

OVERVIEW

We are among the world's leading steering and driveline suppliers. In 2012, in terms of revenue, we were the fifth-largest steering supplier globally with approximately 6% of total global market share, the largest steering supplier in the United States with approximately 31% of total U.S. market share and the third-largest halfshafts supplier globally with approximately 5% of total global market share, according to the IPSOS Report. Our deep understanding of system integration and technical expertise enables us to offer our customers a comprehensive product portfolio and integrated customer solutions in both steering and driveline systems. Our principal products are: (i) steering systems and components that include EPS, HPS and steering columns; and (ii) driveline systems and components that include halfshafts, intermediate drive shafts and propeller shaft joints. Our products are utilized on a broad range of vehicles from small passenger cars to full-size trucks.

We have an established global footprint. As of the Latest Practicable Date, we had 20 manufacturing plants, ten customer service centers and five regional application engineering centers located in North and South America, Europe and Asia in close proximity to many of the world's largest automotive vehicle markets. This enables us to respond timely to business opportunities and to establish and maintain close relationships with global OEMs, as well as local OEMs in regional markets, in order to provide our customers with regional and customer-specific design, application and technical capabilities.

We have established strong relationships with many of the world's leading OEMs as a result of our ability to offer high-quality products and customer service at competitive prices. We currently supply our products to more than 50 customers, including substantially all of the world's top ten major OEMs in terms of production volume in 2012. Through the years, we have diversified our customer base and, as of the Latest Practicable Date, our global customers included GM, Ford, Fiat, Chrysler and PSA Peugeot Citroën, as well as local OEMs in regional markets such as China and India. We have supplied our products to our largest customer, GM, for over 100 years, and we have supplied our next four largest customers for more than 20 years.

Our business has a global presence. In 2012 and the six months ended June 30, 2013, 70.9% and 69.7% of our revenues were from North America, 15.2% and 14.0% were from Europe, 8.4% and 10.6% were from China and 5.5% and 5.7% were from the rest of the world, respectively. One of our key strategies for growth is to increase our market share in China and other emerging markets, which have experienced rapid growth in both vehicle sales and the adoption of EPS in recent years. In particular, since we became a subsidiary of AVIC, we have increased our focus on opportunities in China. Through our global presence, technological expertise in EPS and strong relationships with our customers, we believe we are well-positioned to capitalize on future growth in these emerging markets.

We have accumulated extensive technical knowledge and developed a high degree of technical expertise through our 100-year history as a steering products and driveline products supplier, with a consistent focus on research and development. Our research and development team consists of more than 1,100 engineers, designers and technicians worldwide, and we have a core team of over 30 engineers who focus on early-stage product development. At our systems engineering center in Saginaw, Michigan, United States, our acoustics and vibration center provides full vehicle, multiple system and component testing facilities, including advanced hemianechoic chambers. Our testing facilities allow us to solve complex NVH problems and

BUSINESS

develop product designs that can be tailored for regional application. We also have our own comprehensive vehicle evaluation test track for product development and customer product evaluation. In addition, we operate a global network of 10 customer service centers and five regional application engineering centers that provide our customers with regional and customer-specific design, application and technical capabilities. As of the Latest Practicable Date, we had nearly 950 granted patents and nearly 350 pending patent applications.

Our advanced technology is demonstrated by our strong technical expertise in the field of EPS, which is widely considered a pioneering and industry-leading technology. Due to increasingly stringent government fuel efficiency, emissions and safety regulations, OEMs have increased demand for EPS to replace conventional HPS. According to the IPSOS Report, EPS grew the fastest among all product types at a CAGR of approximately 9.3% in terms of sales revenue from US\$10,198 million in 2007 to US\$15,909 million in 2012, compared to a total market CAGR of approximately 3.4% for the same period. According to the IPSOS Report, the EPS global market by sales revenue is forecasted to grow at a CAGR of approximately 10.2% from 2012 to 2017, compared to a total market CAGR of approximately 5.3% for the same period. The market share of EPS increased from 44.6% in 2007 to 58.8% of the total steering industry in 2012 in terms of sales revenue and is expected to account for a market share of approximately 74.0% of the total steering industry by 2017, according to the IPSOS Report.

We maintain direct control over the design of both hardware and software, including conducting all electronic and software development in-house, during our production process. Since EPS systems include highly customized software algorithms that control the operation of the steering system, our system integration allows us to customize our products to address specific customer requirements and respond to customer needs quickly and accurately. As a result, we believe we are among the technology leaders in the EPS field and are well-positioned to capture future growth in the global EPS market. See “— Our Strengths — Highly advanced technology through a long history of research and development.”

For the years ended December 31, 2010 (combining revenues of our Predecessor and our Group), 2011 and 2012 and the six months ended June 30, 2012 and 2013, our revenue was US\$2,051.9 million, US\$2,247.8 million, US\$2,167.8 million, US\$1,142.5 million and US\$1,164.8 million, respectively. The following table sets forth our revenue by product lines for the periods/years indicated:

	Our Predecessor		Our Group		Combined ⁽¹⁾		Our Group		Our Group		Our Group		Our Group	
	For the period from January 1, 2010 to November 30, 2010		For the period from November 4, 2010 to December 31, 2010		Total 2010		For the year ended December 31, 2011		For the year ended December 31, 2012		For the six months ended June 30, 2012		For the six months ended June 30, 2013	
	(US\$ thousands)	%	(US\$ thousands)	%	(US\$ thousands)	%	(US\$ thousands)	%	(US\$ thousands)	%	(US\$ thousands)	%	(US\$ thousands)	%
Steering														
EPS	553,811	29.2	46,782	29.9	600,593	29.3	762,967	33.9	764,937	35.3	403,060	35.3	494,430	42.4
HPS	485,992	25.7	40,585	25.9	526,577	25.7	540,396	24.0	447,314	20.6	240,126	21.0	198,942	17.1
Steering Column (CIS) . .	487,822	25.7	38,240	24.4	526,062	25.6	500,193	22.3	481,827	22.2	252,194	22.1	243,402	20.9
Driveline	367,570	19.4	31,081	19.8	398,651	19.4	444,196	19.8	473,724	21.9	247,156	21.6	228,041	19.6
Total	<u>1,895,195</u>	<u>100.0</u>	<u>156,688</u>	<u>100.0</u>	<u>2,051,883</u>	<u>100.0</u>	<u>2,247,752</u>	<u>100.0</u>	<u>2,167,802</u>	<u>100.0</u>	<u>1,142,536</u>	<u>100.0</u>	<u>1,164,815</u>	<u>100.0</u>

Note:

(1) Revenue for the period from January 1, 2010 to November 30, 2010 and November 4, 2010 to December 31, 2010 has been combined. See “Financial Information — Basis of Presentation.”

OUR STRENGTHS

We believe that our success and our ability to capitalize on future growth opportunities are attributable to our following strengths:

A leading steering and driveline supplier with a global presence

We are among the world's leading steering and driveline suppliers. In 2012, in terms of revenue, we were the fifth-largest steering supplier globally with approximately 6% of total global market share, the largest steering supplier in the United States with approximately 31% of total U.S. market share and the third-largest halfshafts supplier globally with approximately 5% of total global market share, according to the IPSOS Report. Halfshafts accounted for approximately 64% of the total revenue of global driveline market in 2012, according to the IPSOS Report.

We have an established global footprint. As of the Latest Practicable Date, we had 20 manufacturing plants, ten customer service centers and five regional application engineering centers located in North and South America, Europe and Asia in close proximity to many of the world's largest automotive vehicle markets. This enables us to respond timely to business opportunities and to establish and maintain close relationships with global OEMs, as well as local OEMs in regional markets, in order to provide our customers with regional and customer-specific design, application and technical capabilities. We also seek to operate our manufacturing plants in low-cost countries that are also located in close proximity to our customers, which minimizes our production costs, reduces delivery costs and mitigates exposure to currency exchange risk. In addition, we serve customers through customer service centers and regional engineering centers around the world staffed with local representatives familiar with local customs and business practices. Our local representatives interface directly with customers, which enables us to provide our customer services on a timely basis and satisfy regional variations in our global OEM customers' global vehicle platforms.

Our business has a global presence. In 2012 and the six months ended June 30, 2013, 70.9% and 69.7% of our revenues were from North America, 15.2% and 14.0% were from Europe, 8.4% and 10.6% were from China and 5.5% and 5.7% were from the rest of the world, respectively. One of our key strategies for growth is to increase our market share in China and other emerging markets, which have experienced rapid growth in both vehicle sales and the adoption of EPS in recent years. In particular, since we became a subsidiary of AVIC, we have increased our focus on opportunities in China. Through our global presence, technological expertise in EPS and strong relationships with our customers, we believe we are well-positioned to capitalize on future growth in these emerging markets.

We believe our market position, established platform and global presence provide us with a solid foundation to strengthen our market position in the global steering and driveline industries.

Comprehensive product portfolio and integrated customer solutions

Our deep understanding of system integration and technical expertise enables us to offer our customers a comprehensive product portfolio and integrated customer solutions in both driveline and steering systems. Our products are utilized on a broad range of vehicles from small passenger cars to full-size trucks. Our product offerings include:

- a diverse array of EPS products, including CEPS, SPEPS and REPS;
- a range of HPS products, such as rack and pinion gears and power steering pumps;
- steering column products, including non-adjustable steering columns, power adjustable steering columns, active energy-absorbing steering columns and power one-touch adjustable columns; and
- driveline products, including front and rear wheel drive halfshafts, intermediate drive shafts and propeller shaft joints.

Our history as a systems supplier embedded within a global OEM allowed us to develop a deep understanding of automotive system interaction and provide our customers with integrated solutions in both steering and driveline systems. We are able to seamlessly integrate our steering and driveline products with related vehicle systems, resulting in balanced mechanical function between our products and the vehicle. We also work closely with customers in each stage of a product's life cycle, including design, prototyping, production and after-sales customer support to provide our customers with efficient, highly customized solutions. As a result, we believe that OEM customers using our steering or driveline systems are able to provide users of automobiles with a higher degree of control and better sense of connection with the road, as well as enhanced vehicle performance and reliability.

Our comprehensive product portfolio and integrated customer solutions in both driveline and steering systems enable us to meet our customers' diverse product and service requirements as well as product quality and reliability standards. We believe this increases customer confidence in our products, solidifies our business relationships with existing customers and enables us to expand our business with new customers.

Highly advanced technology through a long history of research and development

We have accumulated extensive technical knowledge and developed a high degree of technical expertise through our 100-year history as a steering products and driveline products supplier with a consistent focus on research and development. Our technological innovation is supported by advanced engineering and testing capabilities. Our research and development team consists of more than 1,100 engineers, designers and technicians worldwide, and we have a core team of over 30 engineers who focus on early-stage product development. At our systems engineering center in Saginaw, Michigan, United States, our acoustics and vibration center provides full vehicle, multiple system and component testing facilities, including advanced hemianechoic chambers. Our testing facilities allow us to solve complex NVH problems and develop product designs that can be tailored for regional application. We also have our own comprehensive vehicle evaluation test track for product development and customer product evaluation. In addition, we operate a global network of ten customer service centers and five regional application engineering centers to provide our customers with regional and customer-specific designs, applications and technical capabilities. As of the Latest Practicable

BUSINESS

Date, we had over 540 U.S. patents and over 390 non-U.S. patents, and we had applied for nearly 350 additional U.S. and non-U.S. patents. In addition, in recognition of our technological achievement, we have received several industry awards, including the Pace Award for Horizontal Modeling and Digital Process Design for CAD/CAM in 2004 and the Innovation Award for “Most Innovative Use of Plastics” from the Society of Plastics Engineers in 2009.

We prioritize our research and development efforts on technologies that offer attractive long-term growth opportunities by improving our product performance, reducing our costs or expanding our product portfolio. Our advanced technology can be demonstrated by our strong technical expertise in the field of EPS, which is widely considered a pioneering and industry-leading technology. Due to increasingly stringent government fuel efficiency, emissions and safety regulations, OEMs have increased demand for EPS to replace conventional HPS. According to the IPSOS Report, EPS grew the fastest among all product types at a CAGR of approximately 9.3% in terms of sales revenue from US\$10,198 million in 2007 to US\$15,909 million in 2012, compared to a total market CAGR of approximately 3.4% for the same period. According to the IPSOS Report, the EPS sector by sales revenue is forecasted to grow at a CAGR of approximately 10.2% from 2012 to 2017, compared to a total market CAGR of approximately 5.3% for the same period. The market share of EPS increased from 44.6% in 2007 to 58.8% in 2012 in terms of sales value and is expected to account for a market share of approximately 74.0% of the total steering industry by 2017, according to the IPSOS Report.

As we are transitioning from HPS to EPS systems, our historical focus on research and development has allowed us to capture a wide range of business opportunities. We maintain direct control over the design of both hardware and software, including conducting all electronic and software development in-house, during our production process. Since EPS systems include highly customized software algorithms that control the operation of the steering system, our system integration allows us to customize our products to address specific customer requirements and respond to customer needs quickly and accurately. As a result, we believe we are among the technology leaders in the EPS sector and are well-positioned to capture future growth in the global EPS market. Some of our major technology achievements in the EPS sector include:

- pioneering the introduction of brushless EPS in Europe in 1999;
- simplifying our mechanical designs, advancing our electro-mechanical engineering techniques, refining the handling (NVH) characteristics of steering response through successive generations of product enhancement and adding customer-focused product features, including:
 - Nexteer E-Tune software that enables customers to collaborate with us in tuning a steering system;
 - control algorithms that provide crisp on-center feel and the desirable balance between effort and road feedback over a wide range of vehicle speeds and operating conditions;
 - automatic correction for steering pull created by the suspension, tire, road or cross-wind;
 - automatic cancellation of steering wheel vibrations created by out-of-balance wheels, brake shudder and other vehicle sources;

BUSINESS

- support for functions that overlay external commands for stability enhancement and lane keeping; and
- support for autonomous steering functions such as parking assist.
- developing a high output, rack-based 12-volt steering system, which we believe will enable us to become the dominant supplier of EPS systems to the North American full-size truck market; and
- developing a compact modular power pack that enables us to customize a product through software calibrations and communication protocols rather than mechanical changes, leading to a more standardized product that can be efficiently customized to meet diverse OEM customer applications requirements.

The driveline industry is capital intensive and requires careful planning to manufacture the correct product types at the required torque capacities for the markets we serve. Our technical expertise enables us to provide a driveline portfolio that includes all basic joint types, ranging from low-cost tripot designs to mid-Premium Tri-Glide and Cross-Glide, which enable us to compete for a wide range of customer business opportunities. As a result, our driveline products are found on a range of vehicles from large trucks, such as the Dodge Ram in the United States, to entry-level automobiles. Our major technology achievements in the driveline field are the acoustic tuning for improved NVH performance and the introduction of the Tri-Glide premium inboard joint, a premium inboard joint that incorporates an added degree of freedom to deliver superior NVH performance.

We believe that as the automotive industry transitions from HPS to EPS systems, our commitment to and history of technological innovation, our strong engineering and testing capabilities and our experienced research and development team will serve as key elements driving our long-term growth and leverage on the emergence of new markets.

Established and diverse customer base

We have established strong relationships with many of the world's leading OEMs as a result of our ability to offer high-quality products and customer service at competitive prices. Our customer base has been expanding significantly since we ceased to be a division of GM and became an independent steering and driveline supplier in late 2010. We currently supply our products to more than 50 customers, including substantially all of the world's top ten OEMs in terms of production volume in 2012. As of the Latest Practicable Date, our global customers included GM, Ford, Fiat, Chrysler and PSA Peugeot Citroën, as well as local OEMs in regional markets such as China and India. We have supplied our products to our largest customer, GM, for over 100 years, and we have supplied our products to our next four largest customers for more than 20 years.

We supply our products to a variety of OEMs. Our products are used in both mass-market and luxury vehicles covering small automobiles through heavy vehicles. In addition, most of our customers use our products in multiple models. Our diverse customer base not only mitigates our exposure to fluctuations in geographic locations, vehicle classes, vehicle types and customer demands, but also strengthens our understanding of customer needs and business opportunities worldwide.

BUSINESS

International management team with extensive industry experience

Our international management team includes Mr. ZHAO Guibin, our Chief Executive Officer, Chairman and executive Director, who has extensive management and strategic decision-making experience in large enterprise groups and the automotive industry, and other members from different countries and backgrounds. Members of our executive team have an average of approximately 23 years of experience with both OEMs and automotive suppliers. Their significant experience in the global automotive industry has provided them with deep industry knowledge and market understanding.

Moreover, we have established a high-performance corporate culture focused on clarity of purpose, accountability for results, open and challenging dialogue and strong relationships among our employees, customers and stakeholders. We believe the diversity and experience of our global management team, coupled with our strong corporate culture, makes us well-positioned to compete in the global steering and driveline industries.

OUR STRATEGIES

We aim to strengthen our market position in the steering and driveline industries and enhance our profitability by pursuing the following strategies:

Expand business in China and other emerging markets

We are strategically focused on increasing market share in high growth emerging markets, including China, which have experienced rapid growth in both vehicle sales and the adoption of EPS in recent years. According to the IPSOS Report, steering sales by sales revenue in China are forecast to grow at a CAGR of approximately 12.4% from 2012 to 2017. The driveline industry is expected to display strong growth, with halfshafts sales revenue in China forecast to grow at a CAGR of approximately 10.5% from 2012 to 2017. During the Track Record Period, the majority of our revenues were derived from developed markets such as North America and Europe, which together accounted for approximately 86.1% and 83.7% of our total revenues in 2012 and the six months ended June 30, 2013, respectively. We believe that our global presence, strong customer relationships and technological expertise position us well to capitalize on future growth in these emerging markets.

We plan to expand our business in emerging markets by offering steering and driveline products that are tailored to different emerging markets' product performance and price requirements. In order to implement this strategy, we have expanded our traditional product portfolio. For example, in India, we recently launched low-cost, lightweight halfshafts to be produced in our Bangalore, India plant. In China and South Korea, we have launched premium halfshafts to be produced in our Zhuozhou, China plant to supply premium global OEM vehicle platforms. In China, we have expanded our presence in the economy market by securing three production programs for our new CEPS product for multi-purpose vehicles and in the premium market by securing a program for our high output REPS product. See "Future Plans and Use of Proceeds — Use of Proceeds."

In addition, we plan to continue to build upon existing relationships with global and local OEMs in these markets and may pursue selected strategic acquisitions and alliances. We plan to expand our manufacturing plants in certain countries, such as China, to increase our

BUSINESS

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 sales in emerging markets will continue to grow.

Our estimated total capital expenditures for the period from September 1, 2013 to December 31, 2015 will be approximately US\$339 million, which will be funded with the proceeds of the Global Offering, bank borrowings and our internal resources. US\$133 million of these capital expenditures is to be invested in China, which includes: (i) approximately US\$121 million expected to be invested in machinery and equipment to increase production capacity to launch new product programs that have been secured or are expected to be secured from OEM customers; and (ii) approximately US\$12 million expected to be invested in expansion and construction of manufacturing plants in the PRC.

Strengthen technological leadership

We are committed to maintaining a technology leadership position in the steering and driveline industries. We plan to prioritize our research and development efforts in technologies that offer attractive long-term growth opportunities by improving our product performance and reducing our costs. In addition, we will also continue to focus our research efforts on green technologies such as EPS and certain high-end EPS offerings, such as Rack Assist EPS. We also plan to evaluate opportunities to form strategic alliances with other industry participants such as our customers and other steering or driveline Tier 1 suppliers. For more information regarding our expansion plans, see “— Production Facilities and Production Capacity.”

Solidify established customer relationships and continue to diversify customer base

We have a strong, long-established relationship with GM, one of the world’s largest OEMs, according to the IPSOS Report. We plan to continue to strengthen this relationship, and intend to seek opportunities on additional GM vehicle programs. Since becoming an independent component supplier, we have also focused on working closely with, and increasing our sales to, other OEMs to support our business growth. We currently supply more than 50 customers, including substantially all of the world’s top ten major OEMs in terms of production volume in 2012.

We plan to continue to solidify our relationships with existing customers and attract new customers as we continue to improve our technological expertise and lower our costs so that we can offer our customers high quality and cost-efficient products. We target potential customers and track various opportunities through an opportunity plan, which tracks and assesses potential customer program bookings that we intend to secure. In addition, we continue to monitor industry trends and may also consider adjusting the geographic mix or the number of our production facilities, customer service centers and regional engineering centers to support our future business development and to enable us to quickly respond to the needs of our OEM customers in different jurisdictions.

Focus on cost structure optimization and operational efficiency

We continue to focus on optimizing our cost structure and improving operational efficiency to increase our profit margin. In recent years, we have closed manufacturing plants in

BUSINESS

relatively high-cost locations and replaced them with manufacturing plants in low-cost locations such as China. In addition, we have implemented cost control measures, improved productivity and simplified work rules to allow greater workforce flexibility.

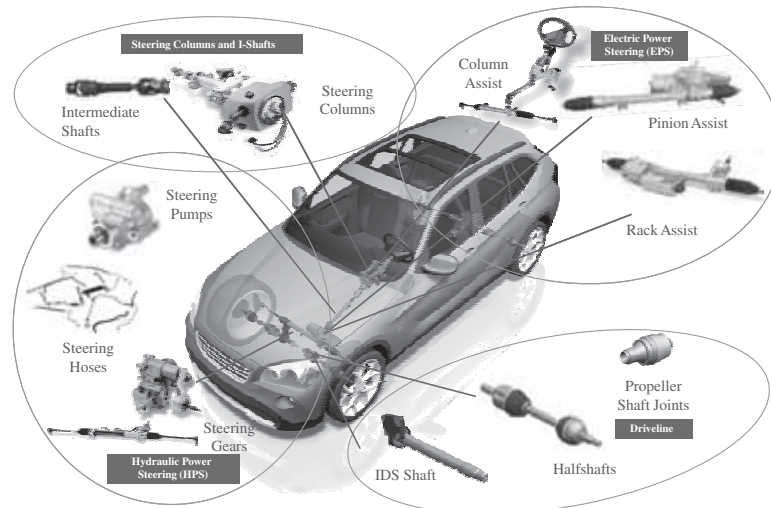
We plan to continue to reduce our costs by improving our cost structure and maximize the utilization of our production capacity by improving our operational efficiency. In addition, we aim to improve our waste elimination and manufacturing processes. Furthermore, our procurement and engineering teams will continue to focus on reducing our costs related to product design and reducing purchased parts costs. We will also seek to improve our operational efficiency by increasing our focus on management accountability, such as tying management compensation to growth targets.

Pursue selected acquisitions and strategic alliances

We plan to strengthen our geographic presence, research and development capabilities and customer base by considering strategic acquisition and alliance opportunities. We intend to evaluate acquisition opportunities as well as joint ventures and strategic alliances that we believe will complement our current business to expand into new geographic areas, diversify our customer base and specialize, build scale or enhance technology abilities. Such strategic alliances may include other industry participants such as customers, suppliers and competitors. We believe that our strong customer relationships and technological expertise make us an attractive partner as we pursue alternative acquisition opportunities and strategic alliances. In particular, our Group is pursuing strategic initiatives to access new vehicle segments and customers for its steering products in China. Nexteer Suzhou entered into a shareholders' agreement effective from August 20, 2013 with Chongqing Changfeng, pursuant to which the parties are expected to establish a joint venture in Chongqing, the PRC (the "Chongqing JV") to manufacture and sell steering products. See "Customers — Joint Venture." As of the Latest Practicable Date, our Group had not identified any other specific acquisition targets or strategic alliances or entered into any binding agreements with any specific acquisition targets or strategic alliances.

OUR PRODUCTS

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





Steering Systems

A steering system consists of the components that control the direction of vehicle motion. Our steering system product lines include electric power steering, hydraulic power steering and steering columns.

Electric Power Steering (EPS) uses an electric motor to assist driver steering. Sensors detect the position and torque of the steering column through the steering wheel. Our hardware and software work together to connect the driver with the road, taking into account driving dynamics and the operating environment. The EPS system monitors vehicle speed and steering angle to ensure that steering feel is optimized for every driving situation. Depending on the type of EPS, a computer module applies assistive power via an electric motor coupled directly to either the steering gear or the steering column.

The following chart summarizes our key EPS products:

<u>Our Products</u>	<u>Description</u>
<p>Column Assist Electric Power Steering</p> 	<ul style="list-style-type: none">● Column Assist EPS (CEPS) systems integrate the system electronics (motor, controller and sensor) and the assist mechanism with the steering column. The required EPS hardware is integrated with the steering column and contained within the passenger compartment.● These products are designed for a wide range of vehicles, from small cars to compact sport utility vehicles.● OEM customers that use our Column Assist EPS include GM in its small cars, such as the Aveo, Chrysler in its Fiat 500 and Fiat in its small cars.
<p>Rack Assist Electric Power Steering</p> 	<ul style="list-style-type: none">● Rack Assist EPS (REPS) systems integrate the required steering elements within the steering rack where they are contained under the hood in the engine compartment.● These products are designed for heavy vehicles due to their ability to handle higher front-axle loads.● OEM customers that use our Rack Assist EPS include Ford in its F-150 Truck and Mustang and Chrysler in its Ram Truck.

BUSINESS

Our Products

Pinion Assist Electric Power Steering



Description

- Pinion Assist EPS (SPEPS) systems integrate the controller motor unit of the system electronics and the assist mechanism with the steering gear pinion shaft.
- These products are designed for a wide range of vehicles from small automobiles to full-size sport utility vehicles.
- OEM customers that use our Pinion Assist EPS include PSA Peugeot Citroën in the Citroën C3 and DS3.

Hydraulic Power Steering (HPS) uses high pressure fluids to assist driver steering. A belt-driven power steering pump creates system pressure. The pressurized fluid is then routed into a cylinder that turns the wheels of the vehicle.

The following chart summarizes our key HPS products:

Our Products

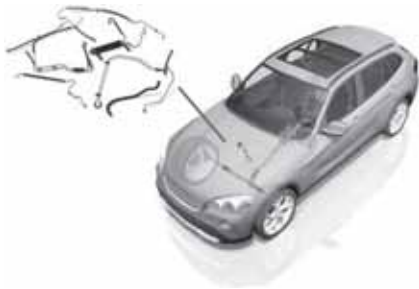
Steering Pumps



Description

- Steering pumps provide the hydraulic power for steering.
- These products are designed for most car and light-duty truck applications.
- OEM customers that use our steering pumps include GM and PSA Peugeot Citroën.

Steering Hoses



- Steering hoses include a wide range of products for bundled hoses, pressure hoses, return hoses, coolers and remote reservoir hoses.
- These products are designed for any vehicles with HPS.
- OEM customers that use our steering hoses include GM in its Buick Regal.

BUSINESS

Our Products

Steering Gears



- ### Description
-
- Steering gears provide directional control of a vehicle by converting hydraulic pressure to a rotation force that moves the steering linkage left or right.
 - These products are designed for vehicles that do not use rack and pinion or certain heavy vehicles.
 - OEM customers that use our steering gears include GM in its full-size trucks and large vans.

The steering column connects the steering wheel to the steering mechanism and controls steering by transferring the driver's input torque from the steering wheel.

The following chart summarizes our key Steering Column (CIS) products:

Our Products

Intermediate Shafts



- ### Description
-
- Intermediate shafts connect the end of the steering column to the rack and pinion gear box. With couplings on both ends, the Intermediate Shaft is able to pivot and allows the car to better manage turns.
 - These products are designed for all vehicles regardless of market segment.
 - OEM customers that use our intermediate shafts include GM in its full-size trucks and full-size sport utility vehicles.

Steering Columns



- Steering columns connect the steering wheel to the steering mechanism and control steering by transferring the driver's input torque from the steering wheel.
- These products are designed for small cars, sport utility vehicles and trucks.
- OEM customers that use our steering columns include GM in its full-size trucks, large vans and Chevy Impala and Ford in its F-150 Truck.

BUSINESS

The following table sets forth the major vehicle models for which we supplied steering system products as of June 30, 2013:

OEMs	Vehicle Nameplate	Our Products
<i>North America</i>		
GM	Chevy Silverado Truck, Tahoe SUV & Savana Van	Column, I-Shaft, HPS, REPS
GM	Chevy Impala	CEPS, Column
Ford	Ford F-150 Truck & SUV	REPS, Column
Ford	Ford Mustang	REPS
Chrysler	Ram Truck	REPS
Chrysler	Fiat 500	CEPS
<i>Europe</i>		
Fiat	Fiat Punto, Panda & 500	CEPS
PSA Peugeot Citroën	Citroën C3 & DS3	SPEPS
GM	Opel Corsa	CEPS
<i>Other</i>		
Shanghai GM	Sonic & Captiva SUV	CEPS

The following table sets forth the major vehicle models for which we supplied steering system products as of December 31, 2012:

OEMs	Vehicle Nameplate	Our Products
<i>North America</i>		
GM	Chevy Silverado Truck, Tahoe SUV & Savana Van	Column, I-Shaft, HPS
GM	Chevy Impala	Column, HPS
Ford	Ford F-150 Truck	REPS, Column
Ford	Ford Mustang	REPS
Ford	Ford Escape & Ford Escape Hybrid	CEPS
Chrysler	Ram Truck	REPS
Chrysler	Fiat 500	CEPS
<i>Europe</i>		
Fiat	Fiat Punto, Panda & 500	CEPS
PSA Peugeot Citroën	Citroën C3 & DS3	SPEPS
GM	Opel Corsa	CEPS
<i>Other</i>		
Shanghai GM	Sonic	CEPS

BUSINESS

The following table sets forth the major vehicle models for which we supplied steering system products as of December 31, 2011:

OEMs	Vehicle Nameplate	Our Products
<i>North America</i>		
GM	Chevy Silverado Truck, Tahoe SUV & Savana Van	Column, I-Shaft, HPS
GM	Chevy Impala	Column, HPS
GM	Chevy Malibu	CEPS, HPS, Column
GM	Chevy Corvette	Column, HPS
Ford	Ford F-150 Truck	REPS, Column
Ford	Ford Mustang	REPS
Ford	Ford Escape & Ford Escape Hybrid	CEPS
Chrysler	Fiat 500	CEPS
<i>Europe</i>		
Fiat	Fiat Punto, Panda & 500	CEPS
PSA Peugeot Citroën	Citroën C3 & DS3	SPEPS
GM	Opel Corsa	CEPS
<i>Other</i>		
Shanghai GM	Sonic & Regal	CEPS, R&P Gear




The following table sets forth the major vehicle models for which we supplied steering system products as of December 31, 2010:

OEMs	Vehicle Nameplate	Our Products
<i>North America</i>		
GM	Chevy Silverado Truck, Tahoe SUV & Savana Van	Column, I-Shaft, HPS
GM	Chevy Impala	Column, HPS
GM	Chevy Malibu	CEPS, HPS, Column
GM	Chevy Corvette	Column, HPS
Ford	Ford F-150 Truck	REPS, Column
Ford	Ford Mustang	REPS
Ford	Ford Escape & Ford Escape Hybrid	CEPS
<i>Europe</i>		
Fiat	Fiat Punto, Panda & 500	CEPS
PSA Peugeot Citroën	Citroën C3 & DS3	SPEPS
GM	Opel Corsa	CEPS
<i>Other</i>		
Shanghai GM	Sonic & Regal	CEPS, R&P Gear
Fiat Brazil	Uno	Pump

Driveline Systems

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

The following chart summarizes our key driveline system product lines:

Our Products	Description
<p data-bbox="178 534 311 570">Halfshafts</p>  <p>The diagram shows a silver SUV from a top-down perspective. A line points from the front wheel area to a detailed image of a front wheel drive halfshaft. The halfshaft is a long metal shaft with a ball joint at one end and a splined end at the other.</p>	<ul style="list-style-type: none">● Front wheel drive halfshafts transmit torque at constant velocity from the transmission to the front wheel of the vehicle.● Rear wheel drive halfshafts transmit torque from the rear differential to the wheels.● These products are designed for a variety of vehicles and are custom engineered to meet the needs of specific vehicle requirements.● OEM customers that use our halfshafts include GM and Chrysler.
<p data-bbox="178 1044 491 1081">Intermediate Drive Shafts</p>  <p>The diagram shows a silver SUV from a top-down perspective. A line points from the rear wheel area to a detailed image of an intermediate drive shaft. It is a long, straight metal shaft with a splined end at one end and a shorter splined end at the other.</p>	<ul style="list-style-type: none">● Intermediate drive shafts work in conjunction with the halfshafts to improve vehicle handling and eliminate driveline disturbance issues on front wheel drive vehicles with unequal length axles, higher torque and running angles.● These products are designed for vehicles in which axle shaft lengths are unequal due to transmission layout to improve NVH performance by equalizing axle length.● OEM customers that use our intermediate drive shafts include GM in its large crossovers.
<p data-bbox="178 1555 443 1591">Propeller Shaft Joints</p>  <p>The diagram shows a silver SUV from a top-down perspective. A line points from the rear wheel area to a detailed image of a propeller shaft joint. It is a cylindrical metal component with a splined end.</p>	<ul style="list-style-type: none">● Propeller shaft joints, as part of the complete propeller shaft assembly, transmit torque from the transmission or transfer case to the front and rear axles.● These products are designed for vehicles employing a front engine, rear drive powertrain configuration.● OEM customers that use our propeller shaft joints include Ford in its D3.

BUSINESS

The following table sets forth the major vehicle models for which we supplied driveline system products as of June 30, 2013:

OEMs	Vehicle Nameplate	Our Products
<i>North America</i>		
GM	Silverado, Tahoe, Malibu, Lacross, Regal, Cruze, Impala, Camaro & ATS	Halfshafts
GM	Equinox, Terrain, Traverse & Enclave	Halfshafts, Intermediate Drive Shafts
Chrysler	Ram Truck, 300 & Liberty	Halfshafts
Chrysler	Mini Van	Halfshafts, Intermediate Drive Shafts
<i>Other</i>		
PSA Peugeot Citroën Brazil ...	Various models	Halfshafts
Chinese local OEMs	Various models	Halfshafts
Indian local OEMs	Various models	Halfshafts

The following table sets forth the major vehicle models for which we supplied driveline system products as of December 31, 2012:

OEMs	Vehicle Nameplate	Our Products
<i>North America</i>		
GM	Silverado, Tahoe, Malibu, Lacross, Regal, Cruze, Impala, Camaro, Equinox, Terrain & ATS	Halfshafts
GM	Traverse & Enclave	Halfshafts, Intermediate Drive Shafts
Chrysler	Ram Truck, Mini Van & 300	Halfshafts
<i>Other</i>		
PSA Peugeot Citroën Brazil ...	Various models	Halfshafts
Chinese local OEMs	Various models	Halfshafts
Indian local OEMs	Various models	Halfshafts

The following table sets forth the major vehicle models for which we supplied driveline system products as of December 31, 2011:

OEMs	Vehicle Nameplate	Our Products
<i>North America</i>		
GM	Silverado, Tahoe, Malibu, Lacross, Regal, Cruze, Impala, Camaro, Equinox & Terrain	Halfshafts
GM	Traverse & Enclave	Halfshafts, Intermediate Drive Shafts
Chrysler	Ram Truck, Mini Van, 300 & Liberty	Halfshafts

BUSINESS

OEMs	Vehicle Nameplate	Our Products
<i>Other</i>		
PSA Peugeot Citroën Brazil	Various models	Halfshafts
Chinese local OEMs	Various models	Halfshafts
Indian local OEMs	Various models	Halfshafts

The following table sets forth the major vehicle models for which we supplied driveline system products as of December 31, 2010:

OEMs	Vehicle Nameplate	Our Products
<i>North America</i>		
GM	Silverado, Tahoe, Malibu, Lacross, Regal, Cruze, Impala, Camaro, Equinox & Terrain	Halfshafts
GM	Traverse & Enclave	Halfshafts, Intermediate Drive Shafts
Chrysler	Ram Truck, Mini Van, 300 & Liberty	Halfshafts
<i>Other</i>		
PSA Peugeot Citroën Brazil	Various models	Halfshafts
Chinese local OEMs	Various models	Halfshafts
Indian local OEMs	Various models	Halfshafts

Product Mix

The following table sets forth our revenue by product lines for the periods/years indicated:

	Our Predecessor		Our Group		Combined ⁽¹⁾		Our Group							
	For the period from January 1, 2010 to November 30, 2010		For the period from November 4, 2010 to December 31, 2010		Total 2010		For the year ended December 31, 2011		For the year ended December 31, 2012		For the six months ended June 30, 2012		For the six months ended June 30, 2013	
	(US\$ thousands)	%	(US\$ thousands)	%	(US\$ thousands)	%	(US\$ thousands)	%	(US\$ thousands)	%	(unaudited) (US\$ thousands)		(US\$ thousands)	%
Steering														
EPS	553,811	29.2	46,782	29.9	600,593	29.3	762,967	33.9	764,937	35.3	403,060	35.3	494,430	42.4
HPS	485,992	25.7	40,585	25.9	526,577	25.7	540,396	24.0	447,314	20.6	240,126	21.0	198,942	17.1
Steering Column (CIS)	487,822	25.7	38,240	24.4	526,062	25.6	500,193	22.3	481,827	22.2	252,194	22.1	243,402	20.9
Driveline	367,570	19.4	31,081	19.8	398,651	19.4	444,196	19.8	473,724	21.9	247,156	21.6	228,041	19.6
Total	1,895,195	100.0	156,688	100.0	2,051,883	100.0	2,247,752	100.0	2,167,802	100.0	1,142,536	100.0	1,164,815	100.0

Note:

(1) Revenue for the period from January 1, 2010 to November 30, 2010 and November 4, 2010 to December 31, 2010 has been combined. See "Financial Information — Basis of Presentation."

Product Life Cycle

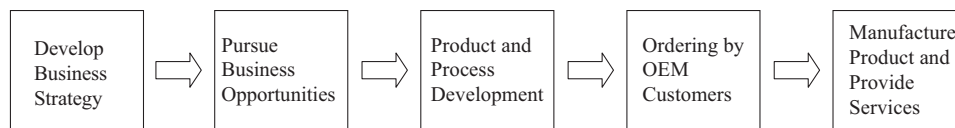
OEMs typically enter into business contracts with suppliers that last the life of a vehicle program, which is usually four to seven years but can vary depending on the customer. During the course of a vehicle program, our customers conduct a global supplier search to source the next generation of this vehicle program, which may or may not include the incumbent supplier. Each new vehicle program includes new requirements for suppliers, including new design specifications.

Seasonality

Our business is seasonal in nature. Our North American customers typically shut down vehicle production for approximately two weeks in July and for one week in December of each year for scheduled breaks and maintenance. Our customers in Europe typically shut down vehicle production during periods in July or August and for one week in December of each year for scheduled breaks and maintenance. In addition, vehicle production in certain regions is traditionally reduced in July, August and December as a result of product changeover and holidays.

OUR BUSINESS MODEL

The following diagram illustrates our business model:



Develop Business Strategy

Our business development process begins with an examination of our corporate vision and values, market practices, regulatory environment, customer relationships and expectations and available resources. Based on this examination, we create a strategic plan that includes a value statement, a description of our business objectives including growth and revenue objectives, and our high level strategic goals, such as target markets and customers, product line portfolio expansion and key geographic region growth. We then communicate our strategic plan to our employees to guide business development and product and process design decisions.

Pursue Business Opportunities

Our objective during this stage is to identify target opportunities and develop customer proposals. The process begins when our product team decides to pursue a business opportunity and ends at the program kick-off. In pursuing business opportunities, our product team meets with the customer to develop a proposal based on their input, as well as our team's input on competitive product and process portfolios, manufacturing footprint strategy, supply base strategy, and customer requirements relating to technical specifications, volume, logistics and packaging, aftermarket service and timing. Internally, the product team completes a risk assessment, manufacturing plan, sourcing plan, and a business case with supporting cost data. The process culminates in a decision regarding whether or not to initiate the program and

BUSINESS

complete the project charter. If we decide to initiate the program, we then provide the customer with an official quote for the project, as well as an accompanying technical proposal, a timeline of key deliverables and dates and commercial terms. See “— Customers — Supply Relationships with Our Customers.”

Product and Process Development

Our objective during this stage is to create achievable and validated product and process designs and to procure the necessary materials for these designs. This stage of the process begins when the vehicle program is initiated. In developing product and process designs, our team relies on inputs from the customer, including technical specifications and project timetables sent to the customer. Based on this input, we validate a set of designs for the project, including:

- product design, which includes the prints for parts, product specifications, testing results, and required customer and regulatory documents;
- supplier capability, which includes supplier purchase orders and other documentation; and
- manufacturing system design, including operator job instructions, routing plans, packaging plans, logistics plans and schedules.

Ordering by OEM Customers

We typically supply products to our OEM customers through purchase orders for specific products supplied for particular vehicles, which are typically governed by general terms and conditions established by each OEM customer. Although the purchase orders with our customers vary from customer to customer, they typically contemplate a relationship under which our customers place orders for their requirements of specific components or systems supplied for particular vehicles but are not required to purchase any minimum amount of products from us. Prices are negotiated with respect to each purchase order, which may be subject to adjustments under certain circumstances, such as commodity or foreign exchange escalation/de-escalation clauses or for cost reductions achieved by us.

Individual purchase orders are terminable for cause or non-performance and, in most cases, upon our insolvency and certain change of control events. In addition, many of our OEM customers have the option to terminate for competitiveness or convenience, which permits our customers to impose pressure on pricing during the life of the vehicle program. They also have the ability to issue purchase orders for less than the duration of the vehicle program, which potentially reduces our profit margins and increases the risk of our losing future sales under those purchase orders.

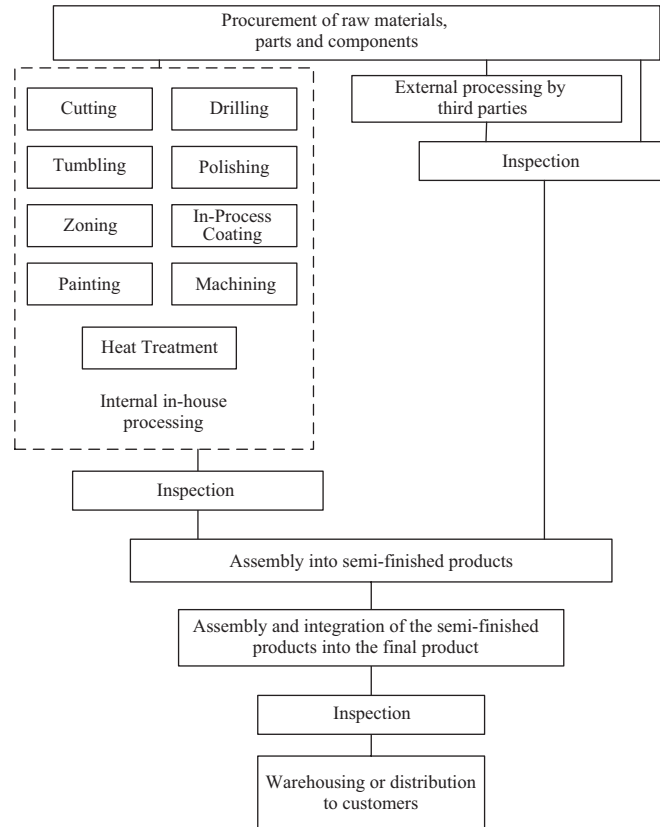
Manufacture Product and Provide Services

Our objective during this stage is to manufacture products and deliver services that meet or exceed our customers’ needs and expectations. This stage of the process begins when we acquire the necessary materials or expertise to meet the customer requirements that we have already identified, and produce the end-products based on our validated product designs. In addition to producing goods and services, we also focus on meeting quality and warranty requirements and responding to customer complaints during this stage.

MANUFACTURING, MANUFACTURED COMPONENTS AND RAW MATERIALS

Manufacturing Process

Our manufacturing process is designed to emphasize product integrity and quality. Generally, the manufacturing process for most of our steering and driveline products can be broadly categorized into the following steps:



- **Procurement of raw materials, parts and components.** Principal raw materials, parts and components include castings, controllers, steel tubing and bars, motors, aluminum and magnesium components, machined parts, bearings and assemblies. Some raw materials, parts and components do not need to be processed. They can be assembled into semi-finished products upon completion of quality inspection.
- **Processing of raw materials, parts and components.** Raw materials, parts and components are processed according to the necessary technical specifications to form the specified components. Such treatment process includes cutting, drilling, tumbling, polishing, zoning, in-process coating, painting, machining and heat treatment. We typically purchase components for assembly into our steering systems and driveline systems from third-party suppliers, except for those components that we view as critical to product performance, which we manufacture, complete or finish in-house. We maintain design control of our products, including the various components that are manufactured by third-party suppliers. This ensures that we maintain control of critical design and process elements during the manufacturing process. For example, in the case of sensors, motors and power electronics used in our EPS products, we create the product design in-house and partner with capable third-party suppliers to manufacture these

BUSINESS

components. This “make to print” model promotes consistent implementation of our product designs around the world by our carefully selected third-party suppliers.

- ***Assembly of parts and components into semi-finished products.*** Raw materials, parts and components are further processed to form semi-finished parts ready for final assembly.
- ***Final assembly.*** We assemble the semi-finished parts and components in the final assembly to form the finished products.
- ***Warehousing.*** Final products are either sent directly to the end customer or sent to a warehouse for storage and final distribution to our customers, depending on the overall value stream cost efficiency and customer requirements.

Our production time varies by product. For example, total production time ranges from approximately 23 to 46 minutes for EPS products, eight to 41 minutes for HPS products, 14 to 24 minutes for steering columns and 10 to 13 minutes for halfshafts. In order to utilize our manufacturing facilities more effectively and enhance our manufacturing efficiency, we have developed and implemented the Nexteer Production System, which is an advanced manufacturing system that focuses on lean production methodology and zero-defect manufacturing measures. We develop general strategies to improve our manufacturing efficiency at our headquarters, which are then adjusted and implemented by each of our divisions, to suit their manufacturing activities. We believe this enables our business divisions to tailor implementation of the strategies and improve their respective manufacturing processes, and thus, allocate resources more efficiently and better address their practical business needs.

Procurement of Raw Materials, Parts and Components

We purchase raw materials, parts and components from various suppliers on a global and local basis for use in our manufacturing processes. These principal raw materials, parts and components primarily consist of castings, controllers, steel tubing and bars, motors, aluminum and magnesium components, machined parts, bearings and assemblies. These raw materials, parts and components are generally available from multiple sources in quantities sufficient for our needs. Although there are multiple suppliers for these raw materials, parts and components, we generally use single source suppliers consistent with industry practice because it is more cost-efficient. Sourcing from multiple suppliers would be more expensive than single supplier sourcing because multiple supplier sourcing would require us to, among other things, monitor, manage and purchase tooling from multiple suppliers. Furthermore, we may be able to negotiate better pricing with single source suppliers due to the volume of our purchasing.

We seek to mitigate the adverse impact that could be caused by any of our single source suppliers experiencing financial difficulties by regularly monitoring and reviewing our single source suppliers’ financial information to identify single source suppliers that may experience financial difficulties. As our Group typically is not the sole customer of a supplier, our Group together with the other customers of a supplier may, consistent with industry practice, provide financial assistance to any of our single source suppliers experiencing financial difficulties where necessary, in order to maintain such single supplier’s operations and therefore supply of the raw material, part or component to our Group. Such financial assistance would typically be provided until: (i) the completion of the relevant vehicle program; or (ii) in cases where our Group considers it more cost-effective to engage alternative suppliers taking into account the

BUSINESS

remaining duration of the vehicle program as well as the time and cost required to switch to alternative suppliers, until an alternative supplier is engaged. In rare cases, because of the technology or process involved or because the raw material, part or component is patented, there may be only a sole source that can provide the required raw materials, parts or components to manufacture our products. For the year ended December 31, 2012 and the six months ended June 30, 2013, approximately 1.5% and 1.2% respectively, of our total purchases of raw materials, parts and components were from sole source suppliers who were the only suppliers that can provide the required raw material, part or component. Similar to the above, our Group seeks to mitigate the adverse impact of using such sole source suppliers for several raw materials, parts and components through regularly monitoring and reviewing suppliers' financial information and providing financial assistance to our sole source suppliers experiencing financial difficulties where necessary.

We purchase our raw materials from suppliers in many countries including the United States, Mexico, China, Taiwan, South Korea, the Netherlands, Poland, India, Spain and Japan. During the Track Record Period, we did not experience any significant shortages of raw materials, parts or components and normally do not carry inventories of those items in excess of those reasonably required to meet our production and shipping schedule.

Our top five suppliers are manufacturers of automotive components. For the years ended December 31, 2010 (combining purchases of our Predecessor and our Group), 2011 and 2012 and the six months ended June 30, 2012 and 2013, our five largest suppliers accounted for approximately 18.4%, 20.7%, 19.5%, 21.1% and 19.6% of our total purchases, respectively. For the years ended December 31, 2010 (combining purchases of our Predecessor and our Group), 2011 and 2012 and the six months ended June 30, 2012 and 2013, our largest supplier accounted for approximately 6.3%, 6.1%, 5.9%, 6.4% and 6.0% of our total purchases, respectively. Our five largest suppliers for the year ended December 31, 2012 and the six months ended June 30, 2013 have maintained business relationships with us for an estimated range of 11 to over 40 years. None of our suppliers are our customers, nor are they our connected persons. During the Track Record Period, none of our Directors or their associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the five largest suppliers.

Our Procurement Process

The objective of our procurement process is to purchase high quality, cost-effective parts. If a new customer program or product initiative requires purchased parts, we first determine whether the part is already in production and whether the current supplier for the part has performed well in the past. If both are satisfactory, we negotiate with the incumbent supplier regarding the cost and technical requirements. If the required part is not in production or the current supplier is rated unsatisfactorily, we initiate a bidding process with a number of suppliers. We then evaluate the supplier proposals to select one that best meets our needs. Once the selected supplier passes our technical review and quality inspection and we analyze the cost structure, our supplier selection team makes a recommendation to the global supplier management sourcing board, which consists of a cross section of commercial, supplier quality and commodity supervisors and managers. If the selected supplier is approved by the global supplier management sourcing board, and after notification to and acceptance from the supplier of the business award, we then proceed to develop the specifics of the production process and issue purchase orders to the supplier for the parts.

BUSINESS

We have a comprehensive quality control system that focuses on the quality of our products from development through production, which covers product and process development, manufacturing systems, problem solving and supply management. See “— Quality Control and Certifications.”

Agreements with Suppliers

Although the terms and conditions vary from supplier to supplier, we typically place orders for the amount we require of specific components or parts through purchase orders that are governed by the terms and conditions. The terms and conditions of our agreements with our suppliers may provide:

- escalation/de-escalation clauses for the increase in the price of raw materials, such as steel, aluminum, copper and key rare earth materials;
- termination for breach and termination for convenience with notice;
- suppliers shall provide a supply of raw materials, parts or components, as the case may be, that meets our Group’s production requirements; and
- a requirement that suppliers comply with all applicable laws, rules, regulations, orders, conventions, ordinances and standards of the country or countries of origin and destination or that relate to the manufacture, labeling, transportation, importation, exportation, licensing, approval, performance and/or certification of the goods or services.

Most of these agreements do not have an automatic renewal clause. If a supplier breaches its supply contract, we may terminate the agreement and recover, recoup or set off any losses, costs or damages resulting from the supplier’s breach of contract. We may also be entitled to equitable relief as well as monetary damages. The standard credit terms offered by our suppliers provide for payment to be due between 45 to 60 days following shipment. We primarily make payment to our suppliers through electronic funds transfer or check.

In Turkey and Korea, we do not have manufacturing plants but have entered into agreements with contractors for manufacturing services. These agreements provide that the contractor would provide manufacturing services to us, but the fee for the service and the amount of products to be supplied would be determined from time to time through purchase orders.

Supply Shortages

We seek to avoid supply shortages through a number of measures, including:

- To avoid a supply shortage caused by a supplier’s labor issues, our global supply management department monitors each supplier’s relationship with its unions and work councils and the expiration dates of its collective bargaining agreements. Our production control and logistics department sends a letter to any supplier with a collective bargaining agreement expiring within six months. This letter requests information on the status of the renewal of the collective bargaining agreement. Based on the supplier’s reply, we work with the supplier to develop contingency plans to minimize the risk of supply stoppage.

BUSINESS

- We also monitor our suppliers and review their financial information to identify suppliers that may be facing financial difficulties. In instances where a supplier becomes insolvent, we work with that supplier and its other customers to develop exit plans and alternate sourcing. See “— Procurement of Raw Materials, Parts and Components.”

Contech

Contech Casting LLC (“Contech”), one of our largest suppliers and our single source supplier for certain casting parts, experienced financial difficulties in the first half of 2013, and its indirect but controlling parent, Revstone Transportation LLC, filed for bankruptcy protection. Contech’s financial difficulties did not result in any disruption in its ability to supply products to us.

We entered into an agreement, dated April 29, 2013, among Contech, us and the other key customers of Contech, pursuant to which we and the other key customers agreed to provide financial assistance to Contech to enable Contech to continue its operations uninterrupted until its sale to a third-party buyer. Pursuant to the agreement we entered into with the other key customers and Contech, we provided approximately US\$193,000 of financial assistance to Contech, and we waived Contech’s obligation to repay this financial assistance.

On June 11, 2013, Contech entered into a purchase agreement with a third-party buyer pursuant to which Contech agreed to sell its manufacturing facilities. The closing of the sale was announced on August 5, 2013.

Since January 1, 2010, other than Contech, our Group has not granted material direct or indirect price increases, adjusted payment terms or financial assistance to any of our other suppliers upon request as a direct result of their economic distress. In addition, other than to Contech, we have not provided material financial support or been required to take other material measures to ensure a continuous supply of raw materials, parts or components due to a supplier’s financial or operational difficulties. See “Risk Factors — Risks Related to Our Business and Industry — Certain of our suppliers are experiencing or may experience economic distress, which may require us to provide substantial financial support or take other measures to ensure supplies of raw materials, parts or components and could increase our costs, affect our liquidity or cause production constraints or disruption.”

Price Fluctuations

We seek to manage fluctuations in prices of raw materials by passing our cost increases to our customers, to the extent possible. The prices of our products are negotiated in connection with each purchase order, which may be subject to adjustment under certain circumstances, such as commodity or foreign exchange escalation/de-escalation clauses or for cost reductions that we achieve. For increases in the price of raw materials which our Group is unable to pass on to its customers, our Group attempts to mitigate the adverse impact of such price increases by improving our manufacturing and purchasing efficiency.

BUSINESS

We experience fluctuations in the price of purchased raw materials, such as steel. See “Risk Factors — Risks Related to Our Business and Industry — Increases in costs of the raw materials, parts, components and other supplies that we use in our products may have a negative effect on our business.” The sensitivity analysis below reflects the impact of fluctuations in the American Metal Market #1 Bundle Three-City Index, a commonly used index tracking the cost of scrap material that is the main ingredient in our bar steel, on our raw steel purchases in 2012, and the effect on our gross profit for the year ended December 31, 2012. On average, for the year ended December 31, 2012, a US\$20 per ton change in the market price of steel, which is approximately a 5% change in the scrap index, would impact gross profits by approximately US\$1.1 million.

The following table sets forth a sensitivity analysis of steel prices:

	Total spent on steel for the year ended December 31, 2012⁽¹⁾	Impact on gross profit for the year ended December 31, 2012
	(US\$ millions)	
Impact of fluctuation on steel prices	56.9	–
with 5% increase in scrap index	58.0	(1.1)
with 5% decrease in scrap index	55.7	1.1
with 10% increase in scrap index	59.2	(2.3)
with 10% decrease in scrap index	54.6	2.3

Note:

(1) The American Metal Market #1 Bundle Three-City Index tracks the cost of high grade scrap material in scrap yards across various cities.

We do not currently have any hedging policies with regard to our raw materials, parts and components, but we evaluate from time to time the costs and benefits of hedging.

PRODUCTION FACILITIES AND PRODUCTION CAPACITY

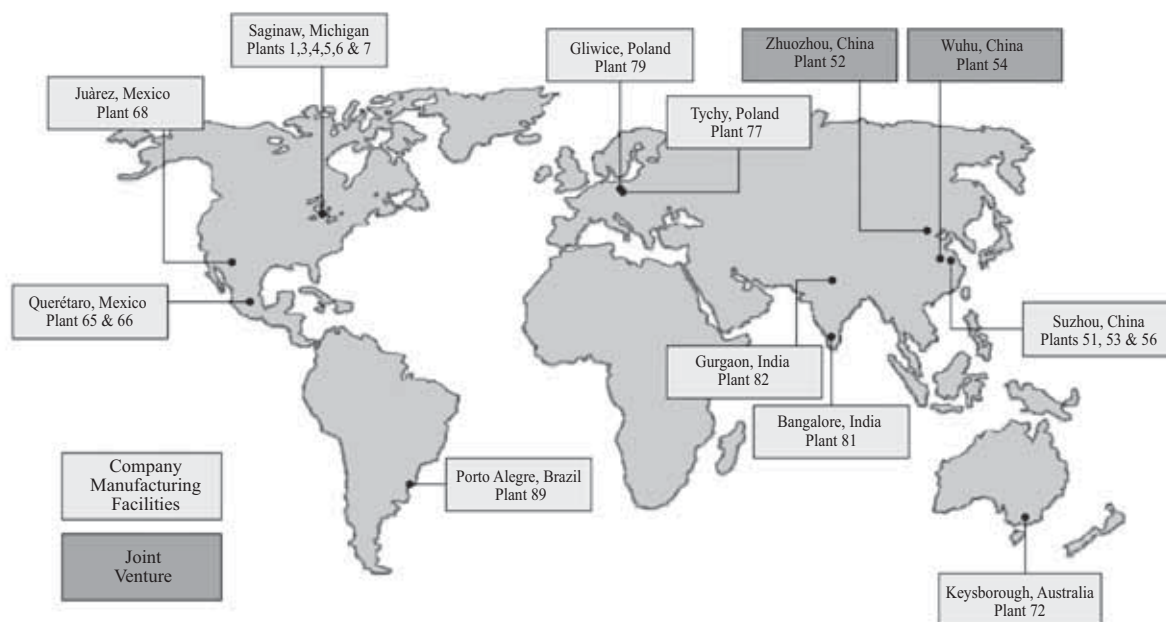
Production Facilities

As of the Latest Practicable Date, we had 20 manufacturing plants located in the United States, Mexico, China, Poland, India, Brazil and Australia, with an aggregate GFA of approximately 465,816.35 sq.m.

We seek to operate our manufacturing plants in low-cost countries that are also located in close proximity to our OEM customers, which minimizes production costs, shortens delivery

BUSINESS

time and mitigates exposure to currency exchange risk. The map below shows the various locations of our manufacturing plants as of the Latest Practicable Date:



The following table sets forth details of our manufacturing plants as of the Latest Practicable Date:

Manufacturing Site	Plant(s)	Approximate Total GFA (sq.m.)	Products
Saginaw, Michigan, U.S.	1, 3, 4, 5, 6, 7	321,748	Pump, Gear, REPS ⁽¹⁾ , Halfshafts, Column
Juárez, Mexico	68	10,288	Column, I-Shaft
Zhuozhou, China	52	7,905	Halfshafts
Querétaro, Mexico	65	16,486	REPS, CEPS, R&P
	66	11,676	Gear, Column, Propeller Shaft Joint
Wuhu, China	54	15,837	Halfshafts
Tychy, Poland	77	14,900	CEPS, SPEPS
Suzhou, China	51	13,634	R&P Gear, Pump,
	53	11,831	Hoses, Column, CEPS, I-Shaft, SPEPS ⁽¹⁾
	56 ⁽²⁾	4,819	Modular power packs for EPS
Gliwice, Poland	79	12,220	R&P Gear, Column, CEPS ⁽¹⁾
Bangalore, India	81	11,337	Column, Halfshafts, Pump ⁽¹⁾ , R&P Gear
Porto Alegre, Brazil . . .	89	9,814	Column, Halfshafts, Pump, SPEPS
Keysborough, Australia.	72 ⁽³⁾	1,946	R&P Gear, Column
Gurgaon, India	82	1,375	Column, Halfshafts

Notes:

- (1) Some products have started production and some other products are expected to start production in the second half of 2013.
- (2) The lease for the new Plant 56 in Suzhou, China was signed in August 2013. We expect the plant to start production in 2015.
- (3) We opened the new Plant 72 in Keysborough, Australia, which became operational on March 25, 2013, to replace the old Plant 72 in Somerton, Australia, which was transferred to the owner on March 7, 2013.

BUSINESS

Production Volume, Production Capacity and Utilization

The following table sets forth our production volume, production capacity and utilization rate for the specified products for the period/years indicated:

Products	For the year ended December 31, 2010 ⁽¹⁾			For the year ended December 31, 2011			For the year ended December 31, 2012			For the six months ended June 30, 2013		
	Volume (units) ⁽²⁾	Capacity (units) ⁽³⁾	Utilization Rate (%) ⁽⁴⁾	Volume (units) ⁽²⁾	Capacity (units) ⁽³⁾	Utilization Rate (%) ⁽⁴⁾	Volume (units) ⁽²⁾	Capacity (units) ⁽³⁾	Utilization Rate (%) ⁽⁴⁾	Volume (units) ⁽²⁾	Capacity (units) ⁽³⁾	Utilization Rate (%) ⁽⁴⁾
EPS	2,278,000	3,286,000	69%	2,682,000	3,428,000	78%	2,680,000	3,639,000	74%	1,649,136	2,120,750	78%
HPS												
Gears	3,198,000	4,591,000	70%	2,826,000	4,763,110	59%	1,835,000	3,888,005	47%	833,000	1,246,025	67%
Pumps	3,577,000	6,119,000	58%	3,741,000	5,392,000	69%	3,565,000	5,002,000	71%	1,491,000	2,031,000	73%
Steering												
Columns	4,098,000	9,371,000	44%	3,727,000	8,957,000	42%	3,463,000	5,643,000	61%	1,745,000	2,430,000	72%
Halfshafts	7,944,000	10,306,000	77%	8,018,000	10,000,000	80%	8,694,000	10,219,000	85%	4,197,000	5,554,500	76%

Notes:

- (1) Production volume and capacity for our Predecessor and our Group have been combined for the year ended December 31, 2010.
- (2) We aggregate the production volume of all categories of a product to arrive at the product volume for the product.
- (3) We calculate capacity using reusable capacity, which excludes legacy equipment related to older generation products that are not usable for new customers or projects. Legacy equipment is considered not usable if the cost of upgrading the equipment for reuse would require investment of over 50% of the cost of purchasing new equipment. Capacity represents weighted average of reusable capacity available by product line. To calculate reusable capacity, we assume five working days a week, three shifts for machining and two shifts for assembly.
- (4) We calculate utilization rate based on the units of products produced compared to the capacity of our total existing facilities.

Primary factors affecting production capacity levels include the phase out of certain production equipment and expansions in our manufacturing facilities from new customer projects. There was an increase in production capacity for EPS from 2010 to 2012, primarily due to the expansion in manufacturing facilities resulting from new customer projects.

Primary factors affecting the utilization rate of our manufacturing facilities include the market demand for certain products and vehicles, which affects the volume of orders from our OEM customers, and our ability to utilize our newly ramped-up capacity. Although we generally increase our production capacity on a project-by-project basis, there are cyclical fluctuations in our utilization rate due to the time required, generally at least six months, for newly ramped-up capacity to run at full capacity. Our utilization rate for a given period is also affected by the accuracy of our customers' projections. For instance, an OEM customer may overestimate the market demand for certain vehicles. As a result, the number of units produced may be lower than the available capacity the customer contracted. See "Risk Factors — Risks Related to Our Business and Industry — Our purchase orders with our OEM customers are generally requirements contracts, and a decline in the production requirements of any of our customers, in particular our largest customers, could materially and adversely affect our business, results of operations and financial condition."

The increase in utilization rate for EPS from approximately 69% in 2010 to approximately 78% in 2011 was primarily driven by the growing market demand for EPS products and vehicles in general. The utilization rate for HPS gears decreased from approximately 70% in 2010 to approximately 59% in 2011 due to a decrease in production volume of HPS gears as a result of the industry conversion from HPS to EPS. The utilization rate for HPS pumps increased from approximately 58% in 2010 to approximately 69% in 2011 due to a decrease in production capacity resulting from the elimination of obsolete technology.

BUSINESS

The utilization rate for steering columns decreased from approximately 44% in 2010 to approximately 42% in 2011 due to a decrease in production volume as a result of decreased market demand due to customers deciding to switch to Column Assist EPS from steering columns, as well as a decrease in production capacity from phasing out certain legacy facilities from our Predecessor. We also adjusted our installed production capacity for halfshafts from 10,306,000 units in 2010 to 10,000,000 units in 2011, primarily due to changes in the product design that required process changes. The utilization rate for halfshafts increased from approximately 77% in 2010 to approximately 80% in 2011, primarily due to an increase in production volume and a decrease in installed capacity during that period.

The decrease in utilization rate for EPS from approximately 78% in 2011 to approximately 74% in 2012 was primarily due to timing as the newly installed capacity generally requires a period of time to ramp up before it can run at full speed. The utilization rate for HPS gears decreased from approximately 59% in 2011 to approximately 47% in 2012 due to a decrease in production volume of HPS gears as a result of the industry conversion from HPS to EPS. The utilization rate for HPS pumps increased from approximately 69% in 2011 to approximately 71% in 2012 as a result of rationalizing a portion of our HPS pumps capacity to increase manufacturing floor space for EPS programs. Production capacity for both HPS gears and HPS pumps were reduced in 2012 because of the conversion to EPS. The utilization rate decreased from 2011 to 2012 for HPS gears, but not for HPS pumps, because there was a larger decrease in the production volume for HPS gears during that period as compared to HPS pumps. The utilization rate for steering columns increased from approximately 42% in 2011 to approximately 61% in 2012 due to a decrease in production capacity as we eliminated installed capacity that was not capable of meeting new steering column design requirements. The increase in utilization rate for halfshafts from approximately 80% in 2011 to approximately 85% in 2012 was due to the increase in production volume resulting from increased customer demand in North America and China.

Expansion and Upgrade of Production Capacity

To continue supporting our growth, we have expanded manufacturing capacity to meet market demand for our products and to support EPS programs under contract. We believe that our manufacturing facilities are well maintained, in good operating condition and suitable for their current purposes. In addition to expanding our manufacturing capacity in response to increased market demand, we also plan to continue to improve manufacturing efficiency by upgrading existing process technologies. Moreover, we will invest in new program designs and make changes to our existing production lines from time to time in response to specific customer requirements. Due to the highly customized nature of our products, we will need to make capital expenditures on machinery and equipment to increase production capacity and adjust production lines for new contracts secured with OEMs. Such capital expenditures are necessary even though the utilization rates for our production lines have not reached their maximum levels.

We expect market demand for EPS to increase significantly as customers transition from HPS to EPS. This transition caused our production capacity for HPS products to not be fully utilized during the Track Record Period. In order to capitalize on the EPS transition as well as support our business growth, we are investing and plan to invest in a large number of EPS programs. In addition, we intend to invest in converting some of our HPS capacity to EPS

BUSINESS

capacity. Based on the expected revenue of contracted EPS programs for which production is expected to begin before December 31, 2015, we expect that we will need to significantly increase our EPS production capacity.

Our estimated total capital expenditures for the period from September 1, 2013 to December 31, 2015 amount to approximately US\$339 million, which will be funded with the proceeds of the Global Offering, bank borrowings and our internal resources. Of the total capital expenditures of approximately US\$339 million, (i) approximately 18% is expected to be paid out in the fourth quarter of 2013; (ii) approximately 40% is expected to be paid out in 2014; and (iii) the remaining 42% is expected to be paid out in 2015. Of the total capital expenditures of approximately US\$339 million, approximately US\$20 million is expected to be invested in maintenance and non-program related matters, approximately US\$20 million is expected to be invested in facility expansion and approximately US\$299 million is expected to be invested in machinery and equipment to increase production capacity to launch new product programs that have been or are expected to be secured from OEM customers. Of the US\$299 million program-related capital expenditures, among other things, approximately US\$149 million will be used in North America, approximately US\$19 million will be used in Europe, approximately US\$120 million will be used in China and the remainder in the rest of the world (including approximately US\$5 million in India and US\$5 million in Brazil). Assuming the mid-point of the proposed Offer Price range, approximately US\$190 million of these capital expenditures, which we expect will mainly be used to strengthen our manufacturing footprint in certain geographic locations such as the PRC and to support EPS programs, will be funded with the proceeds of the Global Offering. See “Future Plans and Use of Proceeds — Use of Proceeds.”

Based on the indicative production arrangements provided by OEM customers and a rolling forecast based on information provided by a third-party industry source, we expect our capital expenditure will significantly increase our EPS and halfshafts capacity, if the relevant purchase orders are performed in accordance with their terms. We expect our utilization rate for each product category, other than pumps, to show moderate growth during the period. The below table sets forth our planned capacity expansion for the years ending December 31, 2013 and 2014.

Products	2013	2014
	(units) ⁽¹⁾	
EPS	4,483,000	5,892,000
HPS		
Gears	2,492,050	1,714,200
Pumps	4,062,000	3,800,000
Steering columns	4,935,000	4,975,000
Halfshafts	11,109,000	12,442,582

Note:

(1) For calculation methods, see “— Production Volume, Production Capacity and Utilization.”

BUSINESS

The forecast above is subject to a number of risks and uncertainties, including our inability to forecast the level of customer orders with certainty. See “Risk Factors — Risks Related to Our Business and Industry — We could be adversely affected by a shortage of supplies causing a production disruption” and “Risk Factors — Risks Related to Our Business and Industry — We and our suppliers face manufacturing challenges.”

INVENTORY CONTROL

We aim to optimize inventory control to promote cash management, operational effectiveness and productivity. Our global PC&L Team oversees inventory control and is responsible for inventory management. A PC&L leader is stationed in each of our global facilities and is responsible for overall inventory management. The PC&L leader is supported by a data coordinator, who is responsible for the coordination of inventory activities and the accuracy of his or her plant’s inventory balance. Because inventory control is the responsibility of our entire Group, we assign various other departments to support inventory management, such as the industrial engineering team, the finance team and the operations team.

In managing our global inventories, we focus on two primary metrics. First, DIO monitors whether our suppliers are localized, overall value stream design, vertical integration in the supply chain and other elements. A comparative metric, DIO helps us track trends in our inventory management performance. Second, API is conducted at least once per year in each plant and measures the enterprise inventory management and the PC&L team’s performance in reporting accurate inventory levels at all times. We use other metrics such as Customer Ship Performance, which measures how often our customer shipments are on-time, and schedule attainment, which measures each plant’s performance in meeting its schedule every hour of every day.

QUALITY CONTROL AND CERTIFICATIONS

Our quality system is designed to monitor the quality of our products from development to production. Our Program Management and Engineering team is responsible for quality control in the design process. Our Manufacturing Operations team is responsible for quality control in the manufacturing process. Some of our quality control employees have more than 20 years of experience in the industry, and many of them hold engineering degrees. Quality control in purchased parts is the responsibility of our Global Supply Management team. In addition to our internal quality standards, our OEM customers often have their own specific requirements or warranty metrics regarding quality control. To promote quality control in our plants, all of our locations worldwide are TS-16949 certified, which is an automotive industry quality certification that is recognized by most of our customers. The TS-16949 certification scheme was developed by the IATF, and includes third-party auditor qualifications and common rules for consistent global certification. The certification is valid for three years and must be confirmed annually by an IATF-certified auditor of an accredited certification body.

In launching new products and customer programs, our development managers and engineers are responsible for quality control in our design of product and manufacturing systems and in our advanced product development planning. During production, our parts approval process aims to ensure that customer requirements are fully understood and satisfied before any new or revised parts are produced. We also undertake failure mode and risk analysis

BUSINESS

to identify potential problems early in the development cycle when they are easier to resolve. In addition, our system establishes specific quality benchmarks for our products to enhance safety, assure regulatory compliance, and optimize vehicle functionality.

In our manufacturing systems, we set standardized work instructions for each manufacturing operation to promote compliance with safety, equipment operation, and product repair requirements. We use error-proofing systems that aim to detect and remove defective parts before they are produced. Our containment and sorting systems identify and segregate non-conforming parts during the manufacturing process. Each manufacturing plant assesses compliance with our quality system requirements on a weekly basis. These weekly assessments involve reviewing relevant documentation, interviewing personnel, documenting compliance or non-compliance, implementing any corrective actions and monitoring and reviewing the results. In addition, we conduct quality audits regularly in which trained auditors review and verify that our manufacturing processes meet our quality and customer requirements. These regular audits involve, among other processes, reviewing the applicable customer requirements, conducting interviews with the relevant personnel, recording evidence of compliance or non-compliance and preparing an audit report. When we require purchased parts, we monitor our suppliers using quality control processes similar to what we use for internally produced parts. We work directly with suppliers from the pre-sourcing stage through production to ensure that they meet our quality standards.

Our problem solving systems aim to identify the root causes of quality issues. When problems are identified and resolved, we communicate lessons learned to each of our global plants that may face similar problems. For persistent issues that require permanent corrective action, we use advanced problem solving tools, such as Six Sigma, to identify and remove the root causes of product defects and variability in our manufacturing processes. We have product identification and traceability methods in place which allow us to locate parts that may be defective in order to mitigate the risk of quality issues. We also monitor customer warranty data on a regular basis and analyze parts returned from warranty to identify emerging quality issues. Our annual quality plan promotes our culture of quality control by setting specific objectives, initiatives and timing targets that require individual ownership and responsibility. Progress toward these objectives is measured by metrics such as the percentage of quality parts for each production run, customer returns per million parts sold, and the volume of quality complaints worldwide.

CUSTOMERS

We currently supply our products to more than 50 customers, including substantially all of the world's top ten major OEMs in terms of production volume in 2012.

For the years ended December 31, 2010 (combining revenues of our Predecessor and our Group), 2011 and 2012 and the six months ended June 30, 2012 and 2013, sales to our five largest customers accounted for 79.2%, 82.4%, 82.7%, 82.0% and 85.4% of our total revenues, respectively. Each of our five largest customers for the year ended December 31, 2012 and the six months ended June 30, 2013 have maintained business relationships with us for over 20 years. During the Track Record Period, none of our Directors or their associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the five largest customers. As of the Latest Practicable Date,

BUSINESS

taking into consideration the payment histories of our five largest customers, we were not aware of any material issues with respect to such customers' financial condition.

We seek opportunities to build relationships with OEMs other than GM to reduce our dependence on any single customer, and diversifying our Group's customer base has been and continues to be one of our key strategies. Since becoming an independent component supplier after the Acquisition, we have also focused on working closely with and increasing sales to OEMs other than GM by offering cost-effective solutions tailored to the needs of each of our customers. We target potential customers and track various opportunities through an opportunity plan, which tracks and assesses potential customer program bookings that we intend to secure. We have also focused on expanding our business in emerging markets such as China, where we pursue business opportunities with global OEMs, as well as local OEMs. See "— Our Strategies — Solidify established customer relationships and continue to diversify customer base."

We plan to continue diversifying our customer base to manage the risk of a decrease in any customer's demand. In addition, to mitigate the adverse impact of a potential reduction in purchases from a customer, we would attempt to adjust the size of our workforce to match anticipated production needs and would continue to seek new programs from other customers. We would also evaluate the pricing of purchase orders with such customer, assess the situation with the aim to win new business awards from such customer and evaluate alternative uses for the available capacity, to the extent possible.

OEMs must make a substantial investment of engineering and other resources to develop a vehicle program with a supplier. The products of our Group are engineered for specific customers and vehicle programs and our Group works closely with our customers at each stage of a product's life cycle, including design, prototyping, production and after-sales customer support to provide our customers with efficient and highly customized solutions. We believe that our customers would need to spend significant time and expense to secure an alternative supply of the steering and driveline products currently provided by us. Each steering supplier typically relies on a few key OEM customers. In view of the production schedules, internal policies of OEMs and the time and costs involved to secure an alternative supply during a vehicle's program life, it is very rare for an OEM to terminate a working relationship with a supplier during a vehicle's program life, which typically lasts four to seven years. For instance, during the Track Record Period, one of our customers re-sourced its supply of HPS gears to another supplier due to the over-capacity in HPS resulting from the industry conversion from HPS to EPS. No other customer terminated a supply agreement with us during the life of a vehicle program during the Track Record Period.

The competitive landscapes of the global automotive industry, the steering industry and the halfshafts industry are dominated by a few key manufacturers. Steering and halfshafts suppliers typically rely on a few key OEM customers and OEM customers typically rely on a few key steering and halfshafts suppliers. According to the IPSOS Report, steering system manufacturers with established supply relationships with automotive manufacturers enjoy competitive advantages in the industry because the cost of switching steering suppliers is high for OEMs. See "Industry Overview — Global Steering System Industry Overview — Competitive Landscape of the Steering Industry — Key Manufacturers in the Global Steering System Industry," "Industry Overview — Global Automotive Industry Overview — Overview

BUSINESS

of the Global Automotive Industry — Major Automotive Manufacturers of the Global Automotive Industry” and “Industry Overview — Global Driveline System Industry Overview — Competitive Landscape of the Driveline Industry — Key Manufacturers in the Global Halfshafts Industry.”

Relationship with GM

We have a strong, long-established relationship with GM, including approximately ninety years as an internal division of GM, and we plan to continue to strengthen this relationship. We are not the sole supplier of steering or driveline products to any particular OEM customer (including GM), but our Group believes that we are an important supplier to GM.

For the period from November 4, 2010 to December 31, 2010, the years ended December 31, 2011 and 2012 and the six months ended June 30, 2012 and 2013, sales to our largest customer, GM, accounted for 50.4%, 50.6%, 52.3%, 52.0% and 53.1%, respectively, of our revenues. Trade receivables from GM accounted for 43.1%, 43.0%, 48.6%, 46.9% and 49.6% of total trade receivables as of December 31, 2010, 2011 and 2012 and June 30, 2012 and 2013, respectively. Average turnover days for GM were 46.5, 42.2, 46.9, 50.0 and 52.1 for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, respectively.

We, PCM China and GM entered into a number of agreements in connection with the Acquisition. These agreements provided, among other things, the framework for certain aspects of our ongoing relationship with GM, including some transitional arrangements. Our Group entered into the Supply Agreement and the Access and Security Agreement in connection with the Acquisition to provide GM assurance that our Group would duly fulfill its supply obligations after the Acquisition. Our Group entered into the IP Agreements in connection with the Acquisition to govern the ownership and licensing rights of intellectual property that GM acquired from Delphi in 2009 or conceived by our Predecessor when it was owned by GM. Our Group believes that these agreements are not industry practice in the ordinary course of business. The material terms of certain of these agreements are summarized below.

Master Purchase Agreement

On July 7, 2010, PCM China executed a Master Purchase Agreement (as amended on November 30, 2010, the “Master Purchase Agreement”) with GM, PCM U.S. Acquisition Company and New Pacific Century Investment Pte. Limited, which provided for GM’s sale of our business to PCM China. Under the Master Purchase Agreement, GM agreed, among other things, not to compete with the global steering and halfshafts business operated by our Predecessor, including the design, testing, manufacture, development, marketing, sale and distribution of automotive steering and halfshafts products until November 30, 2013, subject to certain exceptions including, among others, GM’s ability to continue operating existing lines of business, manufacture parts for its own products, and sell and distribute service parts and parts in the aftermarket. Based on our Group’s experience with GM, our Group is not aware of any GM plans to engage in the manufacture of automotive steering and halfshafts products following the expiration of the non-competition period on November 30, 2013. Accordingly, our Group is not aware that the expiration of the non-competition period will result in a material

BUSINESS

adverse impact on our Group's business, results of operations and financial condition. We and PCM China also agreed to, among other things, (i) assume and indemnify GM for all of our Predecessor's liabilities, including environmental liabilities, except limited employment liabilities; (ii) maintain a manufacturing presence at our facility in Saginaw, Michigan until September 14, 2015; and (iii) honor all collective bargaining agreements with unions and work councils in effect on November 30, 2010. See "— Employees."

Supply Agreement

Prior to the Acquisition, a number of purchase orders and other agreements were in place governing the supply of products by Nexteer Automotive to GM. In connection with the sale of our Predecessor to PCM China, Nexteer Automotive, PCM China and GM entered into a Supply Agreement dated November 30, 2010 that governs the terms of sale by us to GM of products that were under contract with GM on November 30, 2010 ("Component Parts"). In the event that the Supply Agreement and any other purchase order or other agreement governing our sales of Component Parts to GM conflict, the terms of the Supply Agreement prevail. Our sales to GM of products that were not under contract with GM on November 30, 2010 are generally not covered by the Supply Agreement and are governed by a number of purchase orders and other agreements.

The Supply Agreement provided certain key terms that superseded any conflicting terms in the existing purchase orders and other agreements governing the supply of Component Parts. Under the Supply Agreement, GM agreed to offer us the opportunity to participate in the sourcing process for its new and future steering and driveline business on the same competitive basis as its other suppliers without special accommodation and subject to GM's general terms and conditions until November 30, 2020. The Supply Agreement also extended GM's purchase and our supply obligations with respect to Component Parts until the end of the applicable vehicle program life, although GM has no minimum quantity or purchase obligations with respect to Component Parts. Pursuant to the Supply Agreement, the vehicle program life includes an extension of such vehicle program but does not include extensions to new vehicle programs or additional vehicle platforms. The Supply Agreement does not restrict the circumstances under which an extension of the applicable vehicle program could be made or the maximum possible length of such extension. OEMs typically extend programs for a variety of lengths and reasons. Our contracts with GM that are governed by the Supply Agreement and had not expired as of the Latest Practicable Date were entered into between 2005 and 2010 and are expected to expire between 2013 and 2020, assuming the applicable vehicle programs are not extended. The Supply Agreement also provided that, subject to our reasonable internal capacity limitations, we will build an inventory bank of Component Parts at GM's request.

The Supply Agreement provided that payment for Component Parts would be made on average in 47 days, which we believe is in line with general industry practice. The Supply Agreement stipulated that pricing for Component Parts would follow the pricing terms in the existing contracts, which were based on the market price that resulted from the competitive bidding process, consistent with our typical practice. See "— Customers — Supply Relationships with Our Customers." Unless the existing contracts for the Component Parts provided otherwise, we would not be entitled to adjustments in pricing of Component Parts for changes in our costs. While our Group is not entitled to price adjustments under the Supply Agreement unless the existing contracts for the Component Parts provided otherwise, our

BUSINESS

Group has still been able to negotiate with GM regarding pricing when there are unexpected factors that impact our Group's operations. For example, our Group has been able to negotiate commodity price escalation/de-escalation terms with GM from time to time.

In addition to the existing termination provisions, the Supply Agreement allows GM to terminate its purchase obligations for a Component Part if, in GM's reasonable opinion, a Component Part does not remain competitive with respect to technology, design or quality. In addition, the Supply Agreement narrowed GM's ability to terminate its order of a Component Part for convenience to terminations due to program cancellations or modifications.

Moreover, we agreed that tooling that was or is used in connection with the manufacture, assembly or transportation of parts for GM is owned by GM, and agreed to a presumption in favor of GM in the event of any dispute over whether any tooling is GM-owned tooling (subject to any other customer ownership rights). The Supply Agreement also provides that GM has the right to, without notice, take immediate possession of GM-owned tooling, and prohibits the use of any GM-owned tooling for the production of parts for sale to any third party without GM's written consent (which we believe are in line with general industry practice).

Upon the occurrence of an event of default under the Supply Agreement, GM may terminate the Supply Agreement or any of the purchase orders or other agreements for the Component Parts. An event of default under the Supply Agreement is defined as our breach of our obligations under the Supply Agreement or purchase orders or other agreements governing the supply of Component Parts, our acts that would materially and imminently endanger our supply of Component Parts to GM, our failure to maintain a manufacturing presence in Saginaw, Michigan until September 14, 2015 and certain events of insolvency and acts by our creditors.

Our Group entered into the Supply Agreement in connection with the Acquisition to provide GM assurance that our Group would duly fulfill its supply obligations after the Acquisition. For the years ended December 31, 2011 and 2012 and the six months ended June 30, 2013, approximately 94%, 96% and 95%, respectively, of our sales to GM were governed by the Supply Agreement. As described above, the Supply Agreement generally only governs our supply of Component Parts to GM under contracts entered into on or before November 30, 2010. Our Group believes that as the vehicles programs covered by the Supply Agreement end over time (resulting in a decline in our Group's revenue relating to the supply of Component Parts under the Supply Agreement in the future) and are replaced with contracts with GM that are not governed by the Supply Agreement, any adverse impact of the Supply Agreement will have a gradually lessened overall impact on our Group.

Since steering and halfshafts suppliers typically rely on a few key OEM customers and OEM customers typically rely on a few key steering and halfshafts suppliers, we do not believe our reliance on GM affects our bargaining power with GM when compared to GM's other existing suppliers. We also believe we compete for GM business on the same competitive basis as its other existing suppliers.

Based on the above, our Directors are of the view that the Supply Agreement did not have a material adverse effect on our Group during the Track Record Period, and our Directors are not aware that it will have a material adverse effect on our Group in the future.

BUSINESS

Access and Security Agreement

If an event of default occurs under the Access and Security Agreement, the Access and Security Agreement provides GM with the right to use the operating assets that are used in, helpful or necessary to the manufacture of Component Parts and occupy the real estate at our plants in: (i) Saginaw, Michigan, USA; (ii) Querétaro, Mexico; and (iii) Juárez, Mexico (each a “Facility” and together the “Facilities”) for a period of up to 24 months from and after the occurrence of an event of default under the Access and Security Agreement. In addition, the Access and Security Agreement grants GM a license to use or sublicense our intellectual property that is necessary to manufacture the GM products produced at the Facilities on a royalty-free basis during the Occupancy Period. GM agreed to produce parts for our other customers during the Occupancy Period subject to certain conditions, including such customers’ agreement to pay GM the expenses related to production of its products, and provided that production for such other customers does not unreasonably interfere with GM’s production of Component Parts. GM’s rights under the Access and Security Agreement with respect to each Facility will continue until the expiration or termination by GM of all purchase orders, supply agreements and other formal agreements for products (“Existing Parts”) manufactured at the Facilities that were in existence as of November 30, 2010 (the “Pre-November 2010 Purchase Orders”). We may not sell or dispose of, encumber or use the operating assets and real estate at the Facilities in a manner that materially and adversely affects GM’s rights under the Access and Security Agreement without GM’s prior written consent, which may not be unreasonably withheld.

The following constitute an event of default under the Access and Security Agreement:

- our written acknowledgement that we are unable to satisfy our obligations under (i) the Supply Agreement or (ii) the Pre-November 2010 Purchase Orders;
- our failure to ship or produce Existing Parts supplied by a Facility resulting in an imminent interruption of production at GM’s assembly operations;
- our request for financial accommodations from GM and our acknowledgment that without such accommodations we cannot timely perform our obligations under the Supply Agreement and Purchase Orders;
- a creditor commences action or a court order or other relief is granted against us or against a material portion of the operating assets of a Facility such that an imminent and material interruption of production at GM’s assembly operations will result; or
- any lender providing us financing ceases to provide financing such that an imminent and material interruption of production at GM’s assembly operations will result.

An event that would constitute an event of default under the Access and Security Agreement did not occur during the Track Record Period. Accordingly, our Directors are of the view that the Access and Security Agreement did not have a material adverse effect on our Group during the Track Record Period. As of the Latest Practicable Date, our Directors are not aware of the occurrence of any event that with the passage of time would be an event of default under the Access and Security Agreement in the future. Accordingly, our Directors are not aware that the Access and Security Agreement will have a material adverse effect on our Group in the future. See “Risk Factors — Risks Related to Our Business and Industry — Our business, results of operations and financial condition could be materially and adversely affected if we fail to comply with the terms and conditions of our agreements with GM.”

IP Agreements

We also entered into an Intellectual Property Joint Ownership Agreement and related assignment agreements, which provide that we and GM Global Technology Operations, Inc. (“GM Global Technology”), a subsidiary of GM, jointly own the intellectual property (copyrights, know-how, patents, software and trade secrets) that GM acquired from Delphi in 2009 and any intellectual property conceived by our Predecessor between October 6, 2009 and November 30, 2010 (the “Steering Technology”). The Steering Technology primarily is comprised of certain technology for the production of each of our product lines, which we believe GM is not currently engaged in. The Intellectual Property Joint Ownership Agreement does not have a fixed term and cannot be terminated except with the written consent of both parties.

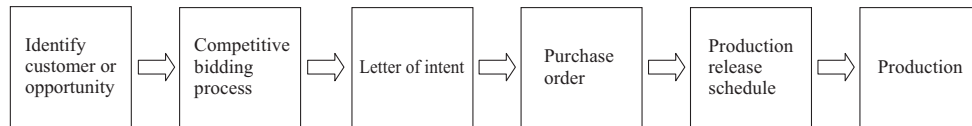
We and GM Global Technology also entered into fully paid non-exclusive, perpetual, royalty free, worldwide, irrevocable and non-transferable cross-licenses that provide for: (i) rights from us to GM and its affiliates, and from GM Global Technology to us, to use the Steering Technology as well as certain modifications of the Steering Technology; (ii) limited rights for GM Global Technology and us to sublicense Steering Technology to the respective affiliates and suppliers, as the case may be; and (iii) rights for GM Global Technology and us to sublicense certain modifications of the Steering Technology. In addition, each party granted the other a covenant not to sue or transfer its rights with respect to intellectual property related to the Steering Technology. While GM has the right to use the Steering Technology, we are not aware of any such use during the Track Record Period and up to the Latest Practicable Date. In addition, while GM has the limited right to sublicense the Steering Technology and certain of its modifications to its other suppliers, we are not aware of any such GM sublicensing during the Track Record Period and up to the Latest Practicable Date. Moreover, as the technology has advanced since our entry into the Intellectual Property Joint Ownership Agreement and cross-licenses, we have developed our own intellectual property rights subsequently which gradually replace the Steering Technology. Accordingly, the impact of the use and/or sublicensing by GM of the Steering Technology on our Group will gradually lessen. Accordingly, our Directors are of the view that the IP Agreements did not have a material adverse effect on our Group during the Track Record Period, and they are not aware that the IP Agreements will have a material adverse effect on our Group in the future. See “Risk Factors — Risks Related to Our Business and Industry — Our intellectual property portfolio exposes us to certain risks, which could have a material adverse effect on our business, results of operations and financial condition.”

In addition, GM assigned and transferred to us all of its rights to the Nexteer trademarks under a Trademark Agreement and a related assignment agreement.

Our Group is not dependent on any particular patent. See “Business — Intellectual Property.”

Supply Relationships with Our Customers

Although the process varies from customer to customer, the following chart sets forth the main steps in many of our customer supply relationships:



Any new customer relationship begins with our identification of the potential customer or opportunity. At this stage, our team will consider whether the potential business opportunity is aligned with our revenue plan, manufacturing footprint strategy and other business objectives. Once we have decided to pursue a business opportunity, our sales team will develop a customer proposal that includes a technical proposal, pricing quote, timeline and other commercial terms. The customer then conducts a bidding process in which our Group's proposal, including its pricing quote, is compared to the proposals of the other suppliers that are competing for the business.

When preparing a pricing quote, our Group determines the minimum price at which our Group would approve the program based on our Group's estimated costs for the program and an internally determined minimum profit margin requirement for the program. The price that our Group offers the customer during the bidding process is based on market pricing but does not fall below our Group's minimum acceptable price. Thus, although our Group considers its estimated costs and internally determined profit margin requirement for the program when determining its minimum acceptable price, our Group's pricing is based on the market price that results from the competitive bidding process. In the event our proposal passes multiple rounds of technical reviews by the customer and we win the bidding process, some of our customers may provide a letter of intent that further specifies the customer's requirements. The letter of intent is then reviewed for revenue planning. Once the letter of intent passes our internal review and we have accepted the letter of intent, we consider the business opportunity accepted. Once we have accepted the business opportunity, it typically takes 24 to 30 months for us to implement the required manufacturing capacity and for the customer to complete development of the vehicle before commencing production.

We typically supply products to our OEM customers through purchase orders for specific products supplied for particular vehicles, which are governed by general terms and conditions established by each OEM. For customers that provide a letter of intent upon the award of business, we typically receive a purchase order shortly before the expected start of production. Our customers that do not provide a letter of intent generally issue purchase orders following the award of business. Although the purchase orders with our customers vary from customer to customer, they typically establish a relationship under which our customers place orders for their requirements of specific components or systems supplied for particular vehicles but are not required to purchase any minimum amount of products from us. These relationships typically extend over the life of the related vehicle, which generally ranges from four to seven years.

BUSINESS

Our purchase orders typically stipulate the product prices that are negotiated with respect to each purchase order, which may be subject to adjustments under certain circumstances, such as commodity or foreign exchange escalation/de-escalation clauses or for cost reductions achieved by us. Prices may decrease at a pre-negotiated percentage at certain intervals through a program's life cycle based on the customer's demand for annual savings. In most instances, our OEM customers agree to purchase their requirements for specific products but are not required to purchase any minimum amount of products from us.

The general terms and conditions established by each OEM that govern the purchase orders, although they vary from customer to customer, typically provide the following:

- We are typically subject to a warranty on our products. The average warranty period offered by an OEM to the end-user of the vehicle is typically two to five years of the product life. In most cases, the duration of warranty provided by us for our products is coterminous with the warranty offered by the OEM to the end-user of the vehicle. Our warranties typically provide that our products will conform to the customer's specifications, be free from defect, and comply with all applicable laws and regulations.
- If we deliver goods that fail to conform to specifications, our customers may revoke acceptance, reject or require correction or return the goods to us at our expense and risk of loss.
- We may also be obligated to share in all or a part of the recall costs if the OEM recalls its vehicles for defects attributable to our products. See "Risk Factors — Risks Related to Our Business and Industry — Product recalls by OEMs could negatively affect their production levels and therefore have a material adverse effect on our business, results of operations and financial condition."

Individual purchase orders are terminable for cause or non-performance and, in most cases, upon our insolvency and certain change of control events. The Listing does not constitute a change of control event under our terms and conditions with our customers. In addition, many of our OEM customers have the option to terminate for competitiveness or convenience, which permits our customers to impose pressure on pricing during the life of the vehicle program. They also have the ability to issue purchase orders for less than the duration of the vehicle program, which potentially reduces our profit margins and increases the risk of our losing future sales under those purchase orders.

Although customer programs typically extend to future periods, and there is an expectation that we will supply certain levels of OEM production during such future periods, our customers' purchase orders, including applicable terms and conditions, are typically requirements contracts that do not stipulate production amounts. Our customers place their orders for actual production and shipment via specific and authorized customer release schedules placed with our manufacturing and distribution centers. We manufacture and ship based on these customer release schedules that are normally provided on a weekly basis, but are subject to change and can vary due to cyclical vehicle production or dealer inventory levels. Once received, customers' orders are typically fulfilled as promptly as possible.

BUSINESS

Pricing pressure is an industry-wide characteristic. We attempt to offset the negative impact of price decreases by improving our manufacturing and purchasing efficiency through methods such as technological innovation, contemporary product design, economies of scale, reduction of defect rates and bulk purchasing. Historically, our Group has lowered the production cost of products during the life of a vehicle program. Moreover, our Group believes our pricing pressure is lessened when existing products that our Group supplies to OEMs are replaced with new products that can be sold at a premium compared to existing products.

In some instances, we may offer an existing customer price reductions on current business in order to win their new business. During the Track Record Period, price reductions extended to existing customers on current business to win their new business amounted to approximately 0.5% of our total revenue (combining revenue of our Predecessor and our Group).

We have a payment and credit terms policy that provides corporate standards for determining the appropriate payment and credit terms for our customers. These standards take into account certain factors, including country risk and credit risk of the customer. The goal of this policy is to minimize the commercial risk associated with the transaction. As the overall credit risk of a customer increases, we require more stringent payment and credit terms. Standard credit terms provide for payment to be due between 30 and 90 days following shipment. The majority of our customers settle their invoices with cash payments. However, in the Asia-Pacific region and certain other countries, certain customers pay us with bank notes that mature on a future date.

Our Group maintains recall and warranty reserves and our Directors believe that such reserves are adequate based on our estimates of amounts necessary to settle future and existing claims. For the period from November 4, 2010 to December 31, 2010, the years ended December 31, 2011 and 2012 and the six months ended June 30, 2012 and 2013, our warranty expenses were US\$1.2 million, US\$11.5 million, US\$16.7 million, US\$7.6 million and US\$4.1 million, respectively. For the period from November 4, 2010 to December 31, 2010, the years ended December 31, 2011 and 2012 and the six months ended June 30, 2012 and 2013, our payment of warranties was US\$0.7 million, US\$10.9 million, US\$9.5 million, US\$5.8 million and US\$2.7 million, respectively. As of December 31, 2010, 2011 and 2012 and June 30, 2012 and 2013, our provisions relating to warranty claims were US\$24.6 million, US\$25.1 million, US\$32.4 million, US\$26.3 million and US\$33.3 million, respectively.

As of the Latest Practicable Date, we had 16 key purchase orders with OEM customers for vehicle programs that were under development for which we had not started production as of June 30, 2013. These purchase orders generally stipulate the product prices and that OEM customers will purchase their requirements for specific products from us but are not required to purchase any minimum quantity of products from us. See “— Our Business Model — Ordering by OEM Customers,” and “Risk Factors — Risks Related to Our Business and Industry — Our purchase orders with our OEM customers are generally requirements contracts, and a decline in the production requirements of any of our customers, in particular our largest customers, could materially and adversely affect our business, results of operations and financial condition.”

BUSINESS

The following table sets forth a breakdown of the selected key booked business and the corresponding expected lifetime volume. The selected key booked business is expected to begin generating revenue on the start of the production date noted in the table. We estimate the value of the selected key booked business awards amounts to approximately US\$8.1 billion over the lifetime of the relevant vehicle programs. Estimated lifetime volumes are based on indicative production arrangements provided by OEM customers and a rolling forecast based on information provided by a third-party industry source. The estimated revenue of the booked business represents the amount we expect to receive over the lifetime of the vehicle program if the contract is performed in accordance with its terms. The value of a booked business is not a measure defined by generally accepted accounting principles, and our methodology for determining the value may not be comparable to the methodology used by other companies in determining the value of their booked business.

Product Content	Estimated Lifetime Revenue	Customer	Vehicle Type	Estimated Lifetime Volume	Award Date	First Start of Production Date	Duration in Years
	(US\$ billions)						
EPS	\$6.2	German OEM 1	Car	6,300,000	Aug-10	Sep-13	12
		US OEM 1	SUV, Car, Van	5,200,000	Apr-12	Jun-14	5
		US OEM 2	Pick-up & Car	3,900,000	Jul-11	May-14	6
		US OEM 3	Crossover	1,600,000	Mar-13	Oct-15	6
		China OEM 1	Car	1,500,000	Dec-10	Aug-13	6
		China OEM 2	Van	1,000,000	Nov-11	Oct-13	4
		German OEM 2	Car	800,000	Jul-12	Nov-14	4
CIS.	\$1.1	US OEM 2	Pick-up & SUV	3,500,000	Jul-11	Jul-14	6
		US OEM 1	Van, Crossover	2,000,000	Jun-13	Aug-15	6
		US OEM 3	SUV	1,100,000	May-10	Jan-14	5
		US OEM 3	Pick-up	1,000,000	Feb-12	Aug-14	7
Halfshafts . . .	\$0.9	US OEM 3	Crossover	5,600,000	Jan-13	Oct-15	7
		US OEM 3	Crossover	4,800,000	Oct-11	Jun-15	6
		China OEM 3	Car	4,100,000	Oct-11	Jan-15	7
		US OEM 3	Car	4,800,000	Dec-12	Mar-14	7
		India OEM 1	Car	1,700,000	Jun-13	Apr-15	5

We anticipate that we will begin to derive revenue under these business awards within 24 to 30 months from the date when business was awarded, which will provide visibility of our near term revenue growth.

Sales, Marketing and Distribution

As of June 30, 2013, our sales and marketing team had 64 employees who were located in 10 countries, many of whom have an engineering background. Our sales and marketing employees are organized into customer-dedicated teams who are responsible for developing and supporting our relationships with each of our major customers on a global basis. In addition, we also have sales managers who focus exclusively on promoting our global product lines. We market our products to our OEM customers directly except for aftermarket sales of certain HPS components that accounted for an insignificant portion of our total sales in 2012 and the first six months of 2013.

BUSINESS

Our marketing strategy is focused on building our brand through media events and product demonstrations that educate the media about our products and business development achievements. In addition, we participate in customer-directed technology shows and exhibits and present at select technology conferences.

The major countries to which we export our products include the United States, Mexico, Canada, Turkey, France, Germany, Italy, Spain, Korea, Australia, Argentina and Thailand. The following table sets forth our revenue by geographic segment for the periods/years indicated:

	Our Predecessor		Our Group		Combined ⁽¹⁾		Our Group							
	For the period from January 1, 2010 to November 30, 2010		For the period from November 4, 2010 to December 31, 2010		Total 2010		For the year ended December 31, 2011		For the year ended December 31, 2012		For the six months ended June 30, 2012		For the six months ended June 30, 2013	
	(US\$ thousands)	%	(US\$ thousands)	%	(US\$ thousands)	%	(US\$ thousands)	%	(US\$ thousands)	%	(US\$ thousands)	%	(US\$ thousands)	%
Geographic segment:														
North America	1,200,748	63.4	96,858	61.8	1,297,606	63.2	1,470,392	65.4	1,536,351	70.9	802,670	70.3	811,344	69.7
Europe	430,868	22.7	31,715	20.2	462,583	22.5	456,359	20.3	328,444	15.2	198,161	17.3	162,998	14.0
China	129,240	6.8	18,125	11.6	147,365	7.2	168,477	7.5	182,326	8.4	79,231	6.9	123,701	10.6
Rest of World ⁽²⁾	134,339	7.1	9,990	6.4	144,329	7.1	152,524	6.8	120,681	5.5	62,474	5.5	66,772	5.7
Total	1,895,195	100	156,688	100	2,051,883	100	2,247,752	100	2,167,802	100.0	1,142,536	100.0	1,164,815	100.0

Notes:

(1) Revenue for the period from January 1, 2010 to November 30, 2010 and November 4, 2010 to December 31, 2010 has been combined. See “Financial Information — Basis of Presentation.”

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

One of our key strategies is to increase market share in China and other emerging markets by expanding our product portfolio to offer products specifically tailored to these emerging markets. In addition, we plan to continue building upon our established relationships with global and local OEMs in these markets and may pursue selected strategic acquisitions and alliances. We also plan to further expand our manufacturing capability in these markets, consistent with the growth of our business.

Joint Ventures

We established two joint ventures in China, namely Nexteer Zhuozhou and Nexteer Wuhu, in 1995 and 2006, respectively. Nexteer Zhuozhou and Wuhu are engaged in the development, manufacture, assembly and sale of driveline systems, constant velocity joint products and related automotive components. We and Lingyun Industrial hold 60% and 40%, respectively, of the respective interests in each of Nexteer Zhuozhou and Nexteer Wuhu. Lingyun Industrial is a company incorporated under the laws of the PRC and listed on the Shanghai Stock Exchange (Stock Code: 600480). It is engaged in, among other things, the manufacturing and sale of automotive parts and components as well as piping systems. Its principal shareholder is Northern Lingyun Industrial Group Co., Ltd. (北方凌雲工業集團有限公司), which held approximately 34.11% of the share interest in Lingyun Industrial as of September 30, 2012. Save for its interests in Nexteer Zhuozhou and Nexteer Wuhu, Lingyun Industrial is not connected to our Group.

BUSINESS

Under the joint venture contract of each of Nexteer Zhuozhou and Nexteer Wuhu:

- (i) the board of directors shall consist of seven directors, four (including the chairman) to be appointed by us and three (including the vice-chairman) to be appointed by Lingyun Industrial;
- (ii) the general manager (who shall be nominated by us) shall be responsible for the day-to-day operation and management of the joint venture, with the assistance of the deputy general manager (who shall be nominated by Lingyun Industrial);
- (iii) the chief financial officer shall be nominated by us;
- (iv) the net profits shall be distributed to the shareholders in proportion to their respective shares of the registered capital;
- (v) any transfer of share interests of the joint venture to any third party requires unanimous approval of the board of directors, and the non-transferring party has the preemptive right to purchase such share interests; and
- (vi) Lingyun Industrial shall assist the joint venture in obtaining necessary (a) approvals, permits, certificates and licenses from PRC governmental authorities and (b) utilities for the production activities of the joint venture.

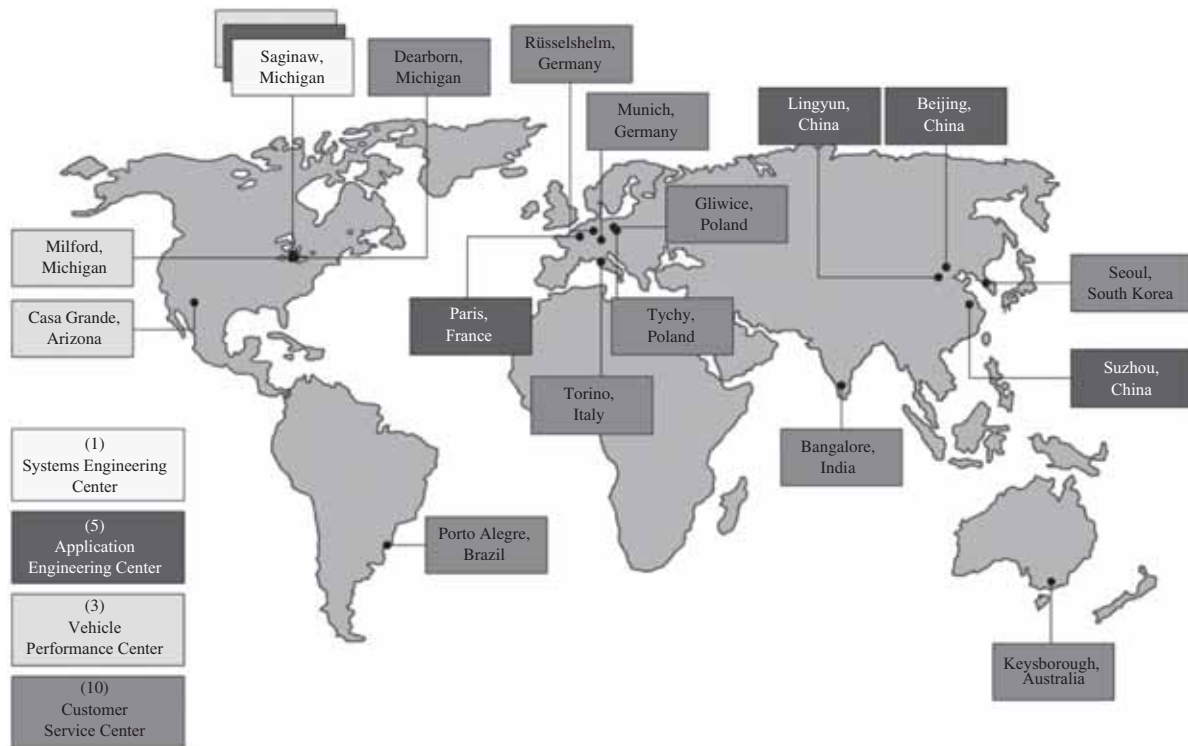
Nexteer Suzhou entered into a shareholders' agreement effective from August 20, 2013 with Chongqing Changfeng, pursuant to which the parties are expected to establish a joint venture in Chongqing, the PRC (the "Chongqing JV") to manufacture and sell steering products. Each of the parties will hold 50% of the interest in the Chongqing JV. Chongqing Changfeng is a company incorporated under the laws of the PRC and is engaged in, among other things, the manufacturing of automotive parts and components (primarily steering products) for light micro-automobiles. Chongqing Changfeng is a subsidiary controlled by China South Industries Group Corporation (中國兵器裝備集團公司), which is a PRC state-owned company. Save for its interests in the Chongqing JV, Chongqing Changfeng is not connected to our Group. Subject to the approval of and registration with the relevant PRC regulatory authorities, the Chongqing JV is expected to be established by the end of 2013 or early 2014.

Customer Support

We operate three vehicle performance centers, five regional application engineering centers and ten customer service centers that provide support to our customers around the world. We develop, evaluate, verify and validate our products at our vehicle performance centers where we are able to conduct vehicle tests in a safe environment. Our regional application engineering centers are responsible for tailoring our products and processes to meet customer specifications and requirements. Our customer service center employees are our

BUSINESS

customers' primary contact for technical support. The following map sets forth our customer support coverage as of the Latest Practicable Date:



Our regional application engineering centers and customer service centers around the world are staffed with local representatives who are familiar with local customs and business practices and can interface directly with customers. This enables us to meet customer support requirements on a timely basis and satisfy regional variations in our global OEM customers' global vehicle platforms. During the Track Record Period, there have not been any major changes in our points of sales, except the opening of our Munich customer service center in October 2010.

COMPETITION

The automotive steering and driveline industries are very competitive. OEMs typically rigorously evaluate Tier 1 suppliers on the basis of product quality, price, reliability and timeliness of delivery, product design capability, technical expertise and development capability, new product innovation, financial viability, operational flexibility and excellence, customer service and overall management. We believe we compete effectively with other Tier 1 suppliers. In the steering market, we have six such global competitors, who, along with us, comprise approximately 73% of the steering market in terms of sales revenue in 2012. See "Industry Overview — Global Steering System Industry Overview — Competitive Landscape of the Steering Industry — Key Manufacturers in the Global Steering System Industry." The barriers to entry to the global steering system market include the competitive nature of the market, the cost to OEMs of changing steering suppliers and the capital and technical capability required for the continuous testing of new products and development. In the halfshafts market, we have two such competitors, who, along with us, comprise approximately 59% of the global market in terms of sales revenue in 2012. See "Industry Overview — Global Driveline System

BUSINESS

Industry Overview — Competitive Landscape of the Driveline Industry — Key Manufacturers in the Global Halfshafts Industry.” The barriers to entry to the global driveline system market include the competitive nature of the market, which is dominated by a few key manufacturers who have typically established long-term relationships with automotive manufacturers, and limited access to relevant technology, which creates a competitive advantage for established manufacturers. In addition, in certain circumstances some OEMs may compete with suppliers because they manufacture steering and driveline systems for their own use.

For more information on the global automotive market, see “Industry Overview — Global Automotive Industry Overview — Overview of the Global Automotive Industry.”

RESEARCH AND DEVELOPMENT

We have a high degree of expertise in the design, development, manufacture and operation of steering and driveline systems. We were a market leader in the introduction of brushless EPS in Europe in 1999 and continue to be a market leader in EPS technology. We have also been a pioneer in the automobile-driver interface through steering column adjustability and crash energy management. At the same time, we are committed to results-driven research and development initiatives and employ processes such as Lean Design Methodology in order to respond quickly to customer needs and competitive pressures. Our expertise, together with our emphasis on innovation and efficiency, allow us to use the advanced technologies, materials and processes to efficiently solve problems for customers and to bring relevant, innovative products to market.

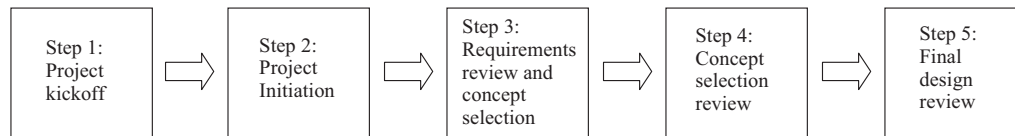
Our Systems Engineering Center, located in Saginaw, Michigan, is the center of our research and development department where we establish our product portfolio and develop core product designs and manufacturing processes. Customer prototypes are generally produced within a single TS-16949 certified pre-production facility and distributed globally. Within our four hundred acre site in Saginaw, Michigan, we have our own comprehensive vehicle test track for product development and customer product evaluation. Our 39,000 sq. ft. acoustics and vibration center provides full vehicle and multiple system and component test facilities, including advanced hemi anechoic chambers.

As of the Latest Practicable Date, our core team of advanced engineers in Saginaw had over 30 members, who focus on early-stage product development. As of June 30, 2013, we employed over 1,100 engineers, scientists, designers and technicians worldwide. Most members of our research and development team have undergraduate and graduate degrees in engineering or the sciences. In addition, most have between five to 30 years of experience in the automotive industry. In addition, we operate a global network of 10 customer service centers and five regional application engineering centers that provide our customers with regional and customer-specific design, application and technical capabilities. Our total engineering and product development costs were US\$118.0 million, US\$13.3 million, US\$179.1 million, US\$190.2 million, US\$98.3 million and US\$90.1 million, for the period from January 1, 2010 to November 30, 2010, the period from November 4, 2010 to December 31, 2010, the year ended December 31, 2011 and 2012 and the six months ended June 30, 2012 and 2013, respectively, of which nil, US\$4.8 million, US\$70.8 million, US\$108.6 million, US\$55.4 million and US\$52.5 million, respectively, were capitalized as intangible assets. For information on how research and development expenses are accounted for, see “Financial Information — Significant Accounting Policies and Critical Accounting Estimates — Intangible Assets — Research and Development.”

BUSINESS

In recognition of our technological achievements, we have received several industry awards, including the Pace Award for Horizontal Modeling and Digital Process Design for CAD/CAM in 2004 and the Innovation Award for “Most Innovative Use of Plastics” from the Society of Plastics Engineers in 2009. See “— Awards and Accreditation.”

Our Advanced Development Process, the process by which we develop a new project design, can be summarized in five main steps:



- **Project kickoff.** We create a clear mission and scope for the project, including the deliverables and timing requirements. At this time, we also weigh the financial goals of the project against the amount of investment and resources needed for completion.
- **Project initiation.** We translate the customer’s requirements into concrete technical targets, product requirements and process goals. In this phase, we will also consider various strategies for meeting these requirements. Examples of such strategies include Six Sigma Analysis, a quality management process that helps to minimize errors in manufacturing, Pareto Analysis, a statistical technique that improves decision making, and Quality Function Deployment, a method of turning customer needs into engineering characteristics.
- **Requirements review and concept selection.** We conduct a literature and patent search to seek engineering opportunities and assess the scope of designs that have already been patented. At this time, we also consider alternative design concepts and lessons we have learned from past projects. By reaching out to our key suppliers in advance, we may gather additional design or process ideas. After the review process, we decide on a final product concept.
- **Concept selection review.** We make decisions regarding whether to make or procure certain components that are required for a product. If we decide to procure certain parts, we develop a sourcing plan with potential suppliers. We also refine the product design, focusing on reliability and risk-mitigation. Any request for capital funding, if required, is made at this time.
- **Final design review.** We consider potential shortcomings or changes in the market landscape, we make any necessary improvements to the project design. At this point, our review board makes the final decision as to whether to proceed with the proposed design. The duration of the Advanced Development Process depends largely on the size of the project and whether the project involves new inventions.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had over 540 U.S. patents and over 390 non-U.S. patents, and we have applied for nearly 350 additional U.S. and non-U.S. patents. We have registered or are in the course of registering several trademarks, including our brand “Nexteer Automotive,” in various markets, including those where our products are principally sold, such as the United States, Canada and certain European countries. As of the Latest Practicable Date, we had also obtained patent protection and were in the process of applying for patent protection for certain inventions, including inventions in our EPS technologies and steering columns and intermediate shaft technologies, HPS technologies and halfshafts technologies. While we consider our brand name and the aforementioned patents and patent applications to be important for our business, we are not dependent on any particular trademark or patent. In addition, as part of the Acquisition, we entered into intellectual property joint ownership and licensing agreements with GM pursuant to which we share joint rights with GM in certain intellectual property. See “— Customers — Relationship with GM — IP Agreements.”

In order to defend our intellectual property rights and the intellectual property rights that we are licensed to use, we implement a set of internal intellectual property management procedures and all matters related to trademarks, patents and trade secrets are required to comply with such procedures. We monitor whether there is any infringement of our intellectual property rights by regularly reviewing industrial information and our competitors’ product and technology offerings, as well as conducting patent and technology searches and other internet searches. In cases of infringement of our intellectual property rights by third parties, we may actively pursue legal actions against such third parties.

Having considered the operational needs of our Group, the measures adopted by our peers and the cost and benefit in connection with the measures available, we believe the following measures implemented by our Group are adequate for ensuring that our products do not infringe other parties’ intellectual property rights:

- we examine at an early stage of a program, through competitive analysis (namely reviewing brochures and other publicly-available marketing materials of the products of our competitors, suppliers and customers) and patent searches on parts designed by us and manufacturing process specified by us, to assess whether there is potential infringement of a third party’s intellectual property;
- if our engineers discover certain products or components purchased from suppliers and/or sub-suppliers may infringe a third party’s patents, we will request from the supplier verification of ownership of the patent or written confirmation of non-infringement of the patent; and
- in line with industry practice, we rely on our terms and conditions of purchase, which are incorporated into all of our purchase orders issued to our suppliers, which ensure that our suppliers are in compliance with all applicable intellectual property laws and will indemnify us for any and all costs associated with products sold to us that may infringe or allegedly infringe one or more of the patents of third parties.

BUSINESS

AWARDS AND ACCREDITATION

During the Track Record Period, we received 135 National Safety Council Awards, including two Prestigious Industrial Leadership Awards, eight Safety Leadership Awards, 32 National Safety Council Perfect Record Awards, 21 Significant Improvement Awards, 47 Occupational Excellence Achievement Awards and 25 Millions Hours Worked Awards.

The following table sets forth some of the significant awards and certifications we have received from independent entities:

<u>Awards/Certificate</u>	<u>Awarded by</u>	<u>Year</u>
National Safety Achievement Award for “Exceptional Safety Performance in the Workplace”	National Safety Council (U.S.)	2012
Seven projects as finalists at International Ergo Cup	Global Organization of Ergonomics	2012
OHSAS 18001:2007 Specification	Lloyd’s Register Quality Assurance	2012
Best Place to Work — Paris, France.	Great Place to Work Institute	2012
Award for Simplicity at International Ergo Cup.	Global Organization of Ergonomics	2011
Top Human Being Award	Brazilian Association of Human Resources	2011
National Safety Achievement Award	National Safety Council (U.S.)	2010
Innovation Award for “Most Innovative Use of Plastics” .	Society of Plastics Engineers (U.S.)	2009
Shingo Prize Award.	The Shingo Prize for Operational Excellence	2006
Pace Finalist Award for Active Energy-Absorbing Steering Column	<i>Automotive News</i>	2006
2006 Six Sigma Excellence Award	<i>iSixSigma</i>	2006
Finalist for <i>Industry Week’s</i> “2005 Best Plants”.	<i>Industry Week</i>	2005
Finalist for the Society of Plastics Engineers Innovation Award	Society of Plastics Engineers	2005
Finalist for Shingo Prize	The Shingo Prize for Operational Excellence	2004
Pace Award for Horizontal Modeling and Digital Process Design for CAD/CAM	<i>Automotive News</i>	2004
Finalist for Shingo Prize	The Shingo Prize for Operational Excellence	2003
Pace Award for QUADRA STEER system	<i>Automotive News</i>	2002
Pace Award for Math Based Metal Removal (MBMR) software	<i>Automotive News</i>	2001
Shingo Prize for Excellence Award	The Shingo Prize for Operational Excellence	2000
Pace Award for E-STEER™ electronic steering.	<i>Automotive News</i>	1999

BUSINESS

REAL PROPERTIES

We occupy properties around the world in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and they principally include premises for use as manufacturing sites, customer support centers, storage, and engineering and technical centers. As of the Latest Practicable Date, we owned seven parcels of land with a total site area of approximately 1,932,867.98 sq.m. and 46 buildings with a total GFA of approximately 391,829.29 sq.m., and leased 29 properties with a total GFA of approximately 113,587.03 sq.m.

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) notice, this Prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all our interests in land or buildings, since as of December 31, 2012, each of our properties has a carrying amount of less than 15% of our consolidated total assets.

Our Owned Properties

As of the Latest Practicable Date, we owned seven parcels of land with a total site area of approximately 1,932,867.98 sq.m. and 46 buildings with a total GFA of approximately 391,829.29 sq.m. in the United States, China, Brazil, India, Mexico and Poland. Our owned properties are primarily used for manufacturing, with GFA ranging from approximately 7,905 sq.m. to 321,748.2 sq.m. Our owned properties accounted for approximately 77.5% of the aggregate properties occupied by us.

Among these owned properties, the following are considered material by us because they are main manufacturing sites of the Company. Details of such properties are set out below:

No.	Owned properties	Site area (sq.m.)	GFA (sq.m.)	Registered owners
1	Wuhu, China Plant 54 No. 18 Huaihai Road, Wuhu Economic & Technological Development Area (WEDA) Anhui Province, China	26,666.9	15,836.5	Nexteer Wuhu
2	Saginaw, Michigan Plants 1, 3, 4, 5, 6 & 7 Nexteer Automotive Corporation 3900 Holland Road Saginaw, MI 48601-9494 United States	1,650,672.3	321,748.2	Nexteer Automotive
3	Juárez, Mexico Plant 68 Avenue Rio Bravo #1445 Parque Industrial Rio Bravo Cd. Juárez, Chihuahua, Mexico	20,241.8	10,287.8	Steering mex S de RI de Cv

BUSINESS

No.	Owned properties	Site area (sq.m.)	GFA (sq.m.)	Registered owners
4	Porto Alegre, Brazil Plant 89 Rua Giuseppe Mandelli 118 Bairro Sao Joao Porto Alegre, Rio Grande do Sul 90200-290 Brazil	68,200.1	9,814.4	Nexteer Ind. e Com. de Sistemas Automotivos Ltda
5	Zhuozhou, China Plant 52 1 Ling Yun Industrial Zone, Zheng Yang Jie Road Song Lin Dian Town, Zhuozhou Hebei Province, China	13,520	7,905	Nexteer Zhuozhou
6	Bangalore, India Plant 81 No. 106 to 109 & 111 to 113 Jigani Phase II KIADB Industrial Area, Hobli Jugani Taluk Anekal, Karnataka, India	43,333	11,337.5	Nexteer Automotive India
7	Tychy, Poland Plant 77 Siedziba: 43-100 Tychy Towarowa ul.6 43110 Tychy, Poland	110,234	14,900	Nexteer Automotive Poland Sp. z o.o.

As of the Latest Practicable Date, our owned property in Saginaw, Michigan, United States, which has a GFA of approximately 321,748.2 sq.m., representing approximately 82.0% of the aggregate GFA of our owned properties, had been mortgaged under a credit agreement. This property has been used by us primarily for manufacturing.

We own substantially all of our assets and equipment. The repair and maintenance of assets and equipment are charged as expenses are incurred. The age and condition of such assets and equipment vary. We review the useful lives of our assets and equipment annually.

Our Leased Properties

As of the Latest Practicable Date, we have leased 29 properties with a total GFA of approximately 113,587.03 sq.m. in the United States, Mexico, India, Poland, Australia, Brazil, Germany, France, Italy, Korea, Turkey and China. Our leased properties are primarily used for manufacturing sites, customer service centers, storage, and engineering and technical centers, with GFA ranging from approximately 32 sq.m. to 16,486 sq.m. Our leased properties accounted for approximately 22.5% of the aggregate GFA of the properties occupied by us.

BUSINESS

Among these leased properties, six of them are considered material by us because they consist of our main manufacturing sites and an engineering center and contribute a significant portion to our total revenue. Details of such properties are set out below:

No.	Leased properties	GFA (sq.m.)	Occupied by	Expiry dates of the leases
1	Querétaro, Mexico Plant 65 Building Finsa III-I Santa Rosa De Viterbo No 12 Parque Industrial FINSA CP 76246 El Marques, Querétaro, Mexico	16,486	Steeringmex S de RL de CV	June 15, 2019
2	Suzhou, China Plant 53 Suzhou Industrial Park, No. 72 Fengli Street Suzhou City, Jiangsu Province, China	11,830.9	Nexteer Suzhou	November 30, 2017
3	Suzhou, China Plant 51 Suzhou Industrial Park, No. 72 Fengli Street Suzhou City, Jiangsu Province, China	13,633.7	Nexteer Suzhou	January 31, 2018
4	Querétaro, Mexico Plant 66 No. 12 Parque Industrial FINSA CP 76246 El Marques Querétaro, Mexico	11,676	Steeringmex S de RL de CV	May 31, 2014
5	Gliwice, Poland Plant 79 Gliwice-Diamond Business Park, ulica Leonardo Da Vinci Street, 44-100 Gliwice Poland	12,220	Nexteer Automotive System Poland Sp. z o.o.	May 15, 2014
6	Troy, Michigan Level 1, an office building SEMCSO Troy, Michigan United States	2,828.9	Nexteer Automotive	January 14, 2019

As of the Latest Practicable Date, our leasehold interests in two leased properties with an aggregate GFA of approximately 1,384 sq.m., which accounted for approximately 1.2% of the aggregate GFA of our leased properties, were subject to certain defects as follows:

- Our landlord did not provide a certificate of official ownership of a property in the PRC with a GFA of approximately 144 sq.m., representing approximately 0.1% of the aggregate GFA of our leased properties. The property is used mainly as a garage and for new products testing. We are of the view that we can replace such property with a comparable building, if necessary, without any material adverse effect on our operations, given the limited size and number as well as usage of such property.
- One of our leased properties in the PRC, which has a GFA of approximately 1,240 sq.m., representing approximately 1.1% of the aggregate GFA of our leased properties, had been pledged before we leased the property. The property is used for office purposes. We have been advised by our PRC legal advisors that (i) our rights under the relevant lease agreement may be affected by any future sale, auction or

BUSINESS

transfer of the property by the landlord, in which cases we may need to enter into a new lease agreement with the new owner of the property if we wish to continue to use it; and (ii) the existing pledge of the property would not have any material impact on our operations. We are of the view that this property can, if necessary, be replaced by other comparable premises without any material adverse effect on our business, results of operations or financial condition, given the limited size and number as well as the usage of such property.

As of the Latest Practicable Date, we have not been subject to any material claim arising from or in connection with any defect in our leasehold interest in any of our leased properties.

EMPLOYEES

As of June 30, 2013, we employed 5,867 employees in our North American segment, 1,154 in our European segment, 1,041 in our China segment and 606 in our rest of the world segment. As of December 31, 2012, we employed 2,295 salaried employees. The number of our salaried employees classified by function is as follows:

Functions	Number of Employees as of June 30, 2013	% of total
Manufacturing Engineering.....	432	19%
Product Engineering.....	710	31%
Finance.....	164	7%
Manufacture.....	273	12%
Global Supply Management.....	194	8%
Administration.....	49	2%
Human Resources.....	80	4%
Sales.....	64	3%
Information Technology.....	31	1%
Customer Satisfaction.....	168	7%
Production Control & Logistics.....	130	6%
Total	<u>2,295</u>	<u>100%</u>

As of June 30, 2013, approximately 3,660, 220, 1,000 and 230 of our workforce in our North America, Europe, China and other international segments, respectively, were represented by 10 unions and work councils. We acknowledge an employee's membership in unions and work councils and make it a priority to have positive relationships with our employees through regular communication and dialogue. We believe that we maintain a constructive relationship with each of our global unions and work councils and communicate with them on a regular basis. In addition, our local representatives monitor our ongoing relationship with our unions and work councils. As of the Latest Practicable Date, we had no plans to change our labor strategy. We had not experienced any material industrial action, work stoppages or labor disputes during the Track Record Period and up to the Latest Practicable Date.

As of June 30, 2013, approximately 31% of our employees were represented by the UAW. Our memorandum of understanding, or MOU, with the UAW will expire on September 14, 2015. The MOU governs, among other things, the hourly wages, benefits, retirement

BUSINESS

benefits, health and safety policy and vacation policy for the covered employees. Our obligations under the MOU include:

- a commitment to situate manufacturing activities at our Saginaw, Michigan plant for new customer programs such as integral gear housing and pumps;
- benefits relating to individual retirement plans, profit sharing plans and post retirement health care accounts; and
- wage and separation provisions to achieve a reduced ongoing wage rate. The MOU provides for multiple tiers of wages. The MOU provides that new employees are hired at the lower hourly rate while current hourly employees retained their existing wage rate unless they agreed to the lower hourly rate as described below. Effective upon the Acquisition, existing hourly employees were offered a: (i) lump sum payment for employees who agreed to a lower hourly rate after the Acquisition (mandatory for skilled trade employees and voluntary for other employees); (ii) lump sum payment for employees who decided to retire; or (iii) a lump sum payment for employees who decided to terminate their employment. As further incentive for existing hourly employees to agree to the lower hourly rate, the MOU also provides that in each of the last two years of the MOU: (i) existing hourly employees that agreed to the lower hourly rate and newly hired hourly employees will receive a 2% base wage increase beginning January 2014 and 2015, respectively, and their maximum incentive compensation payment, which is paid when our Group has reached a pre-determined operating cash flow threshold, will increase by 1% for 2014 and 2015; and (ii) current hourly employees who have not agreed to the lower hourly rate will only receive a 2% performance bonus, which will be paid as a lump sum in January 2014 and 2015, and their maximum incentive compensation payment will increase by 1% for 2014 and 2015.

While we cannot assure you that we will be successful in renewing our agreements with unions and work councils upon expiry, or that our new agreements will be on terms as favorable to us as past agreements, we did not expect any material impediments to renewing our collective bargaining agreements in light of our ongoing discussions with our unions and work councils as of the Latest Practicable Date.

We view recruiting, training and retaining skilled employees as an important element of our business. Our recruitment process begins when an individual department or plant determines that it has a specific personnel requirement after a review of its business requirements. We recruit employees from a number of sources, including certain universities, internal applicants, search firms, career fairs, advertising or the Internet. Candidates are reviewed internally and interviewed by a selection team. We offer training programs to our employees, which are designed to develop their 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. For example, we have a retention program that includes individual development plans, merit wage adjustments and promotions. 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. Our full time employees also participate in various employee benefit plans including pension schemes, extended disability benefits and workers compensation.

BUSINESS

Depending on our Company's business development, our Company intends to implement a share option scheme following the Listing. The implementation of such scheme is subject to prior approval of the SASAC, and will be effected in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations.

INSURANCE

As of the Latest Practicable Date, we maintained insurance coverage that is customary for our industry including, but not limited to, property damage insurance and product liability insurance. In the event that we are liable for a product liability claim, we currently have worldwide product liability insurance coverage with maximum coverage of US\$2 million per year globally that covers legal liability incurred as a result of bodily injury and/or property damage to a third party caused by our products which occurs anywhere in the world except for the U.S., Puerto Rico and Canada. We also maintain product liability insurance coverage in the U.S., Puerto Rico and Canada with a self-insured retention of US\$500,000 per occurrence and maximum coverage of US\$2 million per year that covers legal liability incurred as a result of bodily injury and/or property damage to a third party caused by our products.

In order to cover our Group from liability, we maintain policies of a nature and amount that we consider adequate and evaluate from time to time such policies based on our past experience, production changes, industry developments, benchmarking and various considerations. We generally do not maintain insurance for product warranty or recall matters. Apart from the product liability insurance coverage, we strive to minimize the risk of product liability claims, warranty claims and product recalls through stringent quality control. See "— Quality Control and Certifications." Furthermore, in cases where one or more of our suppliers is determined to be at fault, in whole or in part, we will evaluate seeking indemnification or contribution (as appropriate), from such supplier pursuant to the terms and conditions of the supply contracts with the relevant supplier, taking into account various commercial considerations, including, but not limited to, the amount sought, such supplier's financial viability and the risk of disruption in the supply of products to us and our customers as a result of a possible claim by us for indemnification or contribution.

During the Track Record Period and up to the Latest Practicable Date: (i) there were no known material product liability claims filed against us or by our Group on our Group's product liability insurance; and (ii) we have not (A) received any significant customer complaints or (B) participated in any recalls by our customers involving any of our products, either of which would have a material adverse effect on our business, financial condition and results of operations. Recalls during the Track Record Period were generally caused by products that did not or were suspected not to conform to our customers' specifications. Customer complaints during the Track Record Period generally arose from quality issues or scheduling concerns. The recalls and customer complaints during the Track Record Period were not caused by material quality issues. Product liability claims would result from product quality issues.

Our quality control system seeks to reduce the risk of customer issues through use of error proofing and quality control measures. We conduct weekly assessments and regular audits of our quality control systems and monitor customer warranty data on a regular basis in order to assess whether we believe any enhancement to our quality control measures is required. See "— Quality Control and Certifications."

BUSINESS

Based on the above, while we cannot assure you that we will not experience material quality issues, product liability claims, recalls or customer complaints, our Directors are of the view that our quality control system is sufficient. See “Risk Factors — Risks Related to Our Business and Industry — Product recalls by OEMs could negatively affect their production levels and therefore have a material adverse effect on our business, results of operations and financial condition” and “Risk Factors — Risks Related to Our Business and Industry — We may incur material losses and costs as a result of warranty claims and product liability actions that may be brought against us.”

TAXATION

We are subject to various tax benefits and jurisdiction-specific tax arrangements. For more information regarding the tax arrangements in jurisdictions we operate in, see “Regulations — Laws and Regulations of Poland,” “Regulations — Laws and Regulations of the PRC,” “Regulations — Laws and Regulations of Mexico” and “Financial Information — Factors Affecting Our Group’s Results of Operations — Our Tax Rates,” “Risk Factors — Risks Related to Our Business and Industry — Under the EIT Law and other PRC tax laws, we may be classified as a “resident enterprise,” which could result in unfavorable tax consequences to us and our non-PRC shareholders,” “Risk Factors — Risks Related to Our Business and Industry — The preferential tax treatment that our PRC subsidiaries currently enjoy may be changed or discontinued, which may adversely affect our business, results of operations and financial condition.”

Our global transfer pricing policy stipulates that intra-group sales of products between our group entities are charged at cost plus 5%, unless there is a specific market price for the product that more closely approximates an arms-length transaction. Furthermore, our non-U.S. entities are charged royalties for the use of intellectual property owned by our U.S. entities. Our Group’s transfer pricing arrangements comply with all relevant tax laws and regulations.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to various laws and regulations regarding labor, safety and work-related incidents. Our corporate safety requirements promote safe manufacturing practices at our manufacturing plants, and each plant also establishes its own safety rules to minimize site-specific employee hazards. Our occupational health and safety goals are mainly measured by lost work days, or any work-related injury severe enough to prohibit the employee from working the next day, or recordables, which refers to work-related injuries that require medical attention beyond first aid. We post health and safety communications in our plants to keep our employees up-to-date on our health and safety goals as well as our progress towards meeting these goals. Moreover, each plant’s management team is required to attend monthly safety review meetings to review recent safety incidents and to monitor performance, in addition to conducting weekly safety tours looking for unsafe acts and conditions that require corrective action. Further, each plant manager is assigned to promote at least one safety program and implement compliance at his or her plant. During the Track Record Period, we have complied with the relevant workplace safety regulatory requirements in all material respects and have not had any incidents or complaints which would materially and adversely affect our business, results of operations and financial condition.

BUSINESS

ENVIRONMENTAL COMPLIANCE

We are subject to the requirements of environmental and safety and health laws and regulations in the countries in which we operate. These include laws regulating air emissions, water discharges, and hazardous materials and waste management. Although it is our intent to comply with all such requirements and regulations, such regulations are complex, change frequently and have tended to become more stringent over time. In the past, we have failed to obtain or be in compliance with certain environmental licenses or permits primarily for the following reasons:

- (i) the renewal of a license or permit is conditional upon the relevant authority carrying out a satisfactory inspection visit of our Group's facilities: although our Group has submitted applications for renewal of licenses or permits within the stipulated period of time under applicable laws and regulations, the relevant authority has not carried out the inspection visit prior to the expiry of the necessary license or permit;
- (ii) the renewal of a license or permit is conditional upon the obtaining of pre-approval or certification from the relevant authority: the relevant authority has taken a longer time than expected to grant the pre-approval or certification and, as a result, our Group has not been able to obtain the renewal of licenses or permits;
- (iii) the granting or renewal of a license or permit is conditional upon the relevant authority issuing a resolution on the matter: although our Group has submitted applications for the issuance or renewal of licenses or permits within the stipulated period of time under applicable laws and regulations, the relevant authority has failed to issue the corresponding resolution; or
- (iv) our Group submitted applications for renewal of licenses or permits to the authorities after the license or permit had expired: the operations of our Group require a number of licenses and permits which are required to be renewed at different times and our Group did not renew some of them within the stipulated period of time due to administrative oversight.

Our Group is in the course of obtaining or renewing the licenses and permits. In the cases of (i) to (iii) above, our Group has followed up with the relevant authorities to ascertain the status of scheduling of the inspection visits, the obtaining of pre-approvals or certifications or the issuing of resolutions, as the case may be. In the case of (iv), our Group has submitted applications for renewal and followed up with the relevant authorities. Our Directors are of the view that these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us. Having considered the latest status of the renewal and the nature of such licenses and permits, as of the Latest Practicable Date, there is no outstanding environmental license(s) or permit(s) that would have a material adverse effect on the operations of our Group. The Company, on the basis of legal advice obtained, confirms that we are not aware of any legal impediment in renewing the outstanding environmental licences required to be renewed or that the renewal is purely a procedural formality. We cannot assure you that our environmental requirements will not become more stringent over time or our eventual environmental costs and liabilities will not be material. See "Risk Factors — Risks Related to Our Business and Industry — We may be adversely affected by environmental and occupational health and safety regulations, litigation or other liabilities."

In order to ensure ongoing compliance with the relevant laws and applications concerning the validity of the business licenses and operational permits, our Group has since

BUSINESS

March 2013 been in the course of formulating and adopting a policy at both headquarters and subsidiary level to review and monitor the status and validity of its business licenses and operational permits on a periodic basis. We have consulted the internal control consultant in identifying the factors relevant to formulating such policy and the procedures required for such policy. Under the policy, the internal control coordinator of the local entity monitors the effectiveness of the policy and he/she or the person designated by the country manager of the local entity is responsible for preparing a business licenses and operating permits matrix which sets out, among other things, the following information: (i) area of responsibility: the work plan defines which functionality of our Group is affected by the license or permit, such that the staff of the relevant functionality shall assist the country manager of the local entity to ascertain the status of the licenses and permits, and whether any new licenses and permits, or renewal of existing licenses and permits, are necessary; (ii) impact on our Group: the internal control coordinator of the local entity or the person designated by the country manager of the local entity shall assess the impact of the breach or expiry of license or permit on our Group and any related risks that may arise as a result for our Group's customers and suppliers; and (iii) complexity of the application for renewal and expiry dates: the internal control coordinator of the local entity or the person designated by the country manager of the local entity shall ascertain the date when our Group shall prepare the application taking into account the complexity and necessary steps to renew the license or permit, including the time required for the authority to process the application (including the obtaining of pre-approval and certification) and the expiry dates of the license or permit. For renewals that are expected to take more time, our Group would set an earlier commencement date of the renewal process, such that our Group can obtain renewals prior to the expiry dates of the licenses or permits.

The internal control coordinator monitors the effectiveness of the policy and he/she or the person designated by the country manager of the local entity is responsible for monitoring the latest status of preparation, submission and granting of the licenses and permits and updating the matrix accordingly so as to ensure timely submission of the application and proper follow-up with the authorities when necessary. The internal control coordinator or the person designated by the country manager of the local entity is generally required to have a bachelor's degree in accounting and/or be a public accountant, with at least two years of experience in internal auditing and be familiar with risk management and internal control policies. The country manager of the local entity shall monitor the situation by conducting regular meetings with its internal control coordinator every six months to evaluate the status and in any event, the internal control coordinator or the person designated by the country manager of the local entity will alert the country manager when necessary. In addition, the plant manager, human resources director and finance director of each local entity will work collectively with the internal control coordinator or the person designated by the country manager of the local entity to ensure that all its applicable operational/environmental, health/safety and legal/tax licenses and permits, respectively, are in place and current, and designate proper resources to comply with the policy. The plant manager, human resources director and finance director of the local entity are required to report every six months on the status of the licenses and permits of the local entity to the country manager of such local entity, and the country manager is in turn required to report every six months to the Chief Operating Officer of our Group, who is responsible for overseeing the process of our Group as a whole. Our Group will also consult our internal counsel, engage external consultants, including legal advisors and internal control consultant, to provide recommendations, to review any updates of the applicable laws and regulations relevant to our business and production or in case of material change in the scope of our business and

BUSINESS

production, ensure proper documentation and compliance of such requirements in a timely manner, and assist in enhancing our Group's internal control measures in the future if necessary. We are also in the course of formulating policies to formalize the reporting procedures of our operating subsidiaries to the headquarters on its compliance status regularly. Our Audit and Compliance Committee will also be responsible for monitoring the status of the regulatory compliance of our Group as a whole and at subsidiary level, advising on and overseeing the implementation of any necessary measures. Based on the above, the Directors consider that the above internal control policy should be sufficient for the purpose of ensuring ongoing material compliance with the relevant laws and applications concerning the validity of the business licenses and operational permits. Based on the above and the relevant due diligence work conducted, the Joint Sponsors consider that the above internal control policy should be sufficient for the purpose of ensuring ongoing material compliance with the relevant laws and applications concerning the validity of the business licenses and operational permits.

For the period from January 1, 2010 to November 30, 2010, our Predecessor's cost of compliance with applicable environmental rules and regulations was US\$0.07 million. We did not incur any material costs with respect to environmental compliance with applicable environmental rules and regulations for the period from November 4, 2010 to December 31, 2010, the years ended December 31, 2011 and 2012 and the six months ended June 30, 2012 and 2013. We cannot assure you that environmental requirements will not change or become more stringent over time or that our eventual environmental remediation costs and liabilities will not exceed the amount of our current reserves. In the event that such liabilities were to significantly exceed the amounts recorded, our results of operations could be materially affected. See "Risk Factors — Risks Related to Our Business and Industry — We may be adversely affected by environmental and occupational health and safety regulations, litigation or other liabilities."

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

From time to time we are subject to various legal actions and claims incidental to our business, including those arising out of alleged defects, breach of contracts, product warranties, intellectual property matters, and employment-related matters.

Material Licenses and Permits

As of the Latest Practicable Date, there is no outstanding material license(s), permit(s) or approval(s) that would have a material adverse effect on the operations of our Group.

Legal Proceedings

OFAC

In 2010, when our Predecessor was owned by GM, GM made a voluntary self-disclosure to OFAC, in which GM alleged that certain activities of Nexteer Automotive may have constituted "possible" facilitation violations under the Iranian Transactions and Sanctions Regulations (the "ITSR"), then called the Iranian Transactions Regulations.

As set out in the section headed "Our History and Reorganization — Our History," in 2009 GM acquired, among other things, most of the steering operations of Delphi Corporation, which effectively comprise the operating subsidiaries of our Group, and subsequently renamed

BUSINESS

these operations “Nexteer” (comprising Nexteer Automotive and certain other Nexteer entities). The scope of such acquisition excluded, among other things, the steering manufacturing facility operated by Delphi Corporation in Strasbourg, France (the “Strasbourg Facility”). The Strasbourg Facility never formed part of our Group or our Predecessor and the Strasbourg Facility was subsequently closed in November 2010. Prior to its closure, the Strasbourg Facility produced and supplied steering pumps to certain OEM automobile producers in Europe, and some of them thereafter shipped the pumps for use in Iranian automobile production. The sales of these pumps were by the Strasbourg Facility and not by any member of our Group or our Predecessor.

In anticipation of the shutdown of the Strasbourg Facility, Nexteer intended to take over some of the business of the Strasbourg Facility. Nexteer agreed with some customers of the Strasbourg Facility that when the Strasbourg Facility ceased production of certain pumps, Nexteer would commence to supply the same to such customers. Among various types of pumps that the Strasbourg Facility produced, Nexteer decided not to and did not offer to supply a particular model of pump (the “Excluded Pump”), which was used by a customer (the “Excluded Pump Customer”) exclusively for its production in Iran. Apart from the Excluded Pump, the Excluded Pump Customer also purchased some other pumps from the Strasbourg Facility and Nexteer would supply such other pumps to the Excluded Pump Customer after the Strasbourg Facility ceased production.

In July 2010, in light of confusion in France as to whether Nexteer would supply the Excluded Pump, and considering that Nexteer would not supply the Excluded Pump after the closure of the Strasbourg Facility, to avoid disruptions in supply to the Excluded Pump Customer, and thereby maintain good business relationships with the Excluded Pump Customer as it would purchase some other models of pumps other than the Excluded Pump from Nexteer, Nexteer Automotive sent an email to Nexteer Automotive France SAS (“Nexteer France”), asking Nexteer France to remind the Excluded Pump Customer that (i) Nexteer would not be supplying the Excluded Pump; and (ii) the Excluded Pump Customer should consider this fact in its final order from the Strasbourg Facility (the “July Email”).

In anticipation of the closure of the Strasbourg Facility, all customers submitted final orders to the Strasbourg Facility in quantities that greatly exceeded its production capacity. To address this demand issue and to ensure a smooth transition of certain sales of pumps from the Strasbourg Facility to Nexteer (excluding the Excluded Pump which Nexteer would not supply), meetings were held from September 2010 at which representatives from Nexteer, including Nexteer Automotive and Nexteer France, and the Strasbourg Facility discussed the timing of cessation of production of pumps at the Strasbourg Facility and the commencement of supply of certain pumps (excluding the Excluded Pump) by Nexteer (the “Transition Meetings”).

The July Email and the subsequent Transition Meetings raised the appearance of “possible” facilitation by U.S. persons of trading by non-U.S. persons with Iran in violation of the ITSR because Nexteer Automotive, a U.S. person, could potentially be considered to have assisted with the final production and supply of the Excluded Pump by the Strasbourg Facility that the Excluded Pump Customer used exclusively in Iran.

Other than the Excluded Pump, the Strasbourg Facility supplied two other models of pumps that two of its customers used for production in numerous places including Iran. Nexteer

BUSINESS

agreed to supply these models of pumps to such customers but prior to supplying these models of pumps, Nexteer obtained written assurances from such customers that such models of pumps to be supplied by Nexteer would not be used in Iran. There is no indication of facilitation by Nexteer Automotive of the sale of these other pumps to Iran.

An OFAC violation could result in monetary penalties being imposed against us by OFAC. Subsequent to GM's voluntary disclosure, Nexteer Automotive has submitted findings to OFAC and fully responded to an administrative subpoena issued by OFAC, reiterating that there was no evidence that Nexteer Automotive sold any pumps destined for Iran, and that Nexteer Automotive and its personnel had not facilitated the production or sale by the Strasbourg Facility of the Excluded Pump for use by the Excluded Pump Customer in Iran. The matter remains pending at OFAC and there have been no additional requests for information, subpoenas or any indication of whether there will be an administrative penalty from OFAC. We have and will continue to cooperate with OFAC in this matter.

The following are grounds in support of a finding by OFAC that this incident does not constitute a facilitation of trade with Iran in violation of the ITSR: (i) the July Email from Nexteer Automotive was sent with a view to avoid disruptions in supply to the Excluded Pump Customer, and thereby maintaining good business relationships with the Excluded Pump Customer as it would purchase some other models of pumps other than the Excluded Pump from Nexteer. The July Email merely confirmed and restated a prior agreement reached by the Strasbourg Facility and the Excluded Pump Customer; and (ii) the Transition Meetings subsequent to the July Email were conducted to avoid disruptions in the supply of products to the customers that Nexteer took over from the Strasbourg Facility (excluding the Excluded Pump). Nexteer Automotive did not act to facilitate the Strasbourg Facility in the production and supply of the Excluded Pump to the Excluded Pump Customer as the Strasbourg Facility already committed to supply the final quantities of the Excluded Pump prior to those Transition Meetings. In addition, in the event of an unfavorable decision by OFAC, the maximum penalty under a reasonable interpretation of the facts would be a potential penalty of approximately US\$500,000. Furthermore, any penalty would be mitigated by the voluntary disclosure and cooperation of Nexteer Automotive. Accordingly, considering the amount of the maximum penalty, our Directors are of the view that the incident will not have any material adverse effect on the business, financial condition and results of operation of our Group.

While the incident was a one-time incident merely related to the takeover of some of the business of a facility not owned by our Group instead of our daily operation, in order to ensure ongoing compliance with OFAC regulations and avoid conducting business with sanctioned customers and sanctioned countries, our Group has been continually implementing and updating a number of internal control measures since September 2011, including the following: revising and enhancing a code of conduct to include compliance policies that prohibit transactions and facilitation of transactions with sanctioned countries and denied or sanctioned entities and individuals and providing compliance training to employees on OFAC issues, as well as screening of and monitoring new customers, suppliers, employees and other parties with whom our Group deals with. This screening is conducted through an independent service provider which provides restricted and denied party screening and other related foreign trade compliance solutions. In the event we suspect, following the screening procedure mentioned above or otherwise identified, that a customer is using its product in any sanctioned country, we will demand that the customer stop this practice immediately and request written confirmation

BUSINESS

from such customer that it will not use any Nexteer product in a sanctioned country. In the event such customer continues to use any Nexteer products in a sanctioned country after providing the written confirmation, the Company will take legal and commercial action it deems appropriate, including ceasing supply of products to such customer. In addition, we have undertaken to the Hong Kong Stock Exchange that, after the Listing, we will not engage in business activities with countries subject to sanctions administered by OFAC, which activities are determined by a competent authority to be violations under applicable laws and regulations. We are aware that the breach of such undertaking may lead to delisting of the Company.

Nexter Systems

In May 20, 2010, Nexter Systems, a French armaments supplier, filed two opposition proceedings against our Community trademark applications of our “Nexteer” brand with the EU Office of Harmonization of the Internal Market. In their opposition proceedings request, they allege that our name Nexteer infringes upon their earlier right to their name, Nexter. We have obtained a suspension of the opposition proceedings tentatively until November 2013. We are pursuing negotiations with Nexter Systems to obtain a co-existence agreement, which is based on commercial grounds. If we are unable to do so and if we are unsuccessful in the opposition proceedings, our trademark applications in question will be rejected, in which case, we will assess the feasibility of using an alternative name and trademarks globally in order to maintain a global brand of our Group. We believe any global change of our name, brand and trademarks will not have any material adverse effect on us as our business, financial condition and results of operations as a whole are not dependent on the “Nexteer” brand and trademarks for the following reasons: (i) we have established long-term relationships with our customers based on our ability to offer quality products and customer service at competitive prices, independent of our “Nexteer” brand and trademarks; (ii) we work closely with our customers at each stage of a product’s life cycle and we believe our customers would need to spend significant time and expense to secure alternative supply and are therefore unlikely to switch suppliers merely due to the change in our name, brand and trademarks; and (iii) the existing “Nexteer” brand only came into existence in October 2009 following the acquisition of the steering operations of Delphi by GM and that the historical change in name and brand of our Predecessor had not caused any material adverse effect on its business, financial condition and results of operations. Similar to the previous change, we believe any change in the “Nexteer” name, brand and trademarks will not have any material adverse effect on us.

Landstar

On March 19, 2013, Landstar Express America, Inc. (“Landstar”), a transportation and logistics services company, filed a complaint against Nexteer Automotive as well as three third-party co-defendants in the Circuit Court of the Fourth Judicial Circuit in Duval County, Florida. Landstar was engaged by Contech, one of our Group’s suppliers, to provide transportation services for delivery of products from Contech to our Group. Contech failed to satisfy its payment obligations to Landstar with respect to certain transportation charges incurred in 2011 in respect of goods sold by Contech to us. In 2012, Landstar sought to recover payment from Contech by filing a separate lawsuit and obtained a judgment against Contech of approximately US\$6 million. We believe Landstar has been unsuccessful in obtaining payment of the judgment from Contech. Landstar subsequently filed the current lawsuit against Nexteer Automotive, and asserts breach of contract and unjust enrichment claims against Nexteer

BUSINESS

Automotive in connection with Contech's unpaid transportation charges. Pursuant to U.S. federal statutes governing freight transportation and applicable case law, lawsuits for freight charges can be asserted as breach of contract or unjust enrichment claims, and are based on the terms of the bills of lading. Landstar is seeking unspecified damages in excess of the jurisdictional minimum of US\$15,000.

As of the Latest Practicable Date, the suit was in a preliminary stage. On May 1, 2013, Nexteer Automotive filed an initial responsive pleading and a motion to dismiss the lawsuit. The trial is not expected to occur until 2014. Given the early stage of the lawsuit, we and our legal advisors are unable to evaluate our potential liability with reasonable certainty because we are still in the course of gathering the relevant information, ascertaining the merits of the case and evaluating potential defenses. We believe our potential liability, if any, will be covered by our insurance, except for a self-insured retention of US\$100,000. As of the Latest Practicable Date, based on the information currently available and after considering our possible defenses, as well as our insurance coverage, our Directors were of the view that the suit is unlikely to have a material adverse effect on our Group's business, results of operations and financial condition as a whole.

In addition, as of the Latest Practicable Date, we were party to numerous administrative, legal and arbitration proceedings and claims that arise in the ordinary course of our business involving purported violations of contractual terms, regulations and laws, none of which are expected to have a material adverse effect on our business, results of operations and financial condition, or on our Shares, the Global Offering and the Listing. As of the Latest Practicable Date, we were also not aware of any material pending or threatened litigation, arbitration, administrative proceeding or claim.