.06**	$0.03
Dividend	8	**21,838**	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2013

	For the year ended December 31,	
	2013	2012
	US$'000	*US$'000*
Profit for the year	**110,921**	58,627
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans, net of tax of US$477,000 (2012: US$622,000)	**1,453**	(1,394)
Items that may be reclassified subsequently to profit or loss		
Exchange differences	**1,698**	4,607
	3,151	3,213
Total comprehensive income for the year	**114,072**	61,840
Attributable to:		
Equity holders of the Company	**111,907**	60,103
Non-controlling interests	**2,165**	1,737
	114,072	61,840

CONSOLIDATED STATEMENT OF BALANCE SHEET
As at December 31, 2013

		As at December 31,	
		2013	2012
	Notes	***US$'000***	*US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**562,540**	434,103
Land use rights		**732**	737
Intangible assets		**271,358**	179,082
Deferred income tax assets		**23,320**	14,595
Other receivables and prepayments		**8,021**	2,483
		865,971	631,000
Current assets			
Inventories		**185,323**	174,433
Trade receivables	*9*	**363,932**	324,317
Other receivables and prepayments		**71,565**	64,790
Derivative financial instruments		**462**	–
Restricted bank deposits		**3,816**	251
Cash and cash equivalents		**314,120**	64,080
		939,218	627,871
Total assets		**1,805,189**	1,258,871

CONSOLIDATED STATEMENT OF BALANCE SHEET *(Continued)*
As at December 31, 2013

	Notes	As at December 31, 2013 US$'000	2012 US$'000
EQUITY			
Capital and reserves attributable to equity holders			
Share capital		**32,222**	–
Other reserves		**361,799**	107,893
Retained earnings		**173,682**	63,038
		567,703	170,931
Non-controlling interests		**23,043**	20,878
Total equity		**590,746**	191,809
LIABILITIES			
Non-current liabilities			
Borrowings		**458,377**	441,531
Retirement benefits and compensations		**25,614**	25,077
Deferred income tax liabilities		**28,347**	2,866
Provisions		**42,423**	40,730
Deferred revenue		**65,232**	46,034
Other payables and accruals		**2,904**	3,527
		622,897	559,765
Current liabilities			
Trade payables	*10*	**336,476**	295,741
Other payables and accruals		**72,308**	85,549
Current income tax liabilities		**19,083**	2,219
Retirement benefits and compensations		**2,116**	1,721
Provisions		**18,494**	16,043
Deferred revenue		**13,430**	6,907
Borrowings		**129,639**	99,117
		591,546	507,297
Total liabilities		**1,214,443**	1,067,062
Total equity and liabilities		**1,805,189**	1,258,871
Net current assets		**347,672**	120,574
Total assets less current liabilities		**1,213,643**	751,574

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2013

	Attributable to equity holders of the Company				Non-controlling interests	
	Share capital	Other reserves	Retained earnings	Sub-total		Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at January 1, 2012	–	103,492	7,336	110,828	12,190	123,018
Comprehensive income						
Profit for the year	–	–	57,096	57,096	1,531	58,627
Other comprehensive income/(loss)						
Exchange differences	–	4,401	–	4,401	206	4,607
Actuarial losses on defined benefit plans, net of tax	–	–	(1,394)	(1,394)	–	(1,394)
Total other comprehensive income/(loss)	–	4,401	(1,394)	3,007	206	3,213
Total comprehensive income	–	4,401	55,702	60,103	1,737	61,840
Transactions with owners						
Contributions from non-controlling shareholders of subsidiaries	–	–	–	–	6,951	6,951
	–	–	–	–	6,951	6,951
Balance at December 31, 2012	–	107,893	63,038	170,931	20,878	191,809
Comprehensive income						
Profit for the year	**–**	**–**	**109,191**	**109,191**	**1,730**	**110,921**
Other comprehensive income						
Exchange differences	**–**	**1,263**	**–**	**1,263**	**435**	**1,698**
Actuarial gains on defined benefit plans, net of tax	**–**	**–**	**1,453**	**1,453**	**–**	**1,453**
Total other comprehensive income	**–**	**1,263**	**110,644**	**111,907**	**2,165**	**114,072**
Transactions with owners						
Capitalisation issue	**21,672**	**(21,672)**	**–**	**–**	**–**	**–**
Issuance of new shares	**10,550**	**284,857**	**–**	**295,407**	**–**	**295,407**
Share issuance cost	**–**	**(10,542)**	**–**	**(10,542)**	**–**	**(10,542)**
	32,222	**252,643**	**–**	**284,865**	**–**	**284,865**
Balance at December 31, 2013	**32,222**	**361,799**	**173,682**	**567,703**	**23,043**	**590,746**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

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 (the **PRC**) and it is structured to supply its customers globally. The principal markets for the Group's products are North America, Europe and the PRC.

The Company's directors regard Aviation Industry Corporation of China (**AVIC**), a company established in the PRC, 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 Date**).

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**).

These financial statements are presented in thousands of US dollars (**US$'000**), unless otherwise stated.

These financial statements have been approved by the Board of Directors on March 19, 2014.

New/revised standards, amendments to standards and interpretations

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on January 1, 2013:

- Amendment to IAS 1 "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- Amendment to IFRS 7 "Financial instruments: Disclosures on asset and liability offsetting" requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. This did not have a significant impact on the preparation of the financial statements of the Group.

- IFRS 12: "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. This did not have a significant impact on the preparation of the financial statements of the Group.

- IFRS 13: "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. See financial statements for change.

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

Certain new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013 and have not been applied in these financial statements. They are not expected to have significant impacts on the financial statements of the Group except for the following, the full impact of which the Group is yet to assess:

- Amendment to IAS 32 "Financial instruments: Presentation on asset and liability offsetting" (effective for annual periods beginning on or after January 1, 2014) is to the application guidance in IAS 32 "Financial instruments: Presentation" and clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- Amendment to IAS 36 "Impairment of assets" (effective for annual periods beginning on or after January 1, 2014) addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- IFRS 9 "Financial instruments" (effective for annual periods beginning on or after January 1, 2015) addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in the income statement, unless this creates an accounting mismatch.

- IFRIC 21 "Levies" (effective for annual periods beginning on or after January 1, 2014) is an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37 "Provisions, contingent liabilities and contingent assets". IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

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 (the **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, the PRC and Rest of World. All of the Group's operating segments typically offer the same driveline and steering products. The "Others" category represents parent company activities of the Company and its directly held subsidiaries PCM (US) Steering Holding Inc. (**PCM US**) and PCM (Singapore) Steering Holding Pte. Limited (**PCM Singapore**).

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

- EBITDAR, which represents operating income before interest, taxes, depreciation and amortisation and restructuring costs.
- Net working capital (**NWC**), which represents inventory and trade receivables net of trade payables. This measures the Group's net investment in operating assets for each segment. NWC includes trade payables and receivables between related companies.

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

	North America	**The PRC**	**Europe**	**Rest of World**	**Others**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended December 31, 2013						
Total revenue	**1,731,075**	**269,876**	**326,521**	**140,249**	**–**	**2,467,721**
Inter-segment revenue	**(34,275)**	**(8,096)**	**(23,526)**	**(15,001)**	**–**	**(80,898)**
Revenue from external customers	**1,696,800**	**261,780**	**302,995**	**125,248**	**–**	**2,386,823**
EBITDAR	**179,518**	**22,484**	**42,374**	**(9,219)**	**11,185**	**246,342**
NWC	**161,821**	**12,599**	**41,866**	**(3,716)**	**209**	**212,779**
For the year ended December 31, 2012						
Total revenue	1,563,850	195,778	335,729	130,780	–	2,226,137
Inter-segment revenue	(27,499)	(13,452)	(7,285)	(10,099)	–	(58,335)
Revenue from external customers	1,536,351	182,326	328,444	120,681	–	2,167,802
EBITDAR	110,817	16,964	33,277	(15,418)	3,599	149,239
NWC	161,779	36,693	25,722	(9,376)	(11,809)	203,009

A US$6.3 million misclassification in 2012 related to currency exchange gains between Rest of World and Europe has been corrected in the figures above.

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.

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

	For the year ended December 31,	
	2013	2012
	US$'000	*US$'000*
EBITDAR from reportable segments	**246,342**	149,239
Depreciation and amortisation expenses	**(73,696)**	(57,870)
Restructuring costs	**382**	(7,446)
Finance costs, net	**(21,770)**	(21,729)
Profit before income tax	**151,258**	62,194

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

The geographic distribution of revenue for the years ended December 31, 2013 and 2012 is as follows:

	For the year ended December 31,	
	2013	2012
	US$'000	*US$'000*
North America	**1,696,800**	1,536,351
Europe:		
Poland	**297,591**	323,701
Rest of Europe	**5,404**	4,743
The PRC	**261,780**	182,326
Rest of world	**125,248**	120,681
	2,386,823	2,167,802

The geographic distribution of non-current assets excluding deferred income tax assets as at December 31, 2013 and 2012 respectively is as follows:

	As at December 31,	
	2013	2012
	US$'000	*US$'000*
North America	**603,319**	402,606
Europe:		
Poland	**100,181**	99,124
Rest of Europe	**2,874**	3,008
The PRC	**118,665**	94,920
Rest of world	**17,612**	16,747
	842,651	616,405

Distribution of revenue between product lines for the years ended December 31, 2013 and 2012 is as follows:

	For the year ended December 31,	
	2013	2012
	US$'000	*US$'000*
Steering	**1,917,079**	1,694,078
Driveline	**469,744**	473,724
	2,386,823	2,167,802

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

	For the year ended December 31,	
	2013	2012
	US$'000	*US$'000*
General Motors Group and its affiliates	**1,284,360**	1,133,370
Customer A	**261,795**	275,245
Customer B	**242,062**	88,072
	1,788,217	1,496,687

3 EXPENSE BY NATURE

	For the year ended December 31,	
	2013	2012
	US$'000	*US$'000*
Raw materials used	**1,368,452**	1,264,615
Changes in inventories of finished goods and work-in-progress	**(8,182)**	(12,243)
Employee benefit costs	**400,470**	341,868
Temporary labour costs	**35,184**	31,472
Restructuring costs	**(382)**	7,446
Supplies and tools	**145,232**	119,207
Depreciation on property, plant and equipment	**56,909**	53,283
Amortisation on		
– land use rights	**26**	25
– intangible assets	**16,761**	4,562
Impairment charges/(reversal of provisions) on		
– inventories	**2,944**	4,844
– receivables *(note 9)*	**(94)**	1,570
Utilities	**41,645**	39,128
Transportation expenses	**8,475**	11,328
Operating lease expenses	**12,188**	10,690
Warranty expenses	**15,002**	16,740
Auditors' remuneration	**2,647**	3,528
Listing expenses	**3,349**	6,634
Others	**109,389**	171,224
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**2,210,015**	2,075,921

4 OTHER LOSSES, NET

	For the year ended December 31,	
	2013	2012
	US$'000	*US$'000*
Foreign exchange losses	**2,675**	3,349
Loss on disposal of property, plant and equipment	**1,534**	4,597
Fair value gain on derivative financial instruments	**(462)**	–
Others	**33**	12
	3,780	7,958

5 FINANCE COSTS, NET

	For the year ended December 31,	
	2013	2012
	US$'000	*US$'000*
Finance income		
Interest on bank deposits	**1,277**	562
Finance costs		
Interest expense on bank borrowings		
– Wholly repayable within 5 years	**10,573**	16,274
– Not wholly repayable within 5 years	**18,210**	2,048
	28,783	18,322
Interest on finance leases	**67**	69
Guarantee fees	**–**	7,818
Other finance costs	**1,442**	1,140
	30,292	27,349
Less: amount capitalised in qualifying assets	**(7,245)**	(5,058)
	23,047	22,291
Finance costs, net	**21,770**	21,729

6 INCOME TAX EXPENSE

	For the year ended December 31,	
	2013	2012
	US$'000	*US$'000*
Current income tax	**21,808**	6,236
Deferred income tax charges/(credit)	**18,529**	(2,669)
	40,337	3,567

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

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

	For the year ended December 31,	
	2013	2012
	US$'000	*US$'000*
Profit before income tax	**151,258**	62,194
Tax calculated at rates applicable to profits in respective countries	**50,388**	20,507
Expenses not deductible for tax purposes	**5,078**	8,025
Non-taxable income	**(4,893)**	–
Tax credits *(note (i))*	**(11,658)**	(1,331)
Preferential rates due to tax holidays *(note (ii))*	**(8,597)**	(4,470)
Tax losses and deductible temporary differences for which no deferred tax was recognised	**2,715**	–
Recognition of previously unrecognised tax losses and deductible temporary differences	**–**	(24,075)
US state and withholding taxes	**5,642**	1,304
Others	**1,662**	3,607
Tax charge	**40,337**	3,567

Notes:

(i) Mainly represents tax benefits granted to research and experimentation activities in the US. In addition, the US legislation allowing the recognition of the research credit for 2012 was not enacted until January 2, 2013. Therefore, the tax benefit for the research credit for both 2012 and 2013 are recognised in 2013.

(ii) Derived mainly from profits subject to income tax exemption up to 2026 for the Group's investment in Special Economic Zones in Poland according to the relevant Polish tax rules.

7 EARNINGS PER SHARE

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

	For the year ended December 31,	
	2013	2012 (restated)
Profit attributable to the equity holders of the Company (US$'000)	**109,191**	57,096
Weighted average number of ordinary shares in issue	**1,867,329,000**	1,680,000,000
Basic earnings per share (in US$)	**0.06**	0.03

In determining the number of ordinary shares in issue for the year ended December 31, 2013 and 2012, one share of the Company issued and allotted upon incorporation on August 21, 2012 and the 1,679,999,999 shares issued and allotted through capitalisation of the share premium account of the Company on October 4, 2013, had been regarded as if these shares were in issue since January 1, 2012.

The Company did not have any potential ordinary shares outstanding during the year. Diluted earnings per share is equal to basic earnings per share.

8 DIVIDENDS

	For the year ended December 31, 2013 US$'000	2012 US$'000
Final dividend, proposed of US$0.0087 (2012: Nil) per share	**21,838**	–

This final dividend was proposed by the directors at a meeting held on the date of approval of these financial statements, which is not reflected as a dividend payable in these financial statements. The dividend will be paid out of the share premium account of the Company for the year ending December 31, 2014.

9 TRADE RECEIVABLES

	As at December 31, 2013 US$'000	2012 US$'000
Trade receivables, gross	**366,836**	327,261
Less: provision for impairment	**(2,904)**	(2,944)
	363,932	324,317

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

	As at December 31, 2013 US$'000	2012 US$'000
Not overdue	**344,212**	311,364
Overdue up to 30 days	**11,606**	11,409
Overdue 30 to 60 days	**6,267**	1,569
Overdue 60 to 90 days	**1,608**	272
Overdue over 90 days	**3,143**	2,647
	366,836	327,261

Trade receivables of US$19,720,000 were past due but not impaired as at December 31, 2013 (December 31, 2012: US$12,953,000). These relate mainly to a number of customers for whom there is no history of default. The aging analysis of these past due but not impaired receivables is as follows:

	As at December 31, 2013 US$'000	2012 US$'000
Overdue up to 30 days	**11,606**	11,409
Overdue 30 to 60 days	**6,267**	1,544
Overdue 60 to 90 days	**1,608**	–
Overdue over 90 days	**239**	–
	19,720	12,953

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

Trade receivables of US$2,904,000 were impaired as at December 31, 2013 on which full provision was made (2012: US$2,944,000). These individually impaired receivables are relatively long overdue.

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

	For the year ended December 31,	
	2013	2012
	US$'000	*US$'000*
As at January 1	**2,944**	1,285
(Reversal of provision)/provision for impairment	**(94)**	1,570
Exchange differences	**54**	89
As at December 31	**2,904**	2,944

A subsidiary of the Group participates in a factoring program in Europe where proceeds of US$891,000 received were accounted for as short-term borrowings as at December 31, 2013 (December 31, 2012: US$21,203,000). The risks and rewards of the related trade receivables remain with the Group, thus these assets have not been derecognised.

The carrying amounts of trade receivables pledged as collateral were US$302,791,000 as at December 31, 2013 (December 31, 2012: US$261,002,000).

10 TRADE PAYABLES

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

	As at 31 December	
	2013	2012
	US$'000	*US$'000*
Not overdue	**313,553**	260,576
Overdue up to 30 days	**9,506**	15,588
Overdue 30 to 60 days	**4,725**	10,148
Overdue 60 to 90 days	**2,968**	3,000
Overdue over 90 days	**5,724**	6,429
	336,476	295,741

BUSINESS REVIEW

GLOBAL AUTOMOTIVE MARKET

The growing global automotive market continues to drive demand in steering and driveline systems. Global light vehicle production increased by 3.6% from 81.51 million units in 2012 to 84.47 million units in 2013, achieving a new record high in this segment. Driven by continued increasing demand for vehicle ownership, PRC light vehicle production was at 21.15 million units in 2013, up 13.9% or 2.58 million over the 18.57 million units produced in 2012. North America recorded the fourth consecutive year of growth in 2013 with 16.18 million units, an increase of 4.9% or 750,000 units over the 15.43 million level achieved in 2012. Europe production remained stable in 2013 at 19.33 million units, an increase of 0.2% over 2012 levels of 19.30 million units.

FINANCIAL REVIEW

Financial summary

Consistent with our business plan, the Group was successful in driving significant improvements to its financial condition in 2013. The initial offering and listing of our shares on The Stock Exchange of Hong Kong Limited provided incremental liquidity for use in capital spending for new programs, additional research and development expenditures, and working capital. Additionally, strong improvements were made to the Group's earnings capability driven by strong revenue growth and cost efficiency improvements.

Operating environment

The Group's profit attributable to equity holders of the Company for the year ended December 31, 2013 was US$109.2 million (2012: US$57.1 million), or 4.6% of total revenue. The increase in profit of 91.2% compared to the year ended December 31, 2012 was driven by the following:

- Strong revenue growth generated from previously booked business
- Improved product line mix (movement from hydraulic power steering (**HPS**) to electric power steering (**EPS**))
- Improved geographic mix (increase revenue in PRC)
- Cost efficiency initiatives

Revenue

The Group's revenue for the year ended December 31, 2013 was US$2,386.8 million, a 10.1% increase from the previous year of US$2,167.8 million.

Revenue by Geographical Segments

For the year ended December 31, 2013, the Group experienced an increase in revenue in North America, PRC, and the Rest of World segments. This increase was partially offset by a decline in revenue in the Europe segment. The following table sets forth revenue by geographic segment for the years indicated:

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	US$000	***%***	*US$000*	*%*
North America	**1,696,800**	**71.1**	1,536,351	70.9
Europe	**302,995**	**12.7**	328,444	15.2
PRC	**261,780**	**11.0**	182,326	8.4
Rest of World [(1)]	**125,248**	**5.2**	120,681	5.5
Total	**2,386,823**	**100**	2,167,802	100

Note:

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

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

- The North America segment experienced an increase in revenue to US$1,696.8 million for the year ended December 31, 2013 from US$1,536.4 million for the year ended December 31, 2012 primarily due to a strong market for EPS units which also carries a higher average selling price. In 2013, the North America segment benefited from the full year revenue of a major EPS program launched in the second half of 2012. Additionally, the North America segment also successfully launched a key EPS program during 2013 resulting in higher revenue for the year ended December 31, 2013.

- The Europe segment experienced a decrease in revenue of US$25.4 million to US$303.0 million for the year ended December 31, 2013. The declining revenue is due to continued effects of economic conditions. However, despite economic conditions, we successfully launched a significant EPS program in Europe during the second half of 2013.

- The PRC segment experienced a 43.6% increase in revenue for the year ended December 31, 2013 compared to the year ended December 31, 2012. The increase of US$79.5 million to US$261.8 million for the year ended December 31, 2013 is primarily driven by full year revenue from key programs launched in the second half of 2012, as well as the additional successful launch of a new program in the second half of 2013.

- The Rest of World segment, which consists of our operating entities in Brazil, India, Korea, and Australia, experienced a slight increase in revenue of 3.8% or US$4.6 million to US$125.2 million for the year ended December 31, 2013. This increase in revenue was primarily due to an increase in customer demand.

Revenue by Products

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

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	US$000	*%*	*US$000*	*%*
Steering	**1,917,079**	**80.3**	1,694,078	78.1
Driveline	**469,744**	**19.7**	473,724	21.9
Total	**2,386,823**	**100**	2,167,802	100

Steering revenue increase is primarily driven by growth of the EPS product line.

Cost of Sales

Our Group's cost of sales for the year ended December 31, 2013 was US$2,047.4 million, an increase of US$151.0 million from US$1,896.4 million for the year ended December 31, 2012. The Group's cost of sales for the year ended December 31, 2013 primarily included raw material costs of US$1,368.5 million, manufacturing expense of US$650.9 million, as well as other costs of sales of US$28.0 million.

The increase in cost of sales for the year ended December 31, 2013 compared to December 31, 2012 was primarily driven by an increase in volume from new program launched in 2013 as well as the amortization of product development costs.

Engineering and product development costs

For the year ended December 31, 2013, our Group's engineering and product development costs charged to the consolidated income statement was US$73.3 million, representing 3.1% of our Group's revenue, a decrease of US$8.3 million from US$81.6 million or 3.8% for the year ended December 31, 2012. The decrease in engineering and product development costs is attributable to restructuring activities that occurred in the second half of 2012 and labor efficiencies.

Amortization of capitalized product development costs recorded as cost of sales amounted to US$16.8 million for the year ended December 31, 2013, an increase of US$12.2 million from US$4.6 million for the year ended December 31, 2012. Our Group expects amortization expense to increase in future years as several programs that are currently in development will be launched.

Administrative expenses

Our Group's administrative expenses for the year ended December 31, 2013 were US$80.8 million, a decrease of US$7.8 million, or 8.8% compared to the year ended December 31, 2012. The decrease was primarily due to a reduction in restructuring costs and a reduction of other expenses including legal, consulting, listing expenses, information technology and bad debt expense.

Finance costs

Finance costs, net, consist of interest income and expense reduced by interest capitalized on qualifying assets and product development. For the years ended December 31, 2013, our Group's net finance costs were US$21.8 million which is an increase of US$0.1 million from US$21.7 million for the year ended December 31, 2012. The increase in net finance costs was attributable to higher average debt balances during 2013 as compared to 2012 increasing total interest expense. This increase was partially offset by increased capitalized interest of US$2.1 million from US$5.1 million for the year ended December 31, 2012 to US$7.2 million for the year ended December 31, 2013.

Income tax expense

For the year ended December 31, 2013, our Group's income tax expense was US$40.3 million representing 26.6% of our Group's profit before income tax, an increase of US$36.7 million from US$3.6 million or 5.7% of profit before tax for the year ended December 31, 2012.

The increase in income tax expense of US$36.7 million is primarily driven by a one time income tax benefit of US$30.1 million previously recognized for the year ended December 31, 2012.

Gross profit and gross profit margin

The Group's gross profit for the year ended December 31, 2013 was US$339.4 million (2012: US$271.4 million). Our gross profit margin for the year ended December 31, 2013 was 14.2%, a 1.7% increase from 12.5% for the year ended December 31, 2012. The increase is attributed to increased revenue and product mix and cost improvement initiatives.

Profit for the year

The Group's profit attributable to equity holders of the Company for the year ended December 31, 2013 was approximately US$109.2 million (2012: US$57.1 million), representing approximately 103.3% of the profit forecast of US$105.7 million as disclosed in the Company's prospectus dated September 24, 2013 (the **Prospectus**). The Group's profit for the year ended December 31, 2013 was higher than that of the profit forecast as set out in the Prospectus due mainly to higher volumes than expected in the fourth quarter of 2013.

Provisions

As at December 31, 2013, the Group has provisions of US$60.9 million in relation to restructuring, legal disputes, environmental liabilities, warranties and decommissioning. Included in these provisions is an amount of US$8.3 million for a product recall by one of our customers relating to component parts supplied by the Group that were manufactured by one of our suppliers. As at the date hereof, the Group has not paid any amount on account of this recall and the Company is not aware of any litigation filed against the Group by such customer. This particular provision amount was determined by an internal estimate of our potential financial liability based on the likely scope of such recall. We expect that, based on the contractual terms with the relevant supplier, any financial liability relating to this recall would be recoverable from the supplier.

Contingent liabilities

In relation to the recall mentioned in the "Provisions" section above, and based on the facts currently available to us, we consider that the scope of the recall might further expand but it is not probable, and the amount of contingent liabilities in this respect is amounting to US$14 million. In the event of any material developments relating to our financial liability with respect to this recall, we will publish further announcements as and when appropriate in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**).

LIQUIDITY AND CAPITAL RESOURCES

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 October 2013, the Company successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited which resulted in net proceeds of US$273.2 million. The listing proceeds will be used to fund capital expenditure on new product programs and for capital expenditure on machinery and equipment to increase production capacity, strengthen research and development capabilities and supplement our working capital.

In the future, we believe that our liquidity and capital expenditure requirements will be satisfied by cash generated from our operating activities and continued debt facilities.

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

	For the year ended December 31, 2013 *US$000*	For the year ended December 31, 2012 *US$000*
Cash generated/(used) in:		
Operating activities	**222,915**	157,914
Investing activities	**(277,408)**	(273,300)
Financing activities	**304,640**	99,150
Total change in cash	**250,147**	(16,236)

Cash Flows Generated from Operating Activities

For the years ended December 31, 2013, the Group's cash generated from operations was US$229.8 million (2012: US$163.8 million). Significant working capital movements within net cash generated from operating activities primarily included inventory, trade receivables, and trade payables.

Cash Flows Used in Investing Activities

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

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

	For the year ended December 31, 2013 ***US$000***	For the year ended December 31, 2012 *US$000*
Purchase of fixed assets	**(184,476)**	(172,381)
Investment in product development	**(102,914)**	(104,091)
Proceeds from sale of fixed assets	**13,490**	3,671
Change in restricted cash	**(3,508)**	(499)
Total cash used in	**(277,408)**	(273,300)

Cash Flows Generated From Financing Activities

The Group's net cash generated from financing activities was US$304.6 million for the year ended December 31, 2013, which was mainly attributable to the net impact of proceeds obtained from the initial public offering to fund capital expenditures and working capital requirements.

Exposure Rate fluctuations and Related Hedges

The Group actively limits its foreign currency exposure through naturally matching its purchase of materials and sale of finished goods in the same currencies. The Group monitors its remaining foreign currency exposure regularly to reduce the risk of foreign currency fluctuations in its operations. In 2013, the Group entered into forward exchange contracts to hedge currency exposure between the Mexican peso and the US dollar.

Indebtedness

As of December 31, 2013 the Group's total indebtedness was US$588.0 million (2012: US$540.6 million).

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

	December 31, 2013	December 31, 2012
	US$000	*US$000*
Current borrowings	**129,245**	98,773
Non-current borrowings	**457,632**	440,532
Finance lease obligations	**1,139**	1,343
Total borrowings	**588,016**	540,648

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

	For the year ended December 31, 2013	For the year ended December 31, 2012
	US$000	*US$000*
Within 1 year	**129,639**	99,117
Between 1 and 2 years	**89,942**	58,978
Between 2 and 5 years	**240,171**	200,553
Over 5 years	**128,264**	182,000
Total borrowings	**588,016**	540,648

As of December 31, 2013, the undrawn amount of such loans was approximately US$358.9 million (2012: US$235.2 million).

Pledge of Assets

The Group has several secured borrowings at specific subsidiaries. The assets securing the borrowings differ by site and include accounts receivable, inventory, property, plant and equipment, the equity interests of certain subsidiaries and intellectual property. For the year ended December 31, 2013 the Group had approximately US$814.7 million (2012: US$708.7 million) of total assets pledged as collateral.

Gearing Ratio

The Group monitors capital on the basis of the debt ratio. The ratio is calculated as total borrowings and certain non-recurring related party payables divided by total equity at the end of the respective year. The related party payable balance relates to amounts owed Beijing E-Town International Investment & Development Co. Ltd. primarily for acquisition expenses and Pacific Century Motors, Inc. for interest and guarantee fees on debt incurred in connections with the acquisition of the Group from General Motors in 2010.

The gearing ratio decreased to 99.5% as of December 31, 2013 primarily due to an increase in equity of US$398.9 million. This increase in equity is primarily due to profit for the year and proceeds from the public offering.

The table below sets forth the Group's gearing ratio for the years indicated:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Gearing ratio	**99.5%**	289.3%

FUTURE PROSPECTS

We plan to strengthen our business in North America, grow in Europe and expand our business in developing markets, including PRC, by offering steering and driveline products that are specifically tailored to different markets' product performance and price requirements. In addition, we plan to build upon existing relationships with global and local original equipment manufacturers in these markets. We also may pursue selected strategic acquisitions and alliances globally, including in developing markets. We plan to expand our manufacturing plants in certain countries, such as PRC, to increase our production capacity. We believe that by offering tailored products, building upon existing relationships, pursuing strategic acquisitions and alliances and expanding our manufacturing plants, our brand recognition and revenue in developing markets will continue to grow.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2013, the Group had over 9,000 employees globally. 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 pension schemes, extended disability benefits and workers compensation. In addition, we have adopted employee incentive plans designed to attract, retain and incentivize employees with a view to encouraging the participants to commit to enhancing value for us and our Shareholders as a whole. For example, we have a retention program that includes individual development plans, merit wage adjustments 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 as regulatory requirements and contractual obligations.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from issue of new shares of the Company in its global offering (after deducting the underwriting fees and related expenses) amounted to approximately US$273.2 million, which are intended to be applied in the manner as disclosed in the Prospectus. During the period from the Listing Date to December 31, 2013, the Company utilized a portion of its proceeds to fund capital expenditures on new product programs, strengthen research and development capabilities and working capital, which is in accordance with the manner as set out in the Prospectus.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date to December 31, 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

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

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

Except as expressly described below, the Company complied with all applicable code provisions set out in the CG Code throughout the period from the Listing Date to December 31, 2013.

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 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 requires approval by at least a majority of our Directors and that our Board comprises three Independent Non-Executive Directors out 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 he acts for the benefit and in the best interests of the Group and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic, financial and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and Chief Executive Officer is necessary.

A.1.1 – During the period from the Listing Date to December 31 2013, there was only one meeting of the Board held. As the Company was listed in the fourth quarter of 2013, the number of meeting held was less than the number of Board meetings required under Code Provision A.1.1.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 the directors of the Company, all of them confirmed that they have complied with the required standards as set out in the Model Code from the Listing Date to December 31, 2013.

AUDIT AND COMPLIANCE COMMITTEE

The Company established an Audit and Compliance Committee on June 15, 2013 which comprises two independent non-executive directors, namely, Mr. Kevin Cheng WEI (Chairman), Mr. Hing Lun TSANG and one non-executive director, namely, Mr. Daen LU.

The Audit and Compliance Committee is primarily responsible for the review and supervision of the Group's financial reporting process, internal control and risk management systems. It has met with the external auditors of the Group to review the accounting principles and practices adopted by the Company, the Group's 2013 annual results and the annual financial statements of the Group for the year ended December 31, 2013.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of US$0.0087 per share for the year ended December 31, 2013 subject to the approval of the shareholders at the forthcoming annual general meeting (the **AGM**).

CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company is scheduled to be held on June 5, 2014. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from June 3, 2014 to June 5, 2014, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on May 30, 2014.

The dividend is payable on June 20, 2014 and the record date for entitlement to the proposed final dividend is June 13, 2014. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from June 11, 2014 to June 13, 2014, both days inclusive, during which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (address as per above) for registration no later than 4:30 p.m. on June 10, 2014.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on June 5, 2014. Notice of AGM together with the Company's Annual Report will be published and dispatched in the manner as required by the Listing Rules in due course.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Board, the Company has maintained sufficient public float as required under the Listing Rules up to the date of this announcement.

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

Hong Kong, March 19, 2014

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.