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

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

(Stock Code : 01316)

ANNUAL REPORT 2013

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CORPORATE PROFILE

Nexteer Automotive Group Limited (the Company) together with its subsidiaries (together with the Company collectively referred to as we, us, Nexteer or the Group) is a global leader in advanced steering and driveline systems. Nexteer's in-house development and integration of hardware, software and electronics gives us a competitive advantage as a full service steering supplier.

Nexteer draws upon a 100-year heritage of product development, manufacturing and vehicle integration expertise. We have a strong foundation and a reputation for providing dependable steering and driveline solutions and enduring customer relationships.

Nexteer provides real-world, vehicle-level thinking that is always ahead of the curve.

- **Customer Focused:** Respected and trusted for delivering on promises
- **Innovative:** Market leader in steering and driveline innovation
- **Agile:** Respond quickly with high-quality, cost-effective solutions
- **Expert:** Know and understand customer requirements
- **Experienced:** Provide demonstrated high performance, custom engineered systems for every application
- **Global:** Committed to exceeding customer and vehicle needs every time, everywhere

With more than fifty (50) customers in every major region of the world, Nexteer has twenty (20) manufacturing plants, five (5) regional engineering centers, nine (9) customer service centers strategically located in North and South America, Europe and Asia. Nexteer's customers include BMW, Fiat Chrysler, Ford, General Motors (GM), PSA Peugeot Citroen and Toyota, as well as domestic automakers in India and China.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

ZHAO, Guibin (趙桂斌)
(Chairman and Chief Executive Officer)
RICHARDSON, Michael Paul
FAN, Yi (樊毅)

Non-Executive Directors

LU, Daen (錄大恩)
WANG, Xiaobo (王曉波)

Independent Non-Executive Directors

TSANG, Hing Lun (曾慶麟)
LIU, Jianjun (劉健君)
WEI, Kevin Cheng (蔚成)

JOINT COMPANY SECRETARIES

FAN, Yi
MOK Ming Wai (FCIS, FCS)

AUTHORIZED REPRESENTATIVES

FAN, Yi
MOK Ming Wai (FCIS, FCS)

LEGAL ADVISORS

As to Hong Kong Law

Jones Day

As to Cayman Islands Law

Maples and Calder

COMPLIANCE ADVISOR

Somerley Capital Limited

AUDITOR

PricewaterhouseCoopers

AUDIT AND COMPLIANCE COMMITTEE

WEI, Kevin Cheng *(Chairman)*
TSANG, Hing Lun
LU, Daen

REMUNERATION AND NOMINATION COMMITTEE

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

HEADQUARTERS AND GLOBAL ENGINEERING CENTER

Nexteer Automotive
3900 E. Holland Road
Saginaw, MI 48601-9494
United States

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road Central East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Wells Fargo Capital Finance
Bank of China Suzhou Industrial Park Sub-Branch
Shanghai Pudong Development Bank, Suzhou Branch
CITIC New & Hi-tech Industrial Development Zone
The Export-Import Bank of China
MAC N2814–220PKO Bank Polski
Bank Pekao SA

STOCK CODE

1316

COMPANY WEBSITE

http://www.nexteer.com/

OUR PRODUCTS

We design, engineer, manufacture and distribute steering and driveline systems and components, primarily for original equipment manufacturers (OEMs).

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.

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

ELECTRIC POWER STEERING (EPS)

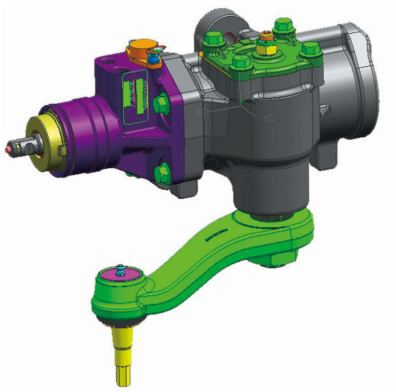
EPS uses an electric motor to assist driver steering. Our hardware and software work together to connect the driver with the road, taking into account driving dynamics and the operating environment. Depending on the type of EPS system, a computer module applies assistive power via an electric motor coupled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

Column-assist EPS (CEPS) integrates the system electronics (motor, controller and sensor) and the assist mechanism with the steering column. OEM customers that use our CEPS include: GM in various small cars, such as the Aveo; Shanghai GM in the Sonic and the Captiva sport utility vehicle (SUV); and Fiat Chrysler in various small cars such as the Fiat 500. In China we introduced a new entry-level brush motor CEPS (Brush CEPS) specifically tailored for developing markets. OEM customers that use our Brush CEPS include: SAIC-GM-Wuling Automobile (SGMW) for the Wuling Hongguang S micro van.

Rack-assist EPS (REPS) integrates the required electric assist mechanism with the steering rack where they are contained under the hood in the engine compartment. OEM customers that use our REPS include: Ford in the F-150 pickup truck and the Mustang; Fiat Chrysler in the Ram pickup truck; and GM in various half-ton trucks and SUVs.

Single pinion-assist EPS (SPEPS) integrates the electric assist mechanism with the steering gear pinion shaft. OEM customers that use our SPEPS include: PSA Peugeot Citroën in the Citroën C3 and DS3; Dongfeng Peugeot Citroën in the Citroën C-Elysée and the Peugeot 301; and BMW in the i3 and the Mini Cooper line.

Our Products



HYDRAULIC POWER STEERING (HPS)

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

STEERING COLUMNS AND INTERMEDIATE SHAFTS (CIS)

Steering columns and intermediate shafts connect the steering wheel to the steering mechanism and control steering by transferring the driver's input torque from the steering wheel. We design these products for small cars, SUVs and trucks. OEM customers that use our steering columns include: GM in various full-size trucks, large vans and the Chevy Impala; and Ford in the F-150 pickup truck.

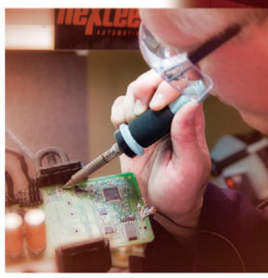
DRIVELINE SYSTEMS

Halfshafts are designed for a variety of vehicles and are custom engineered to meet specific vehicle requirements. OEM customers that use our halfshafts include: Fiat Chrysler; GM; PSA Peugeot Citroen; and Volkswagen.

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

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

BUSINESS OVERVIEW



2013 BUSINESS HIGHLIGHTS

- Successfully began new production of awarded customer programs.
- Remained focused on research and development (R&D) to strengthen our product and technology portfolio.
- Refined manufacturing footprint to focus on key growth areas.
- Formed a new joint venture to enable strong EPS growth in China.
- Continuous improvement in operating efficiency and cost competitiveness.

NEW PRODUCTION LAUNCHES

In 2013, we began production on 34 major customer programs that included incumbent and conquest business to increase and further diversify our revenue base. Customer programs that launched or began production in 2013 included:

OEMs	Vehicle Nameplate	Our Products
North America		
GM	Chevy Silverado Truck, Tahoe SUV & Savana Van	REPS, Column, I-Shaft, HPS
GM	Chevy Corvette	Column
GM	Cadillac CTS	Column, Halfshafts
Fiat Chrysler	Jeep Cherokee	Halfshafts
Europe		
BMW	i3, Mini Cooper	SPEPS
China		
Dongfeng Peugeot Citroën Auto	Citroën C-Elysée & Peugeot 301	SPEPS
Volkswagen	Golf	Halfshafts
SAIC GM Wuling	Wuling Hongguang S	Brush CEPS
Rest of World		
PSA Peugeot Citroën Brazil	Citroën C3, Peugeot 208	EPS, Halfshafts

PRODUCT RESEARCH & DEVELOPMENT

We have accumulated extensive technical knowledge and developed a high degree of technical expertise through our 100-year history as a steering and driveline systems supplier with a consistent focus on research and development. Our technological innovation is supported by advanced engineering and testing capabilities.

As of December 31, 2013, we had approximately 570 U.S. patents and 399 non-U.S. patents. In addition, we have nearly 377 applications pending for an additional U.S. and non-U.S. patents.

The successful launch of our SPEPS for BMW capped three years of preparation for the first implementation of our most innovative EPS electronic architecture into the premium segment. This new SPEPS system provides the processing power, functional safety, robust vehicle communication and standardized software required to support more complex driver assist and safety functions.

Our OEM customers continue to demand increased steering functionality. In order to provide the substantial increase in processing power needed for that functionality, we brought to market EPS systems that feature a new family of powerful dual-core processors incorporating high speed vehicle communication bus capability that supports a variety of advanced driver assist functions including lane keeping and park assist.

We also began production of our second generation high output REPS system for GM's half-ton pickup trucks and SUVs. The strength of Nexteer's product technology and performance is highlighted by the fact that Nexteer supplies REPS systems for 90% of high end pickup trucks and SUVs in North America.

In China we introduced a new product for developing markets targeting entry level vehicles. We began production of a Brush Motor CEPS system for the SGMW – Wuling Hongguang S micro van. This new product has higher system efficiency, reduced level of noise and more stable torque performance than similar products offered by competing suppliers.

Throughout 2013, we continued to develop our new compact modular power pack (MPP). The MPP will enable us to customize our various EPS systems through software calibrations and communication protocols rather than more expensive and time-consuming mechanical changes. We believe that our use of MPPs will lead to a more standardized EPS product that we can efficiently customize to meet diverse OEM customer application requirements.

In recognition of our technological achievements, Nexteer was named a 2014 finalist for the prestigious PACE Award for automotive product innovation with respect to our Magnasteer with Torque Overlay and Smart Flow HPS system (MTO System). The MTO System is an advanced electro-magnetic HPS system that is specifically designed for trucks rated at three-quarter ton and larger which are too heavy to be steered by current EPS systems at 12 volts. The MTO System provides increased fuel economy compared to traditional HPS systems and also offers the advanced steering functionality of EPS that traditional HPS systems are not able to provide.

MANUFACTURING FOOTPRINT OPTIMIZATION

In June 2013 we sold our hydraulic hose assets and manufacturing plant in Sabinas Hidalgo, Mexico. This divestiture allows Nexteer to focus on its core competencies and the growing demand for EPS. The hose business accounted for less than one percent (1%) of Nexteer's annual revenue. In addition, transferring those assets to a company dedicated to hose production provided a favorable and seamless transition for our customers.

In addition, in October 2013, we opened a new manufacturing plant and engineering application center in Suzhou, China. The new Suzhou plant is scheduled to begin production of MPPs in 2015. The engineering center will add to our technical capabilities that were previously not available in China including analysis and testing, computer aided design (CAD), and noise, vibration and harshness (NVH) testing. These new investments will strengthen our ability to focus on additional business pursuits in the rapidly growing China market.

CHINA JOINT VENTURE IN CHONGQING

In China we plan to continue to build upon existing relationships with global and domestic OEMs and other industry participants. In 2013, we entered into a joint venture agreement with Chongqing Changfeng Machine Co., Ltd., a state owned limited liability company, to manufacture and market EPS systems in China, which will help us increase our customer reach. As part of this joint venture, we expect to complete construction of a new manufacturing facility in 2014.

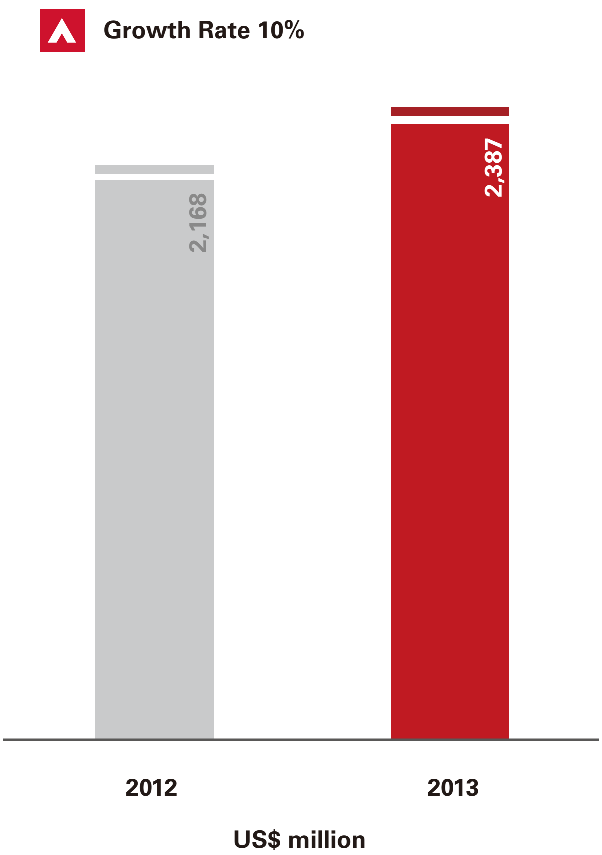
FOCUS ON OPERATIONAL EFFICIENCY AND COST COMPETITIVENESS

In 2013, we made significant gains in earnings improvement as indicated in our financial results. We plan to continue a coherent product portfolio strategy to build scale on standard modules, which allow us to maximize utilization of fixed and human capital. We carefully evaluate every "make versus buy" decision to ensure that we invest only where required to maintain competitiveness of the business. In addition, our engineering and purchasing teams work closely together to address operating efficiency and cost improvement opportunities.

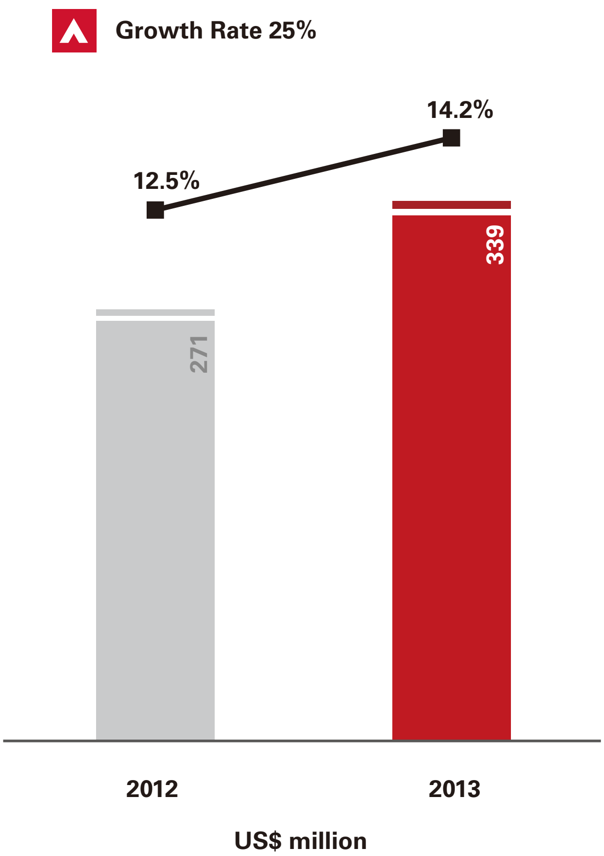
FINANCIAL HIGHLIGHTS

Results (US$'000)	2013	2012
Revenue	**2,386,823**	2,167,802
Gross profit	**339,406**	271,410
Profit before income tax	**151,258**	62,194
Income tax expense	**(40,337)**	(3,567)
Net profit attributable to Equity holders	**109,191**	57,096
Net profit	**110,921**	58,627
EBITDAR	**246,342**	149,239

REVENUE

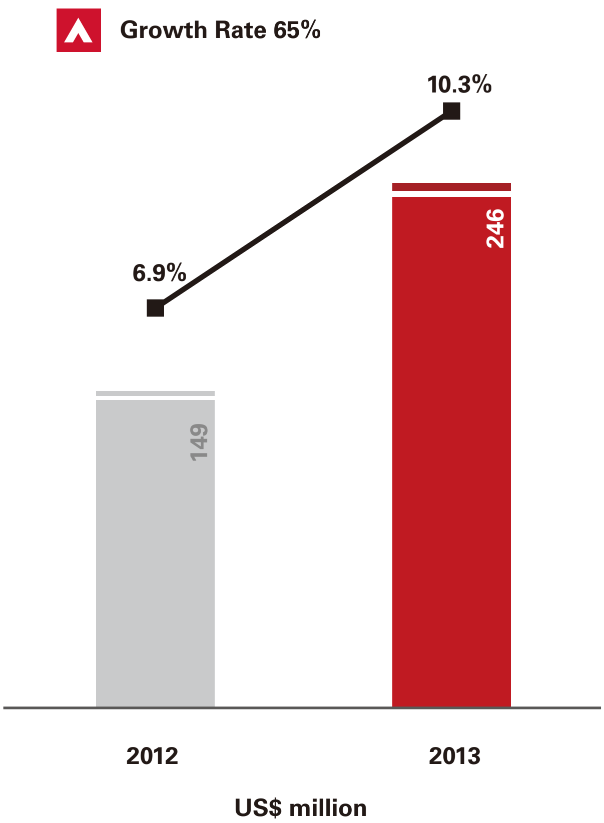


GROSS PROFIT



Financial Highlights

EBITDAR



Assets and Liabilities (US$'000)	2013	2012
Non-current assets	**865,971**	631,000
Current assets	**939,218**	627,871
Non-current liabilities	**622,897**	559,765
Current liabilities	**591,546**	507,297
Equity attributable to the Group's equity holders	**567,703**	170,931

These financial highlights should be read in conjunction with the Group's audited consolidated financial statements.

CHAIRMAN'S STATEMENT

2013 was a milestone year for Nexteer. We successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange) on October 7, 2013 providing Nexteer with access to the broader capital markets further enhancing our corporate image and visibility to investors. This event has created a great foundation for Nexteer's future development.

ZHAO Guibin

Chairman

Dear Shareholders:

On behalf of the board (the Board) of directors (Directors) of Nexteer, I hereby present to our shareholders (the Shareholders) the annual report for the financial year ended December 31, 2013.

We are among the world's leading steering and driveline suppliers. 2013 was a milestone year for Nexteer. We successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange) on October 7, 2013 providing Nexteer with access to the broader capital markets further enhancing our corporate image and visibility to investors. This event has created a great foundation for Nexteer's future development.

During 2013, Nexteer employees were focused to ensure that our business maintained its growth momentum and achieved a significant improvement in our earnings results. Together we have transformed Nexteer from a division under General Motors to an independent, stable and growing global automotive supplier. In addition, Nexteer has improved its profitability, from a loss position in 2010 to US$109.2 million in net income attributable to owners of the Group at the end of 2013. We are once again an energetic 100-year old, technology-oriented company on a path to continued profitable growth.

REVIEW OF RESULTS

For the year ended December 31, 2013, the Group's revenue was approximately US$2,386.8 million, representing an increase of approximately 10.1% from approximately US$2,167.8 million in 2012. The Group's revenue that came from non-U.S. markets amounted to approximately US$690.0 million, representing growth of approximately 9.3% from approximately US$631.5 million in 2012. The profit attributable to owners of the Group was approximately US$109.2 million representing an increase of approximately 91.2% from approximately US$57.1 million in 2012. The Group's gross profit was approximately US$339.4 million representing an increase of approximately 25.1% from approximately US$271.4 million in 2012.

Nexteer's business has a strong global presence. In 2012 and 2013, 70.9% and 71.1% of our revenues were from North America, 15.2% and 12.7% were from Europe, 8.4% and 11.0% were from China and 5.5% and 5.2% were from the rest of the world, respectively.

A major factor driving Nexteer's growth has been the strategic direction of the business provided by our controlling shareholder, Aviation Industry Corporate of China (AVIC). Under AVIC's guidance, we have increased our focus on research and development (R&D), capital investment and business pursuits in China and other developing markets.

FUTURE PROSPECTS

We expect to increase market share and seize the opportunity of rapid growth with our EPS products. 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 developing markets.

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

Of course, while there are many opportunities for Nexteer, there are also many challenges ahead due to uncertainty in the political and economic environment around the world. The global economy is facing many challenges, which may have an adverse effect on automotive production and the market for automotive components, such as steering systems, and may result in additional pressure on Nexteer's performance. Rising raw material and labor costs may impact operational costs. An unlikely reduction in global vehicle demand and increasing competition among automotive suppliers may create pressure on steering and driveline manufactures.

We continue to monitor changes in the market that may impact the global automotive industry and Nexteer's strategy for success.

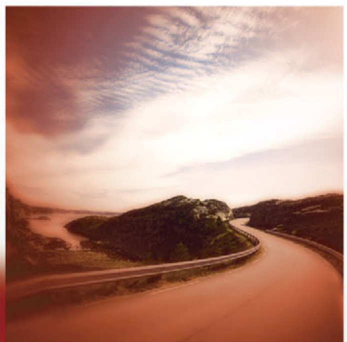
APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude to our management and employees for their diligence, hard work and contribution. I would also like to thank all Shareholders for their support and trust. With such assistance and support, Nexteer is confident of generating long-term and greater value for Shareholders.

ZHAO Guibin
Chairman

March 19, 2014

MANAGEMENT DISCUSSION AND ANALYSIS



The following management discussion and analysis should be read in conjunction with the Consolidated Financial Statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Standards Board. Certain comparative amounts have been reclassified to conform to the presentation adopted in the current year. None of the changes impacts our previously reported consolidated net sales, gross profit, operating profit, income tax expense profit for the year, earnings per share, net cash generated from operating activities, investing activities or financing activities of the statement of financial position.

GLOBAL AUTOMOTIVE MARKET

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

FINANCIAL REVIEW

Financial Summary

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

Operating Environment

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

- Strong revenue growth generated from previously booked business
- Improved product line mix (movement from HPS to EPS)
- Improved geographic mix (increased revenue in China)
- Cost efficiency initiatives

Management Discussion and Analysis

Revenue

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

Revenue by Geographical Segments

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

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

Note:

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

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

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

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

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

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

Revenue by Products

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

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

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

Cost of Sales

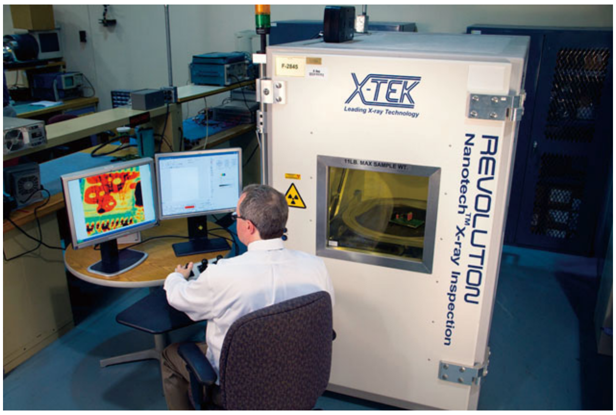
The Group's cost of sales for the year ended December 31, 2013 was US$2,047.4 million, an increase of US$151.0 million from US$1,896.4 million for the year ended December 31, 2012. The Group's cost of sales for the year ended December 31, 2013 primarily included raw material costs of US$1,368.5 million,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

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

Engineering and Product Development Costs

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

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



Administrative Expenses

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

Finance Costs

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

Income Tax Expense

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

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

Gross Profit and Gross Profit Margin

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

Profit for the Year

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

Provisions

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

Contingent Liabilities

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

Liquidity and Capital Resources

Cash Flows

Our business requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials, capital spending for customer programs, and engineering and product development costs. We have historically met our working capital and other capital requirements principally from cash provided by operations and loans from banks.

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

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

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

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

Management Discussion and Analysis

Cash Flows Generated from Operating Activities

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

Cash Flows Used in Investing Activities

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

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

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

Cash Flows Generated From Financing Activities

The Group's net cash generated from financing activities was US$304.6 million for the year ended December 31, 2013, which was mainly attributable to the net impact of proceeds realized from our listing on the Hong Kong Stock Exchange that we used to fund capital expenditures and working capital requirements.

Exposure to Currency Rate Fluctuations and Related Hedges

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

Indebtedness

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

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

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

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

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

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

Details of the borrowings of the Group during the year are set out in note 19 to the Consolidated Financial Statements.

Pledge of Assets

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

Gearing Ratio

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

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

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

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

OTHER INFORMATION

Employees and Remuneration Policy

As of December 31, 2013, the Group had over 9,000 employees globally. The Group's remuneration policies are formulated based on the performance of individual employees and company performance and are reviewed regularly. Our full time employees participate in various employee benefit plans including pension schemes, extended disability benefits and workers compensation. In addition, we have adopted employee incentive plans designed to attract, retain and incentivize employees with a view to encouraging the participants to commit to enhancing value for us and our Shareholders as a whole. For example, we have a retention program that includes individual development plans, merit wage adjustments and promotions.

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information concerning the Directors:

Name	Age	Position/Title	Date of appointment(s)	Roles and responsibilities
Executive Directors				
ZHAO, Guibin (趙桂斌)	49	Chairman, Executive Director and Chief Executive Officer	June 15, 2013	Overseeing our Group's strategic vision, direction and goals and overseeing the overall execution of our Group's strategy
RICHARDSON, Michael Paul	57	Executive Director, Senior Vice President, Chief Technology and Strategy Officer and Chairman of China division and driveline business units	June 15, 2013	Our Group's technology planning, information technology and strategic planning
FAN, Yi (樊毅)	47	Executive Director, Vice President and Joint Company Secretary	August 21, 2012 and November 14, 2013 and January 28, 2013, respectively	Managing our Group's operations and handling of company secretarial duties
Non-Executive Directors				
LU, Daen (錄大恩)	52	Non-executive Director	August 21, 2013	As a non-executive Director
WANG, Xiaobo (王曉波)	37	Non-executive Director	August 21, 2013	As a non-executive Director
Independent Non-Executive Directors				
TSANG, Hing Lun (曾慶麟)	64	Independent Non-executive Director	June 15, 2013	As an independent Director
LIU, Jianjun (劉健君)	45	Independent Non-executive Director	June 15, 2013	As an independent Director
WEI, Kevin Cheng (蔚成)	46	Independent Non-executive Director	June 15, 2013	As an independent Director

Executive Directors

ZHAO, Guibin (趙桂斌), ***(Chairman and Chief Executive Officer)***, aged 49, was appointed as our executive Director and chairman of the Board on June 15, 2013. He is also our Chief Executive Officer since June 2012. Mr. ZHAO has 16 years of relevant experience in the automotive industry. He is primarily responsible for setting our strategic vision, direction and goals and overseeing the overall execution of our Group's strategy. Mr. ZHAO also is the director and chairman of board of directors of Nexteer Automotive Corporation, one of our indirectly wholly owned subsidiaries. Mr. ZHAO has been a director of PCM China, one of our Controlling Shareholders, since December 2010, and chairman of the board of directors and general manager of AVIC, Automobile Industry Holdings Co., Ltd., (AVIC Auto) a wholly owned subsidiary of AVIC one of our Controlling Shareholders, since 2010 and from 2009 to 2010, respectively. He is also the deputy chief economist of AVIC. From April 2010 to April 2013, Mr. ZHAO was the chairman of the board of directors of AVIC Heavy Machinery Co. Ltd. (中航重機股份有限公司), a non-wholly owned subsidiary of AVIC, and a company listed on the Shanghai Stock Exchange (stock code: 600765). From 1997 to 2003, Mr. ZHAO was the general manager of Sichuan Lingfeng Aeronautics Hydraulic Machinery Co. (四川淩峰航空液壓機械有限公司), a wholly owned subsidiary of AVIC, where he was in charge of corporate governance and operational management. He was appointed as general manager, director and chairman of AVIC Chengdu Engine (Group) Co., Ltd (中航工業成都發動機(集團)有限公司), a wholly owned subsidiary of AVIC, and as director and chairman of the board of its non-wholly owned subsidiary, Sichuan Chengfa Aero Science and Technology Co., Ltd (四川成發航空科技股份有限公司) in August 2003. Mr. ZHAO became a first-tier senior economist in September 2004, awarded by China Aviation Industry Corporation II (中國航空工業第二集團公司). He was awarded an executive master's degree in business administration by the University of Electronic Science and Technology of China, the PRC (電子科技大學), in June 2007. Mr. ZHAO has received numerous awards in recognition of his achievements, including the Government Special Allowance awarded by the PRC State Council in 2000 (2000年中國國務院政府特殊津貼).

RICHARDSON, Michael Paul, aged 57, was appointed as our executive Director on June 15, 2013. Mr. RICHARDSON has been senior vice president, chief technology and strategy officer, as well as chairman of both the China division and the driveline business unit of Nexteer Automotive since June 2012. Mr. RICHARDSON has over 39 years of relevant experience in the automotive industry. He is responsible for all of our Group's technology planning, information technology and strategy planning, as well as mergers and acquisitions. Mr. RICHARDSON began his automotive career with GM in 1974, as a co-operative student at the former Saginaw Steering Gear Division. He was a staff engineer for the halfshafts product line in 1990. From 1992 to 1995, Mr. RICHARDSON was a staff engineer for steering products, and from 1995 to 1999, he was regional director of engineering, production control and logistics, based in Paris, France. In 1999, Mr. RICHARDSON returned to the United States as chief engineer of hydraulic power steering. He was promoted to director of engineering of Delphi Steering in 2001. From 2006 to 2009, Mr. RICHARDSON relocated to Shanghai, China, where he became regional director of the Asia-Pacific region. In 2009, Mr. RICHARDSON returned to the United States, and was made vice president of the steering business line. In 2011, Mr. RICHARDSON became chief operating officer (China division) of our Group while retaining his business line and global engineering responsibilities. He is currently based in our Shanghai and Saginaw offices. Mr. RICHARDSON is a professional engineer, awarded in 1984 by the State of Michigan, the U.S. He obtained a bachelor's degree in mechanical engineering from Kettering University (formerly known as the General Motors Institute), the U.S. in 1979 and a master's degree in business administration from Central Michigan University, the U.S. in 1990. He is a Boss Kettering Award recipient, and was inducted into the Delphi Innovation Hall of Fame for career innovation in 2004.

FAN, Yi (樊毅), aged 47, was appointed as our Director on August 21, 2012, was designated our executive Director on June 15, 2013, was appointed as our joint company secretary on January 28, 2013 and was appointed as our vice president on November 14, 2013. He is responsible for the management of our operations and handling of company secretarial duties. Mr. FAN has approximately 15 years of relevant experience in the automotive industry. Mr. FAN currently serves as director of PCM (Singapore) Steering Holding Pte. Limited and PCM (US) Steering Holding Inc., and as director of several of our subsidiaries. Mr. FAN has held the following positions in our Controlling Shareholders, namely, deputy general manager of AVIC Auto since January 2012; general manager since July 2013 and director and secretary to the board of directors of PCM China since 2010; and the sole director of Nexteer Hong Kong since its incorporation in August 2012. From 1992 to 1999, Mr. FAN worked at the economic research center of AVIC Corporation (中國航空工業總公司), From 1999 to 2005, Mr. FAN served as management director of the automotive department of China Aviation Industry Corporation II (中國航空工業第二集團公司), Since 2005, he started working in the automotive department of AviChina Industry & Technology Company Limited (中國航空科技工業股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2357), a non-wholly owned subsidiary of AVIC, where he was initially deputy manager, and was later appointed as manager in 2007. Mr. FAN graduated in 1987 from Beijing Aviation Institute of Aeronautics and Astronautics, the PRC (北京航空學院) (now known as Beijing University of Aeronautics and Astronautics, the PRC (北京航空航天大學)), with a bachelor's degree in engineering from the Faculty of Automatic Control, and completed a master's research course in education, economics and management from Beijing University of Aeronautics and Astronautics, the PRC (北京航空航天大學), from 1999 to 2001. Mr. FAN was certified as a researcher in natural sciences by China Aviation Industry Corporation II (中國航空工業第二集團公司) in September 2007.

Non-Executive Directors

LU, Daen (錄大恩), aged 52, was appointed as our non-executive Director on August 21, 2013. Mr. LU is responsible for participating in our Group's strategic and key operational decision-making processes and advising on our strategies and policies. Mr. LU has 18 years of relevant experience in the automotive industry. Mr. LU was appointed as a director and general manager of AVIC Auto, one of our Controlling Shareholders, in March 2013 and April 2013, respectively, and a director of PCM China, one of our Controlling Shareholders, in July 2013. From 2004 to July 2010, Mr. LU served as director and general manager of AVIC Xinxiang Aviation Industry (Group) Co. Ltd. (中航工業新鄉航空工業(集團)有限公司), an indirect wholly owned subsidiary of AVIC, and then served as chairman from September 2010 to May 2013. Mr. LU held various positions in AVIC Xinxiang Pingyuan Aviation Equipment Co., Ltd. (中航工業新鄉平原航空設備有限公司), an indirect wholly owned subsidiary of AVIC, from August 1981 to June 2004, including cost accountant of finance section, deputy section manager, head of finance department, deputy chief accountant and general manager. Mr. LU became a senior accountant awarded by AVIC, one of our Controlling Shareholders, in 1994. He obtained his master's degree in law from Huazhong University of Science and Technology (華中科技大學), the PRC, in 2001.

WANG, Xiaobo (王曉波), aged 37, was appointed as our non-executive Director on August 21, 2013. Mr. WANG is responsible for participating in our Group's strategic and key operational decision-making processes and advising on our strategies and policies. Mr. WANG has approximately two years of relevant experience in the automotive industry. Mr. WANG was appointed as director of PCM China, one of our Controlling Shareholders, in July 2013. He has served as general manager of Beijing E-Town since February 2012. From August 2011 to March 2012, he served as deputy general manager of Beijing E-Town. Mr. WANG was general manager of Beijing E-Town Digital Display Industry Management Co.,Ltd. (北京亦莊數字顯示產業管理公司) since December 2009 and deputy manager of Business Development Department of Beijing Economic-Technological Investment & Development Corporation (北京經濟技術投資開發總公司). Mr. Wang held various positions in Management Committee of Beijing Yanqing Economic Development Area (北京市延慶經濟開發區管委會) from September 2005 to September 2006, including manager of development section and manager of planning section. Prior to this, Mr. Wang held various positions at the Management Committee of Beijing Yanqing Economic Technology Development Area (北京市延慶經濟技術開發區管委會), including manager of development section from August 2004 to September 2005, deputy manager of development section from January 2003 to August 2004 and section member of development section from August 1998 to January 2003. Mr. Wang graduated from Inner Mongolia University (內蒙古大學), the PRC, in July 1998 and obtained a bachelor's degree in English language.

Independent Non-Executive Directors

TSANG Hing Lun (曾慶麟), aged 64, was appointed as our independent non-executive Director on June 15, 2013. Mr. TSANG has over 30 years of experience in the banking, finance and wealth management sectors, and has held the following independent non-executive directorships in publicly listed companies: as an independent non-executive director and chairman of the Audit Committee of China Rongsheng Heavy Industries Group Holdings Limited (Stock code: 1101) since October 2010; as an independent non-executive director and chairman of the Audit Committee of Sinotrans Shipping Ltd. (Stock code: 368) since August 2007; as an independent non-executive director and chairman of the Audit Committee of Sino-Ocean Land Holdings Limited (Stock code: 3377) since June 2007; as an independent non-executive director and chairman of the Audit Committee of Beijing Media Corporation Limited (Stock code: 1000) from November 2004 to May 2013; as an independent non-executive director of China GrenTech Corporation Ltd. (delisted on the NASDAQ after April 30, 2012) from September 2011 to April 2012; and as an independent non-executive director and chairman of the Audit Committee of First China Financial Network Holdings Limited (formerly known as International Financial Network Holdings Ltd) (Stock code: 8123) from June 2005 to January 2011.

Mr. TSANG has served in the senior management of several publicly listed companies operating in Hong Kong and Singapore. Mr. TSANG has been chairman of Influential Consultants Ltd. (欣斌顧問有限公司) since July 1998. Mr. TSANG was a deputy general manager of China Construction Bank, Hong Kong Branch (中國建設銀行香港分行) from 1995 to 1998. He was an executive director of the Hong Kong Stock Exchange in 1993. Mr. TSANG joined United Overseas Bank Limited in Singapore (新加坡大華銀行集團) in March 1990 as its first vice president. Prior to that, he was with Hang Seng Bank for 17 years from 1973 to 1990, where he was assistant general manager of the planning and development division in the last 5 years. In addition, Mr. TSANG became qualified as a Certified Financial Planner (認可財務策劃師) in March 2010, and as a financial planner in the PRC in July 2006. Mr. TSANG became a fellow of the Hong Kong Institute of Directors (香港董事學會) in July 2001, was admitted as a fellow of the Association of Certified Accountants (英國特許公認會計師公會) in November 1982, and became a fellow of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) (formerly known as the Hong Kong Society of Accountants) in December 1978. Mr. TSANG graduated from Chinese University of Hong Kong (香港中文大學), Hong Kong, with a bachelor's degree in business administration (first class honors) in October 1973.

LIU, Jianjun (劉健君), aged 45, was appointed as our independent non-executive Director on June 15, 2013. Mr. LIU was in the legal department of China Ocean Shipping (Group) Company container lines (中國遠洋運輸(集團)總公司(集裝箱運輸)) from July 1993 to March 1999, a partner at Zhong Sheng Law Firm, Beijing (北京中盛律師事務所) from April 2001 to October 2006, a senior associate in Zhong Lun Law Firm, Beijing (北京中倫律師事務所) from November 2006 to May 2007, and has been a partner at Zhonglun W&D Law Firm, Beijing (北京中倫文德律師事務所) since June 2007. Mr. LIU started practicing as a lawyer in the PRC in August 2001. He obtained a master's degree in law from Peking University, the PRC, in July 1998, and a law degree from Washington University in St. Louis, the U.S., in May 2004.

WEI, Kevin Cheng (蔚成), aged 46, was appointed as our independent non-executive Director on June 15, 2013. Mr. Wei is currently a managing partner of Fontainburg Corporation Limited, a company focused on corporate finance advisory and investment banking business. Mr. WEI has held the following independent non-executive directorships in publicly listed companies: as an independent non-executive director of Tibet 5100 Water Resources Holdings Ltd. (西藏5100水資源控股有限公司) (stock code: 1115) since March, 2011; and as an independent non-executive director of Wisdom Holdings Group (智美控股集團) (Stock code: 1661) since July 2013.

Mr. WEI has been a director of IFM Investments Limited (stock code: CTC) since November 2008, a New York Stock Exchange (NYSE) listed real estate services company headquartered in Beijing. He has also served as CFO of IFM Investments Limited from December 2007 to September 2013. From 2006 to 2007, Mr. WEI served as the chief financial officer of Solarfun Power Holdings Co., Limited (stock code: SOLF), a NASDAQ listed solar company (now known as Hanwha SolarOne Co., Ltd and relisted on NASDAQ as Hanwha SolarOne (stock code: HSOL)). Mr. WEI became a member of the American Institute of Certified Public Accountants in February 1999. He graduated in June 1991 from Central Washington University, the U.S., where he received his bachelor of science degree (cum laude) with a double major in accounting and business administration.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company (collectively, the Senior Managers):

Name	Age	Position/Title
BRESSON, Laurent Robert	42	President and global chief operating officer
PERKINS, Joseph Michael	45	Senior vice president and chief financial officer
PAROLY, Matthew Keats	48	Senior vice president and chief legal officer
CORBEIL, James Martin	46	Vice president and chief procurement officer
LUBISCHER, Frank Peter Josef	52	Vice president of global engineering and chief operating officer of Europe
HOEG, Dennis Steven	58	Vice president of enterprise systems, manufacturing engineering and capital
FRIES, Diane Marthey	62	Vice president of quality
OWENBY, Douglas E.	53	Vice president and chief operating officer of the Saginaw division
WYSZOMIRSKI, Rafal Zdzislaw	41	Vice president of global operations
LIU, Tao (柳濤)	49	Vice president and chief operating officer of China division
DECKER, Mark P.	46	Vice president and chief human resources officer

BRESSON, Laurent Robert, aged 42, was appointed as our president in June 2012 and global chief operating officer in May 2012. He is responsible for reporting to the chairman of the Board and overseeing our Group's global functions including sales, engineering, operation, human resources, finance and global supply management, and is in charge of overseeing our Group's product lines. Mr. BRESSON is concurrently leading the NSC, the top strategy and policy making body in our Group. Mr. BRESSON has 19 years of relevant experience in the automotive industry. Mr. BRESSON has held various positions in Nexteer Automotive, including executive director from October 2009 to March 2011, vice president of global sales and marketing of the European region from March 2011 to March 2012, senior vice president from March 2012 to June 2012 and chief operating officer of the international division and global sales from March 2012 to May 2012. Mr. BRESSON also held a number of managerial positions at Delphi Corporation, including managing director (Europe) from December 2008 to October 2009 where he was in charge of European business growth and profitability, marketing and public affairs director (European sales) from May 2008 to December 2008, director of European sales and marketing, and public relations of the European customer service centers of the steering division from March 2007 to April 2008, chief engineer, sales manager and product line manager (Europe) in the power products and product line, electronic division, where he was in charge of the business growth and profitability of the product lines in Europe from mid-2005 to January 2007, and power product line engineering manager and product team leader (Europe) within the thermal and interior division from October 2002 to mid-2005, where he was responsible for mechanical engineering, advanced engineering and project management. Prior to that, Mr. BRESSON held various positions at Siemens-VDO from September 1995 to May 1999, including sales manager and engineer, amongst other roles. Mr. BRESSON became a qualified engineer at the Ecole Nationale Supérieure d'Ingénieurs in Caen, France (majoring in Electro-mechanics) in June 1994. He obtained a master's degree in science from the University of Manchester Institute of Science and Technology in Manchester, the United Kingdom, in December 1994. Mr. BRESSON was awarded the Certificat d'Aptitude à l'Administration des Entreprises (the certificate for assessing the ability to administer corporations) at the Instituts d'Administration des Entreprises in Basse Normandie, France, in October 1994, which was completed via part-time online course modules.

PERKINS, Joseph Michael, aged 45, was appointed as our senior vice president and Chief Financial Officer on December 1, 2012. He has 23 years of relevant automotive sector experience including leadership responsibilities in multiple financial disciplines at three different automotive related companies including General Motors, Delphi Corporation and Nexteer. He is responsible for our Group's investor relations, treasury, capital funding and structure, M&A support, accounting and financial reporting, financial planning and analysis, program finance, risk management, financial controls and taxation. He is also a member of the NSC. Mr. PERKINS was an assistant finance director at Nexteer from October 2009 to March 2011, which included responsibilities for the successful transition of Nexteer and its Finance function to new ownership. He later served as vice president, controller and chief accounting officer from March 2011 to December 2012, when he led the Group's reporting and financial performance and analysis functions. Mr. PERKINS was an assistant finance director of Delphi Corporation from January 2005 to October 2009, a manager in corporate financial performance at Delphi Corporation from September 2002 to December 2004, a manager in Delphi Corporation energy and chassis systems divisional financial performance from January 2000 to September 2002 and a plant controller in Delphi Corporation energy and chassis systems from May 1998 to January 2000. Prior to that, Mr. PERKINS worked at GM from January 1991 to May 1998 in various leadership positions. Mr. PERKINS obtained a bachelor of arts degree from Michigan State University, the U.S., in December 1990, and a master's degree in business administration from Wayne State University, the U.S., in December 1999. Mr. Perkins also serves on a variety of non-profit boards in the US.

PAROLY, Matthew Keats, aged 48, was appointed as our senior vice president and Chief Legal Officer in November 2013. He has more than 20 years of experience in private law practice and in-house executive and legal positions with both public and private companies, supporting senior management in attaining its business goals while anticipating and mitigating legal, reputational, and business risks. Mr. Paroly recently served as vice president and general counsel of Fisker Automotive, Inc. (Fisker), a hybrid electric vehicle original equipment manufacturer. Mr. Paroly was a key member of the Fisker executive leadership team from start-up through numerous equity and debt financings, the global launch of its vehicle and its restructuring process. Prior to joining Fisker, Mr. Paroly was a senior vice president and chief legal officer at Meridian Automotive, Inc. where he helped facilitate the successful emergence from bankruptcy and eventually, the successful sale of the business. Earlier in his career, Mr. Paroly served as the managing commercial attorney of Delphi Corporation (Delphi). He led Delphi's acquisition of Eaton Corporation's vehicle, switch and electronics division and served as primary counsel to Delphi's purchasing, sales and aftermarket organizations. Mr. Paroly earned a Juris Doctor Degree from Harvard Law School and a Bachelor of Arts Degree from the University of Michigan.

CORBEIL, James Martin, aged 46, was appointed as our vice president and chief procurement officer in November 2012. He is responsible for purchasing, supplier development, production control, global logistics as well as supplier launch management functions. Mr. CORBEIL has 24 years of global, progressive and multi-functional experience in both the defense and automotive industries. Mr. CORBEIL has been with our Group since April 2011, and held the position of vice president of global supply management from April 2011 to November 2012. Prior to joining our Group, Mr. CORBEIL was appointed as purchasing director of North America by Magna Powertrain USA, Inc. from September 2009. Between November 1996 and July 2009, he held various managerial positions at BorgWarner Inc., including manager in advanced purchasing from November 1996 to January 2001, director of supply chain management from January 2001 to April 2001, business development director from April 2001 to September 2003, director of the North American global supply management organization from September 2003 to July 2006, director of global supply management from July 2006 to December 2008, and vice president of global supply management from December 2008 to July 2009. He concurrently served as project director of the China Technical Center from October 2007 to July 2008 and Ramos Plant site selection and negotiation leader from May 2007 to September 2007. Mr. CORBEIL obtained a bachelor's degree in economics and management from Albion College, the U.S., in May 1988, and a master's degree in business administration from the University of Michigan, the U.S., in August 2001.

LUBISCHER, Frank Peter Josef, aged 52, was appointed as our chief operating officer (Europe), and vice president of global engineering in December 2012. He is responsible for our Group's global engineering, monitoring the financial position of the European business unit, technology definition, design and development of product portfolio and manufacturing engineering, and customer application. He has 19 years of relevant automotive managerial experience and is also a member of the NSC. Prior to joining our Group, Mr. LUBISCHER was with TRW Automotive Chassis System Engineering from 1988, where he served as vice president of global steering engineering from August 2007 to November 2012, technical director of brake systems (North America) from September 2001 to July 2007, and chief engineer of ABS Systems, North America from January 2000 to September 2001. He also worked for Lucas Automotive/LucasVarity in Germany as a development engineer, section leader and chief engineer for ABS systems from September 1988 to December 1999, before LucasVarity was integrated with TRW Automotive Chassis System Engineering in 1999. Mr. LUBISCHER obtained a CEO diploma (an executive business degree) from the SMP Institute of University of St. Gallen, Switzerland, in March 2005.

HOEG, Dennis Steven, aged 58, was appointed as our vice president of enterprise systems, manufacturing engineering and capital in December 2012. He is responsible for our Group's global manufacturing engineering (focusing primarily on launch of products), capital plan, and enterprise system improvements. He has 36 years relevant automotive experience and is also a member of the NSC. Mr. HOEG served as vice president of engineering at Nexteer Automotive from June 2011 to November 2012. He was executive director of global supply management from 2007 to 2011, director of global manufacturing engineering from 2002 to 2007, and plant manager from 1999 to 2002 at Delphi Saginaw Steering Systems. Mr. HOEG began his automotive career with GM in 1978 as a manufacturing engineer at the former Saginaw Steering Gear division. In 1997, he was program manager for the GMT800 and L/N/P90 programs in Plant 7, chief manufacturing engineer for hydraulic steering in 1994, and staff engineer for integral gears in 1992. Following a number of assignments that included plant engineer, process engineer, advanced manufacturing engineer, and assistant staff engineer, he served as the value stream manager for steering valves at Plant 7 in 1988. He obtained a bachelor's degree in mechanical engineering from Iowa State University, the U.S., in May 1978, and a master of science from Purdue University, Indiana, the U.S., in May 1983.

FRIES, Diane Marthey, aged 62, was appointed as our vice president of quality in February 2012. She is responsible for the establishment and improvement of our Group's quality culture and quality system, representing our Group's quality systems to customers and third parties, and managing corporate responsibilities for warranty, audit, problem solving, advanced product quality planning and metrics. She is also a member of the NSC. Ms. FRIES has 17 years of quality system expertise in the automotive industry. Ms. FRIES was executive director of quality from October 2009 to February 2012. Ms. FRIES held a number of positions in Delphi Corporation, Steering Division in Saginaw from 1999 to 2009, including director of steering transition from September 2007 to October 2009, director of global supply management from August 2006 to September 2007, director of global supply quality from February 2001 to August 2006, and assistant quality director of advanced product quality planning & office of project management from January 1999 to February 2001. Prior to that, she was with the Saginaw Division of GM, where she held various managerial posts, including customer support manager from August 1996 to January 1999, quality system certification manager from June 1995 to August 1996, quality assurance manager from June 1993 to June 1994, quality manager from July 1991 to June 1993, and purchasing manager from January 1989 to July 1991. In addition, Ms. FRIES has 12 years of finance experience, covering areas of capital appropriation and forecast, financial accounting and financial analysis. She was a finance administrator from July 1983 to April 1986 and became the finance manager of the steering systems business unit from April 1986 to January 1989 at the Saginaw Division of GM. She was a manager cost analyst at GM Service Parts Operation from September 1978 to July 1983. Ms. FRIES became a certified public accountant in 1977. She obtained both a bachelor's degree in business (majoring in accounting), and a master's degree in business administration (majoring in finance), from Ohio University, the U.S., both in June 1974. She was a Sloan Fellow at the Massachusetts Institute of Technology, the U.S., from June 1994 to June 1995, where she obtained a master's degree of science in management in June 1995.

OWENBY, Douglas E., aged 53, joined Nexteer Automotive as our deputy chief operating officer of the Saginaw division in June 2013, and was appointed as our vice president, chief operating officer of the Saginaw division in August 2013. He is responsible for developing and executing the business plan of the Saginaw division, negotiating commitments from the business lines, leveraging corporate functions to meet the business plan and the overall financial position of the Saginaw division. Mr. OWENBY has approximately 26 years of relevant experience in the automotive industry. He is also a member of NSC. Prior to joining our Group, Mr. OWENBY was the president and general manager of Benteler Automotive Corporation from February 2012 to June 2013. He also held various positions in BorgWarner, Inc., including vice president and general manager of control systems business units from May 2009 to October 2011, vice president of global operations torque transfer systems from October 2005 to May 2009 and vice president of four-wheel drive operations from March 2003 to October 2005. From June 2000 to March 2003, Mr. OWENBY was vice president of operations and general manager of Bombardier Inc. From August 1997 to June 2000, he was a plant manager at the torque control products division of Eaton Corporation. From 1984 to 1996, he was with the steering division of Delphi Automotive Systems. Mr. OWENBY obtained a bachelor of science degree from Saginaw Valley State College, the U.S., in December 1986.

WYSZOMIRSKI, Rafal Zdzislaw, aged 41, was appointed as our vice president of global operations in August 2013. He is in charge of the global manufacturing common processes, operation metrics, lean manufacturing, health and safety, facilities engineering and manufacturing planning. He is also a member of NSC. Mr. WYSZOMIRSKI has approximately 12 years of relevant experience in the automotive industry. Mr. WYSZOMIRSKI concurrently serves as president of the board and general director at Nexteer Automotive Poland, where he is responsible for the overall financial performance of our European manufacturing plants. Mr. WYSZOMIRSKI also previously held various positions in Nexteer Automotive, including executive director of global operations from December 2012 to July 2013 as well as Polish operations director, plant manager and human resource manager in Nexteer Automotive Poland from April 2010 to November 2012. Prior to this, Mr. WYSZOMIRSKI was the continuous improvement and purchasing manager of Delphi Steering Asia-Pacific from July 2009 to March 2010. He also worked for Delphi Automotive Australia Corporation in Australia and Association of Southeast Asian Nations region, where he served as sales and purchasing manager for steering division and key account manager for the energy, chassis and steering divisions from June 2003 to June 2009. Prior to joining Delphi Automotive Australia, Mr. WYSZOMIRSKI worked for BASF Poland as a technical and commercial representative, technical and commercial adviser, and key account manager from March 1997 to November 2001. Mr. WYSZOMIRSKI obtained a master degree of science in chemical engineering with honors from Warsaw Technical University, Poland in February 1997 and a master's degree in business administration with distinction from the Melbourne Business School at the University of Melbourne, Australia in May 2003. In addition, he completed the Strategic Leadership Academy, an executive development program at the ICAN Institute in July 2013. Mr. WYSZOMIRSKI also holds the Lean Six Sigma Master Black Belt certification from the Air Academy Associates in Colorado Springs, the U.S., granted in March 2010.

LIU, Tao (柳濤), aged 49, was appointed as our vice president and chief operating officer of China division in August 2013. He is responsible for the business plan, the overall financial position and advising on strategic direction of the China division of our Group. Mr. LIU has approximately 16 years of relevant experience in the automotive industry. He is also a member of NSC. From May 2012 to July 2013, Mr. LIU was an executive director of the China division, where he was responsible for the business plan and the overall financial position of the China division. He served as the China operations manager and executive director of China operations from October 2009 to May 2012 and managing director of Saginaw Steering (Suzhou) Co., Ltd. (沙基諾轉向系統(蘇州)有限公司) from February 2008 to October 2009. Prior to this, Mr. LIU worked at Delphi Automotive Systems (China) Holding Co., Ltd. (德爾福汽車系統(中國)投資有限公司), where he served as China operations manager of Delphi Steering, responsible for the manufacturing facilities in Suzhou and overseeing manufacturing operations of the China division from 2006 to 2008. He served as general manager of China operations of Metaldyne Powertrain Group from January 2005 to May 2006, and was the Asia Pacific Delphi manufacturing system manager of energy, chassis and steering system and a manufacturing manager of Delphi Shanghai Dynamics & Propulsion Systems Co., Ltd. (德爾福(上海)動力推進系統有限公司) from 2001 to 2004 and from 1997 to 2001 respectively. He also worked at Shanghai Machine Tool Works Plant (上海機床廠) from August 1987 to December 1996. Mr. LIU obtained a bachelor's degree in industrial automation from Qinghua University (清華大學), the PRC, in 1987 and a master's degree in business administration from Purdue University, the U.S. in 2001.

DECKER, Mark P., aged 46, was appointed as our vice president and chief human resources officer in September 2013. He is responsible for all global human resources activities. Mr. DECKER has approximately 21 years of relevant experience in the automotive industry. Mr. DECKER formerly served as vice president of human resources at Fisker Automotive, Inc. Prior to this, Mr. DECKER served as vice president of human resources at Meridian Automotive Systems, Inc. since August 2006. Mr. DECKER held various positions in Visteon Corporation, including human resources director from October 2005 to July 2006, senior manager of human resources from July 2003 to September 2005, director of human resources (Asia Pacific operations) from October 2001 to July 2003 and manager of human resources (Nashville glass plant) from April 2001 to October 2001. He was with Ford Motor Company from May 1992 to April 2000, where he served as employee relations associate from May 1992 to April 1996, human resource associate from April 1996 to January 1997, human resource manager of Atlanta parts distribution center from January 1997 to April 1998, corporate compensation planning associate from April 1998 to April 1999, project manager of human resources reengineering from May 1999 to November 1999 and human resource manager of manufacturing and plant engineering in powertrain operations from November 1999 to April 2000. Mr. DECKER obtained a master of arts degree in industrial relations from Wayne State University, the U.S., in May 1992 and a bachelor of science degree in business administration from Central Michigan University in May 1990.

RELATIONSHIPS BETWEEN DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' REPORT

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

CORPORATE INFORMATION AND GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

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

FINAL DIVIDEND

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

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the section entitled "Consolidated Statement of Changes in Equity" of this Annual Report and in note 18 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

As at December 31, 2013, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law, amounted to approximately US$748.5 million (as at December 31, 2012: US$ nil).

PRE-EMPTIVE RIGHTS

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

CHARITABLE DONATIONS

During 2013, the charitable contributions and other donations made globally totaled US$0.7 million.

In 2013, we created the Nexteer Steering the Future Fund, an endowed trust fund, to offer financial support for non-profit charitable organizations through grant activities. Our employees also volunteered more than 8,500 hours of time supporting local charitable efforts and creating brand awareness through Nexteer's philanthropic activities.

PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment during the year are set out in note 6 to the Consolidated Financial Statements.

DIRECTORS

The Directors in office during the year ended December 31, 2013 and as at the date of this Annual Report were as follows:

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

Non-Executive Directors
LU, Daen (錄大恩)
WANG, Xiaobo (王曉波)

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

Further details of the Directors and Senior Managers are set forth in the section headed "Directors and Senior Management" in this Annual Report.

Pursuant to Article 16.3 of the Articles of Association of the Company, any Director appointed by the Shareholders as an addition to the existing Directors shall hold office only until the next following AGM of the Company and shall then be eligible for election at that meeting.

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

Accordingly, all the Directors, namely, ZHAO Guibin, RICHARDSON Michael Paul, FAN Yi, LU Daen, WANG Xiaobo, TSANG Hing Lun, LIU Jianjun and WEI Kevin Cheng, indicated that they intend to retire at the forthcoming AGM. All of the retiring Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in the section headed "Directors and Senior Management" in this Annual Report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the Listing Date.

SERVICE CONTRACTS OF DIRECTORS

Executive Directors

Each of the Executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as Executive Directors for a term of three years with effect from June 15, 2013, which shall be renewed as determined by the Board or the Shareholders of the Company. The appointment of each of the Executive Directors may be terminated by either party by giving at least three months' written notice to the other.

Non-Executive Directors

Each of the Non-Executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as a Non-Executive Director for a term of three years with effect from September 20, 2013, which shall be renewed as determined by the Board or the Shareholders of the Company. The appointment of each of the Non-Executive Directors may be terminated by either party by giving at least three months' written notice to the other.

Independent Non-Executive Directors

Each of the Independent Non-Executive Directors has been appointed for a term of three years commencing from June 15, 2013, which shall be renewed as determined by the Board or the Shareholders of the Company. The appointment of each of the Independent Non-Executive Directors may be terminated by either party giving at least three months' written notice to the other.

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

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

DIRECTORS' INTERESTS IN CONTRACTS

There were no other significant contracts with any member of the Group as the contracting party and in which the Directors possessed direct or indirect substantial interests, and which was still valid on December 31, 2013 or any time during such year and related to the business of the Group.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

During the year end December 31, 2013, none of the Directors is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PRINCIPAL SUBSIDIARIES

The Group's operations are conducted on a global basis through its direct or indirect subsidiaries. Details of the subsidiaries of the Company as at December 31, 2013 are set out in note 38 to the Consolidated Financial Statements.

USE OF PROCEEDS FROM LISTING

On the Listing Date, the shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange and raised net proceeds of approximately US$273 million. As at December 31, 2013, the Company has used US$62 million and has not used the remaining US$211 million from such proceeds in accordance with the section headed "Future Plans and Use of Proceeds" of the Prospectus. As at December 31, 2013, the planned and actual uses of such proceeds were as follows:

Use	Approximate percentage of net proceeds	Approximate amount of net proceeds (in US$ million)	Approximate amount utilized (in US$ million)	Approximate amount remaining (in US$ million)
Capital expenditure on new product programs secured from OEM customers or expects to be secured and expansion of manufacturing capacity and facilities	72%	197	46	151
Strengthening of our research and development capabilities, developing new technologies and products, and enhance key component manufacturing capabilities	21%	57	12	45
Working capital	7%	19	4	15
Total	100%	273	62	211

The balance of the unutilized proceeds of approximately US$211 million, deposited in normal interest bearing saving accounts, will be applied by the Company as stated in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's major suppliers are as follows:

- the largest supplier: 10.5%
- five largest suppliers in aggregate: 35.4%

The percentages of sales for the year attributable to the Group's major customers are as follows:

- the largest customer: 53.8%
- five largest customers in aggregate: 85.3%

As far as the we are aware, none of the Directors nor his connected persons and none of the Shareholders possessing over 5% of the interest in the capital of the Company possessed any interest in the abovementioned suppliers and customers.

PENSION SCHEMES

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

More detailed information regarding pension schemes is set out in note 20 to the Consolidated Financial Statements.

NON-COMPETITION UNDERTAKING FROM OUR CONTROLLING SHAREHOLDERS

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

From the Listing Date to December 31, 2013, the Group has not (1) pursued or declined any new business opportunity referred to us by the Controlling Shareholders nor (2) exercised or waived the pre-emptive rights under the Non-competition Undertaking. Each of the Controlling Shareholders has provided an annual confirmation of its compliance with the Non-competition Undertaking. The Independent Non-Executive Directors have reviewed and were satisfied that each of the Controlling Shareholders has complied with the Non-competition Undertaking from the Listing Date to December 31, 2013.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There were no contracts with any member of the Group as the contracting party and in which any of the Controlling Shareholders possessed direct or indirect substantial interests, and which was still valid on December 31, 2013 or any time during such year and related to the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at December 31, 2013, none of the Directors and Senior Management had interests or short positions in the Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the SFO) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any of its subsidiaries were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them. Neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate since the Listing Date.

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

As at December 31, 2013, the following shareholders (excluding the Directors and chief executives of the Company) had interests or short positions in any shares and underlying shares of the Company which will be required to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity	No. of Shares	Approximate Percentage of Total Issued Shares %
Nexteer Hong Kong (Note 1)	Beneficial owner	1,680,000,000(L)	67.26%
PCM China (Note 1)	Interest of controlled corporation	1,680,000,000(L)	67.26%
AVIC Auto (Note 1) (Note 2)	Interest of controlled corporation	1,680,000,000(L)	67.26%
AVIC (Note 2)	Interest of controlled corporation	1,680,000,000(L)	67.26%

Note 1: Nexteer Hong Kong is wholly-owned by PCM China, which is in turn owned as to 51% by AVIC Auto and as to 49% by Beijing E-Town. Each of PCM China and AVIC Auto is deemed to be interested in the 1,680,000,000 shares held by Nexteer Hong Kong.

Note 2: AVIC Auto is wholly-owned by AVIC. AVIC is deemed to be interested in the 1,680,000,000 shares held by Nexteer Hong Kong.

(L) denotes a long position in shares of the Company.

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

So far as our Directors are aware, as of December 31, 2013, the persons other than our Directors and our chief executive who were directly interested in 10% or more of the issued and outstanding share capital of our subsidiaries carrying rights to vote in all circumstances at general meetings of each relevant subsidiary, were as follows:

Member of our Group	Person with 10% or more interest (other than the Company)	Capacity	Percentage of the substantial shareholder's interest
Nexteer Zhuozhou	Lingyun Industrial	Registered owner	40%
Nexteer Wuhu	Lingyun Industrial	Registered owner	40%

Save as disclosed above, as at December 31, 2013, our Directors are not aware of any person who, as at December 31, 2013, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of any other member of our Group.

CONNECTED TRANSACTIONS

The Group's related parties transactions for the year ended December 31, 2013 set out in note 36(a) to the Consolidated Financial Statements constitute continuing connected transactions as defined in chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements in chapter 14A of the Listing Rules.

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

Guarantees from AVIC and Beijing E-Town

By way of two loan agreements dated October 29, 2012, PCM (Singapore) Steering Holding Pte. Limited and PCM (US) Steering Holding Inc., both direct wholly-owned subsidiaries of the Company, agreed to borrow US$126 million and US$300 million, respectively, from Export-Import Bank of China (the EXIM Guaranteed Bank Loans). The EXIM Guaranteed Bank Loans were intended to repay previous loans and fund certain acquisitions and operations of the Group, which shall be repaid in 14 installments commencing June 2014 and shall be fully settled in October 2020. As of December 31, 2013, the total amount of guarantees provided by AVIC and Beijing E-Town to our Group amounted to US$426 million. AVIC and Beijing E-Town are substantial shareholders of the Company and therefore are connected persons under Rule 14A.11(1).

Such guarantees as well as the associated lower financing costs of the EXIM Guaranteed Bank Loans, being financial assistance provided by AVIC and Beijing E-Town to our Group, were for our benefit on normal commercial terms and no security over our assets was granted. Accordingly, such guarantees as well as the associated lower financing costs of the EXIM Guaranteed Bank Loans, are exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

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

Continuing connected transactions which are exempted from the independent shareholders' approval requirement, but subject to the reporting, annual review and announcement requirements of the Listing Rules

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

Pursuant to three nomination letters accepted by Yubei Steering on June 5, 2013, Nexteer Automotive (Suzhou) Co., Ltd. (Nexteer Suzhou), an indirect wholly-owned subsidiary of the Company, agreed to purchase, and Yubei Steering agreed to supply, certain manual and hydraulic rack and pinion gears for a term of three years commencing in 2013. Nexteer Suzhou and Yubei Steering are expected to enter into supplemental purchase agreements annually during the three-year term and Nexteer Suzhou will issue purchase orders from time to time (collectively, the Yubei Purchase Agreements).

The annual caps under the Yubei Purchase Agreements for each of the three years ending December 31, 2015 is RMB11,700,000, RMB83,900,000 and RMB86,100,000, respectively. Yubei Steering is indirectly held as to 49.93% by AVIC, one of our substantial shareholders, and is therefore our connected person pursuant to Rule 14A.11(4) of the Listing Rules. Since the highest of all applicable percentage ratios for the Yubei Purchase Agreements calculated in accordance with Rule 14.07 of the Listing Rules are more than 0.1% but less than 5%, the transactions under the Yubei Purchase Agreements are non-exempt continuing connected transactions subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 and the requirements set out in Rules 14A.35(1) and 14A.35(2) of the Listing Rules, but exempt from the independent shareholders' approval requirements under Rule 14A.48 of the Listing Rules.

Details of the Yubei Purchase Agreements and the scope of waiver granted by the Hong Kong Stock Exchange were fully disclosed in the Prospectus under the section headed "Connected Transactions".

Pursuant to Rule 14A.38 of the Listing Rules, the Board has engaged the auditor of the Company to perform review procedures on the aforesaid continuing connected transactions. Based on the work performed, the auditor of the Company have provided a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) have been approved by the Directors;

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

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

(iv) did not exceed the annual cap amounts.

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

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-Executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

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

(ii) either (a) on normal commercial terms or; (b) where there is no available comparable terms, on terms no less favorable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year end December 31, 2013.

PUBLIC FLOAT

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

PROFESSIONAL TAX ADVICE RECOMMENDED

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

AUDITOR

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

CLOSURE OF REGISTER OF MEMBERS

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

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

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

Hong Kong, March 19, 2014

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

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

Chairman and Chief Executive

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

Board Meetings

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the Model Code) as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they complied with the required standards set out in the Model Code from the Listing Date to December 31, 2013.

THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

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

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

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

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

The Board consists of eight Directors, including three Executive Directors, namely ZHAO, Guibin (Chairman), RICHARDSON, Michael Paul and FAN, Yi, two Non-Executive Directors namely LU, Daen and WANG, Xiaobo, and three Independent Non-Executive Directors, namely TSANG, Hing Lun, LIU, Jianjun and WEI, Kevin Cheng. The biographical details of each Director and their respective responsibilities and dates of appointment are included in the section headed "Directors and Senior Management" of this Annual Report. None of the Directors or chief executives is related to one another.

There was one meeting of the Board held from the Listing Date to December 31, 2013. The following is the attendance record of the Directors at Board and committee meetings, and general meetings held during the period from the Listing Date to December 31, 2013:

	Attendance/Number of Meetings in 2013				
Name of Director	Board	Remuneration and Nomination Committee	Audit and Compliance Committee	Annual General Meeting	Extraordinary General Meetings
ZHAO, Guibin (趙桂斌)	1/1	N/A	N/A	N/A	N/A
RICHARDSON, Michael Paul	1/1	N/A	N/A	N/A	N/A
FAN, Yi (樊毅)	1/1	N/A	N/A	N/A	N/A
LU, Daen (錄大恩)	1/1	N/A	1/1	N/A	N/A
WANG, Xiaobo (王曉波)	1/1	1/1	N/A	N/A	N/A
TSANG, Hing Lun (曾慶麟)	1/1	1/1	1/1	N/A	N/A
LIU Jianjun (劉健君)	1/1	1/1	N/A	N/A	N/A
WEI, Kevin Cheng (蔚成)	1/1	N/A	1/1	N/A	N/A

PRACTICES AND CONDUCT OF MEETINGS

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

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date to December 31, 2013, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director received a comprehensive introduction to the Company in order to ensure his understanding of the business and operations of the Group and awareness of a director's responsibilities and obligations. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge by attending internal in-house training and external seminars. For the year ended December 31, 2013, the Company arranged in-house training for all Directors relating to ongoing compliance obligations, corporate governance and other related topics. In compliance with Rule 3.29 of the Listing Rules, Mr. Fan, our Executive Director and joint company secretary, has undertaken not less than 15 hours of relevant professional training during the year ended December 31, 2013.

During the year ended December 31, 2013, the Directors participated in the following training:

Directors	Types of training
Executive Directors	
ZHAO, Guibin (趙桂斌) *(Chairman)*	A,B,C,D
RICHARDSON, Michael Paul	A,B,C,D
FAN, Yi (樊毅)	A,B,C,D
Non-Executive Director	
LU, Daen (錄大恩)	A,B,C,D
WANG, Xiaobo (王曉波)	A,C,D
Independent Non-Executive Directors	
TSANG, Hing Lun (曾慶麟)	A,B,C,D
LIU Jianjun (劉健君)	A,B,C,D
WEI, Kevin Cheng (蔚成)	A,C,D

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

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

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

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

COMMITTEES

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

THE AUDIT AND COMPLIANCE COMMITTEE

The Board established an Audit and Compliance Committee on June 15, 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The Audit and Compliance Committee consists of three members, comprising WEI, Kevin Cheng, TSANG, Hing Lun and LU, Daen. All members of the Audit and Compliance Committee are Non-Executive Directors, among whom TSANG, Hing Lun and WEI, Kevin Cheng are Independent Non-Executive Directors. The chairman of the Audit and Compliance Committee is Mr. WEI, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit and Compliance Committee include, without limitation, assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

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

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

There was one meeting of the Audit and Compliance Committee held during the period from the Listing Date to December 31, 2013, the attendance record of the committee members is set out above. The following is a summary of work performed by the Audit and Compliance Committee during 2013:

- review of the findings and recommendations of the external internal control auditor;
- review of the internal control measures implemented as recommended by our external internal control auditor;
- review of the reports and findings from the management on the implementation of the internal control measures;
- confirmed the independence and objectivity of the Company's external auditor, PricewaterhouseCoopers; and
- met with the external auditor and reviewed their 2013 audit plan.

Subsequent to December 31, 2013 and up to the date of this Annual Report, a meeting of Audit and Compliance Committee was held on March 19, 2014 to review the annual results and the adequacy of the internal control system for the year ended December 31, 2013.

THE REMUNERATION AND NOMINATION COMMITTEE

The Board established a Remuneration and Nomination Committee on June 15, 2013 with written terms of reference in compliance with paragraphs B.1 and A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skill as well as time commitments of members. The Remuneration and Nomination Committee consists of three members, comprising TSANG, Hing Lun, LIU, Jianjun and WANG, Xiaobo. All members of the Remuneration and Nomination Committee are Non-Executive Directors, among whom TSANG, Hing Lun and LIU, Jianjun are Independent Non-Executive Directors. The chairman of the Remuneration and Nomination Committee is Mr. TSANG. The primary functions of the Remuneration and Nomination Committee include, without limitation, (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; (iv) reviewing the structure, size and composition of the Board; (v) assessing the independence of Independent Non-Executive Directors; and (vi) making recommendations to the Board on matters relating to the appointment of Directors.

There was one meeting of the Remuneration and Nomination Committee held during the period from the Listing Date to December 31, 2013, the attendance record of the committee members is set out above. The following is a summary of work performed by the Remuneration and Nomination Committee during 2013:

- review and recommendation to the Board regarding the fees of the Non-Executive Directors; and
- review and recommendation to the Board regarding the fees of the Independent Non-Executive Directors.

Subsequent to December 31, 2013 and up to the date of this report, a meeting of Remuneration and Nomination Committee was held on March 19, 2014 to review and consider, among other things:

- the Board structure, size, composition and board diversity (including ability knowledge and experience etc.);
- the effectiveness of the related Board Diversity Policy;
- the independence of independent non-executive directors; and
- the retirement and re-nomination of directors for re-election at the forthcoming AGM.

BOARD DIVERSITY POLICY

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

AUDITOR'S REMUNERATION

The Company's external auditor is PricewaterhouseCoopers. The remuneration paid to PricewaterhouseCoopers in respect of the audit services and non-audit services for the year ended December 31, 2013 amounted to approximately US$2.6 million and US$1.4 million, respectively. An analysis of the remuneration paid to PricewaterhouseCoopers for the year ended December 31, 2013 is set out below. The Audit and Compliance Committee has confirmed the independence and objectivity of the external auditor.

Service Category	Fees Paid US$000'
Audit Services	2,647
Non-audit Services	1,437
• Tax consulting	1,349
• Other	88
Total	4,084

JOINT COMPANY SECRETARIES

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

During 2013, each of the joint company secretaries undertook over 15 hours of professional training to update his or her skills and knowledge.

SHAREHOLDERS' RIGHTS

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

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

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

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

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

SHAREHOLDERS' ENQUIRIES

Enquiries about corporate governance or other related matters should be directed to the Joint Company Secretary by email at company.secretary@nexteer.com or at the Company's headquarters address: 3900 East Holland Road, Saginaw, MI 48601-9494, United States.

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended December 31, 2013 are set out in note 27 to the Consolidated Financial Statements. The remuneration of Directors is determined by the Board, which receives recommendations from the Remuneration and Nomination Committee after considering the experience, knowledge and performance of the Directors. Under the Company's current compensation arrangements the Executive Directors and Senior Managers receive cash compensation in the form of salaries as well as bonuses that are subject to performance targets.

Remuneration paid to the Senior Managers (including 3 Executive Directors) for the year ended December 31, 2013 is within the following bands:

Band of remuneration in US$	No. of person
US$ Nil–US$250,000	2
US$250,001–US$500,000	5
US$500,001–US$750,000	3
US$750,001–US$1,000,000	1
US$1,000,001–US$1,250,000	1
US$1,250,001–US$1,500,000	1
US$3,000,001–US$3,250,000	1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

The Company's external auditor is responsible for expressing an opinion on whether the Consolidated Financial Statements give a true and fair view of the state of affairs of the Group as at December 31, 2013, and of the Group's profit and cash flows for the year then ended in accordance with IFRS.

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

INTERNAL CONTROL

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

The Board is responsible for maintaining an adequate system of internal controls and for reviewing its effectiveness. Oversight over internal controls is led by the Audit and Compliance Committee, established on June 15, 2013. While senior management is responsible for the implementation of such system of internal controls, the Group continues to establish an Internal Audit department to assist the Board and the Audit and Compliance Committee in their oversight and review responsibilities to monitor the compliance and effectiveness of the internal control measures. This will enable the Board and the Audit and Compliance Committee to conduct necessary reviews and to report to Shareholders, at least on an annual basis, on the effectiveness of the Group's system of internal controls.

Members of the Internal Audit department will have direct access to the Board through reporting to the Chairman of the Audit and Compliance Committee, and will report administratively to the Chief Financial Officer. The Head of the Internal Audit department will have the right to consult the Audit and Compliance Committee without reference to management. With this independence, the Internal Audit department may perform key tasks, such as: (a) assessing and monitoring compliance with policies and the effectiveness of internal control measures with unrestricted direct access to any level of management whenever deemed necessary; and (b) conducting comprehensive internal audits to evaluate the system of financial, operation and compliance controls on a regular basis.

The Internal Audit department has completed a risk assessment process and developed a three year internal audit plan that will focus on the key financial statement risks to the Company. The Company expects to review the risk assessment and three year internal audit plan with the Audit and Compliance Committee in 2014. The Internal Audit department will execute the approved internal audit plan and conduct a review of the effectiveness of the system of internal controls. The Internal Audit department will report summary audit findings and recommendations periodically to the Audit and Compliance Committee. Management will be responsible for ensuring that control weaknesses highlighted in internal audits are rectified within a reasonable period.

In 2013, the Group also engaged external auditor to conduct a review of the internal control measures of the Group. The Company has considered the recommendations from our external auditor and continues to monitor the progress of the implementation of the relevant internal control measures.

Given the listing of the Company's shares on the Hong Kong Stock Exchange, management and the CFO, in conjunction with the Board and the Audit and Compliance Committee, has recently evaluated the adequacy of resources, qualifications and experience of staff in the Group's accounting and financial reporting function, as well as that function's training programs and budget. This exercise continues to result in the hiring of accounting and finance professionals to help ensure that the Group maintains adequate and sufficient staffing levels required for a public company. The Board has delegated to the Audit and Compliance Committee the responsibility for reviewing the Group's internal controls and reporting the findings to the Board. The Audit and Compliance Committee conducted a review of (1) the findings and recommendations of the external internal control auditor; (2) the internal control measures implemented as recommended by our external internal control auditor; and (3) the reports and findings from the management on the implementation of the internal control measures. Based on its review, the Board and the Audit and Compliance Committee are not aware of any material deficiencies in the effectiveness of internal controls for the year ended December 31, 2013.

CHANGE IN CONSTITUTIONAL DOCUMENTS

A restated Memorandum and Articles of Association of the Company was adopted by the Company on June 15, 2013 and was effective on the Listing Date and continues in effect as of the date of this Annual Report.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of Nexteer Automotive Group Limited ("the Company") and its subsidiaries (together, the "Group") set out on pages 55 to 123, which comprise the consolidated and company balance sheets as at December 31, 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

pwc 羅兵咸永道

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 19, 2014

CONSOLIDATED BALANCE SHEET

As at December 31, 2013

	Notes	As at December 31, 2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**562,540**	434,103
Land use rights	7	**732**	737
Intangible assets	8	**271,358**	179,082
Deferred income tax assets	10	**23,320**	14,595
Other receivables and prepayments	14(a)	**8,021**	2,483
		865,971	631,000
Current assets			
Inventories	12	**185,323**	174,433
Trade receivables	13	**363,932**	324,317
Other receivables and prepayments	14(a)	**71,565**	64,790
Derivative financial instruments	11	**462**	–
Restricted bank deposits	15	**3,816**	251
Cash and cash equivalents	16	**314,120**	64,080
		939,218	627,871
Total assets		**1,805,189**	1,258,871

The notes on pages 62 to 123 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet (continued)

As at December 31, 2013

	Notes	As at December 31, 2013 US$'000	2012 US$'000
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	17	**32,222**	–
Other reserves	18(a)	**361,799**	107,893
Retained earnings		**173,682**	63,038
		567,703	170,931
Non-controlling interests		**23,043**	20,878
Total equity		**590,746**	191,809
LIABILITIES			
Non-current liabilities			
Borrowings	19	**458,377**	441,531
Retirement benefits and compensations	20	**25,614**	25,077
Deferred income tax liabilities	10	**28,347**	2,866
Provisions	21	**42,423**	40,730
Deferred revenue	22	**65,232**	46,034
Other payables and accruals	24(a)	**2,904**	3,527
		622,897	559,765
Current liabilities			
Trade payables	23	**336,476**	295,741
Other payables and accruals	24(a)	**72,308**	85,549
Current income tax liabilities		**19,083**	2,219
Retirement benefits and compensations	20	**2,116**	1,721
Provisions	21	**18,494**	16,043
Deferred revenue	22	**13,430**	6,907
Borrowings	19	**129,639**	99,117
		591,546	507,297
Total liabilities		**1,214,443**	1,067,062
Total equity and liabilities		**1,805,189**	1,258,871
Net current assets		**347,672**	120,574
Total assets less current liabilities		**1,213,643**	751,574

The notes on pages 62 to 123 are an integral part of these consolidated financial statements.

Fan, Yi (樊毅)
Director

Richardson, Michael Paul
Director

BALANCE SHEET OF THE COMPANY

As at December 31, 2013

	Notes	As at December 31, 2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**504,400**	–
		504,400	–
Current assets			
Cash and cash equivalents	16	**213,424**	–
Other receivables and prepayments	14(b)	**63,359**	–
		276,783	–
Total assets		**781,183**	–
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	17	**32,222**	–
Other reserves	18(b)	**757,043**	–
Accumulated losses	18(b)	**(8,576)**	–
Total equity		**780,689**	–
Current liabilities			
Other payables and accruals	24(b)	**494**	–
Total equity and liabilities		**781,183**	–
Net current assets		**276,289**	–
Total assets less current liabilities		**780,689**	–

The notes on pages 62 to 123 are an integral part of these consolidated financial statements.

Fan, Yi (樊毅)
Director

Richardson, Michael Paul
Director

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2013

	Notes	For the year ended December 31 2013 US$'000	2012 US$'000
Revenue	5	**2,386,823**	2,167,802
Cost of sales	26	**(2,047,417)**	(1,896,392)
Gross profit		**339,406**	271,410
Engineering and product development costs	26	**(73,297)**	(81,623)
Selling and distribution expenses	26	**(8,493)**	(9,343)
Administrative expenses	26	**(80,808)**	(88,563)
Other losses, net	25	**(3,780)**	(7,958)
Operating profit		**173,028**	83,923
Finance income	28	**1,277**	562
Finance costs	28	**(23,047)**	(22,291)
Finance costs, net		**(21,770)**	(21,729)
Profit before income tax		**151,258**	62,194
Income tax expense	29	**(40,337)**	(3,567)
Profit for the year		**110,921**	58,627
Attributable to:			
Equity holders of the Company		**109,191**	57,096
Non-controlling interests		**1,730**	1,531
		110,921	58,627
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in US$ per share)			
– Basic and diluted	30	**$0.06**	$0.03
Dividend	32	**21,838**	–

The notes on pages 62 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2013

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

The notes on pages 62 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2013

	Attributable to equity holders of the Company				Non-controlling interests	
	Share capital US$'000 (Note 17)	Other reserves US$'000 (Note 18(a))	Retained earnings US$'000	Sub-total US$'000	US$'000	Total US$'000
Balance at January 1, 2012	–	103,492	7,336	110,828	12,190	123,018
Comprehensive income						
Profit for the year	–	–	57,096	57,096	1,531	58,627
Other comprehensive income/(loss)						
Exchange differences	–	4,401	–	4,401	206	4,607
Actuarial losses on defined benefit plans, net of tax	–	–	(1,394)	(1,394)	–	(1,394)
Total other comprehensive income/(loss)	–	4,401	(1,394)	3,007	206	3,213
Total comprehensive income	–	4,401	55,702	60,103	1,737	61,840
Transactions with owners						
Contributions from non-controlling shareholders of subsidiaries	–	–	–	–	6,951	6,951
	–	–	–	–	6,951	6,951
Balance at December 31, 2012	–	107,893	63,038	170,931	20,878	191,809
Comprehensive income						
Profit for the year	**–**	**–**	**109,191**	**109,191**	**1,730**	**110,921**
Other comprehensive income						
Exchange differences	**–**	**1,263**	**–**	**1,263**	**435**	**1,698**
Actuarial gains on defined benefit plans, net of tax	**–**	**–**	**1,453**	**1,453**	**–**	**1,453**
Total other comprehensive income	**–**	**1,263**	**110,644**	**111,907**	**2,165**	**114,072**
Transactions with owners						
Capitalisation issue (Note 17(c))	**21,672**	**(21,672)**	**–**	**–**	**–**	**–**
Issuance of new shares (Note 17(d))	**10,550**	**284,857**	**–**	**295,407**	**–**	**295,407**
Share issuance cost (Note 17(d))	**–**	**(10,542)**	**–**	**(10,542)**	**–**	**(10,542)**
	32,222	**252,643**	**–**	**284,865**	**–**	**284,865**
Balance at December 31, 2013	**32,222**	**361,799**	**173,682**	**567,703**	**23,043**	**590,746**

The notes on pages 62 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2013

	Notes	For the year ended December 31 2013 US$'000	2012 US$'000
Cash flows from operating activities			
Cash generated from operations	33	**229,836**	163,758
Income tax paid		**(6,921)**	(5,844)
Net cash generated from operating activities		**222,915**	157,914
Cash flows from investing activities			
Purchase of property, plant and equipment		**(184,476)**	(172,381)
Addition of intangible assets		**(102,914)**	(104,091)
Proceeds from sale of property, plant and equipment		**13,490**	3,671
Changes in restricted bank deposits		**(3,508)**	(499)
Net cash used in investing activities		**(277,408)**	(273,300)
Cash flows from financing activities			
Proceeds from issuance of new shares	17(d)	**295,407**	–
Proceeds from borrowings		**124,163**	567,185
Repayments of borrowings		**(77,134)**	(434,071)
Finance costs paid		**(30,164)**	(27,925)
Payment of listing expenses		**(7,632)**	(2,910)
Dividends paid to non-controlling shareholders of subsidiaries		**–**	(3,129)
Net cash generated from financing activities		**304,640**	99,150
Net increase/(decrease) in cash and cash equivalents		**250,147**	(16,236)
Cash and cash equivalents at January 1		**64,080**	78,233
Exchange (losses)/gains on cash and cash equivalents		**(107)**	2,083
Cash and cash equivalents at December 31		**314,120**	64,080

The notes on pages 62 to 123 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

1 GENERAL INFORMATION

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

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

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

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

These financial statements are presented in thousands of US dollars ("US$'000"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on March 19, 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

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

Acquisition-related costs are expensed as incurred.

(b) Separate financial statements

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

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

2.3 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US dollars, which is the Company's functional currency and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "Finance income or costs". All other foreign exchange gains and losses are presented in the income statement within "Other losses, net".

(c) *Group companies*

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

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

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

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

Leasehold improvements	10–20 years or over lease term, whichever is shorter
Buildings	10–40 years
Machinery, equipment and tooling	3–27 years
Furniture and office equipment	3–10 years

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "Other losses, net" in the income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Land use rights

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

2.7 Intangible assets

(a) Research and development

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

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

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

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

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

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

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

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

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

Development expenditures not satisfying the above criteria are recognised in the income statement as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets (Continued)

(b) Computer software

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

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

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

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

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

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

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

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

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

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

2.8 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets

(a) Classification

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

The Group's financial assets primarily comprise loans and receivables and financial assets at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet (Notes 2.12 and 2.13).

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

(b) Recognition and measurement

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

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(d) Impairment of financial assets

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

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

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

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

2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gains and losses from fair value changes are recognised within "Other losses, net" in the income statement.

2.11 Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

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

2.14 Share capital

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

2.15 Borrowings

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

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

2.16 Borrowing costs

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

The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings outstanding during the period up to the amount of actual borrowing costs incurred during that period.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Retirement obligations

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

(a) Defined contribution plans

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

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Defined benefit plans

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

(i) Inside basis differences

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

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

(ii) Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Provision

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

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

2.20 Trade payables

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Revenue recognition

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

(i) Product

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

(ii) Prototype and engineering

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

(iii) Tooling

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Leases

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

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

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

2.23 Share-based payment

The Group offered a deferred incentive compensation plan to certain employees, pursuant to which the plan participants were awarded incentive compensation that is derived from a stated percentage of the appreciation in the combined value of certain subsidiaries of the Group during a certain period as set out in Note 27(a). The related plan was accounted for as a liability plan as the settlements were made in the form of cash. The fair value of the awards was measured at grant date using a Black-Scholes model, taking into account the terms and conditions upon which the awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the awards, the total estimated fair value of the awards is spread over the vesting period, taking into account the probability that the awards will vest.

During the vesting period, the awards that are expected to vest are revalued to fair value at each balance sheet date. Any adjustment to the cumulative fair value recognised in prior years is charged or credited to the consolidated income statement. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual amount of awards that vest.

2.24 Government grants

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Interest income

Interest income is recognised using the effective interest method.

2.26 Dividend distribution

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

2.27 New/revised standards, amendments to standards and interpretations

(a) New and amended standards adopted by the Group

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

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

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

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

- IFRS 13: "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. See Note 19(3) in the financial statements for the additional disclosure in this respect.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

The Group's risk management and treasury department focuses on minimising potential adverse affects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

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

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and Chinese Renminbi ("RMB").

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

	Equity US$'000	**Post-tax result** US$'000
As at and for the year ended December 31, 2013		
Euro	**19,974**	**3,681**
RMB	**12,232**	**2,329**
As at and for the year ended December 31, 2012		
Euro	22,213	2,118
RMB	9,426	383

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

Management monitors and analyses expected exchange rate developments and considers hedging foreign currency exposure should the need arise. In 2013, the Group entered into forward exchange contracts to hedge currency exposure between the Mexican peso and the US dollar.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(ii) Cash flow interest rate risk

The Group's interest rate risk primarily arises from current and non-current borrowings. Changes in interest rates on borrowings issued at variable rates potentially expose the Group to cash flow interest rate risk. For the year ended December 31, 2013, the Group did not have any outstanding interest rate swaps (2012: Nil). In the event there is a change in market conditions the Group will assess moving from primarily variable to fixed rate borrowings.

As at December 31, 2013, if the interest rates had been 100 basis points higher/(lower) than the prevailing rate, with all other variables held constant, net profit for the year ended December 31, 2013 would have been US$6,453,000 (2012: US$4,765,000) lower/(higher).

(iii) Price risk

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

(b) *Credit risk*

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

The Group's largest customer is General Motors and its subsidiaries ("General Motors Group") and its affiliates which comprised 54% of net sales during the year ended December 31, 2013 (2012: 52%). Trade receivables from General Motors Group and its affiliates was 45% of total trade receivables as at December 31, 2013 (December 31, 2012: 49%).

The Group monitors the credit ratings of its banks and financial institutions. As at December 31, 2013, the Group holds approximately 85% (December 31, 2012: 72%) of its cash in financial institutions with credit ratings of A or higher meaning the institutions have a very strong to extremely strong capacity to meet financial commitments. The remainder of cash is held in banks within investment grade.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

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

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

	6 months or less US$'000	6–12 months US$'000	1–2 years US$'000	2–5 years US$'000	Over 5 years US$'000
At December 31, 2013					
Short-term borrowings	**43,359**	**–**	**–**	**–**	**–**
Long-term borrowings	**53,267**	**54,266**	**107,628**	**272,994**	**140,142**
Finance lease obligations	**235**	**241**	**524**	**533**	**–**
	96,861	**54,507**	**108,152**	**273,527**	**140,142**
Trade payables	**336,476**	**–**	**–**	**–**	**–**
Other payables and accruals	**72,308**	**–**	**2,904**	**–**	**–**
At December 31, 2012					
Short-term borrowings	83,396	15,561	–	–	–
Long-term borrowings	9,336	9,977	79,535	237,207	194,499
Finance lease obligations	203	227	430	652	–
	92,935	25,765	79,965	237,859	194,499
Trade payables	295,741	–	–	–	–
Other payables and accruals	85,549	–	3,527	–	–

As at December 31, 2013, a subsidiary of the Group is required to maintain an excess availability of facilities of not less than US$20,000,000 (December 31, 2012: US$25,000,000), at all times and a minimum requirement of earnings before interest, taxes, depreciation and amortisation ("EBITDA") for the end of each monthly period as set forth in a bank credit agreement.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

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

	As at December 31,	
	2013	2012
	US$'000	US$'000
Total borrowings (Note 19)	**588,016**	540,648
Non-recurring related party payables (Note 36 (c))	**–**	14,222
	588,016	554,870
Total equity	**590,746**	191,809
Gearing ratio	**99.5%**	289.3%

As a result of the Listing in October 2013, the Group's gearing ratio has been improved significantly in 2013.

3.3 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities, including cash and cash equivalents, restricted bank deposits, trade and other receivables, trade and other payables and current borrowings approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2013 and 2012:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at December 31, 2013				
Forward foreign exchange contracts	**–**	**462**	**–**	**462**
As at December 31, 2012				
Forward foreign exchange contracts	–	–	–	–

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Assets acquired/liabilities assumed in business combination

The Group's assets/liabilities were recognised at fair value in acquisition operations. The fair values of the acquired assets/assumed liabilities were determined based on valuation methodologies and techniques that involved the use of a third-party valuation firm's expertise. The judgements and assumptions used in that valuation of assets and liabilities along with the assumptions on the useful lives of acquired assets have a significant effect on the Group's financial statements.

(b) Intangible assets not available for use

(i) Capitalisation

Costs incurred on development projects are recognised as intangible assets when it is probable that the projects will be successful considering the criteria set out in Note 2.7. The Group's development activities are tracked by its engineering department and documented to support the basis of determining if and when the criteria were met.

(ii) Impairment

The Group is required to test intangible development assets not available for use on an annual basis. Other non-financial assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds its recoverable amount. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Retirement benefits

The costs, assets and liabilities of the defined benefit plans operated by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions and the sensitivity analysis of such assumptions are set out in Note 20. Changes in the assumptions used may have a significant effect on the statement of comprehensive income and the balance sheet.

(d) Provisions

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

(i) Litigation

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

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

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

(ii) Environmental liabilities

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

(iii) Warranties

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

(iv) Decommissioning

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Income taxes

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

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

(f) Share-based payment

In determining the fair value of the deferred incentive compensation plan, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(g) Fair value of derivatives

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

5 SEGMENT INFORMATION

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

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

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

- EBITDAR, which represents operating income before interest, taxes, depreciation and amortisation and restructuring costs.

- Net working capital ("NWC"), which represents inventory and trade receivables net of trade payables. This measures the Group's net investment in operating assets for each segment. NWC includes trade payables and receivables between related companies.

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

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

A US$6,251,000 classification error in 2012 related to currency exchange gains between rest of world and Europe has been corrected in the figures above.

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

5 SEGMENT INFORMATION (Continued)

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

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

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

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

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

5 SEGMENT INFORMATION (Continued)

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

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

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

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

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

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

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and land improvements US$'000	Leasehold improvement US$'000	Buildings US$'000	Machinery, equipment and tooling US$'000	Furniture and office equipment US$'000	Construction in progress US$'000	Total US$'000
At January 1, 2012							
Cost	10,187	2,285	23,424	269,162	721	35,444	341,223
Accumulated depreciation	(679)	(384)	(4,048)	(45,793)	(173)	–	(51,077)
Net book amount	9,508	1,901	19,376	223,369	548	35,444	290,146
Year ended December 31, 2012							
Opening net book amount	9,508	1,901	19,376	223,369	548	35,444	290,146
Additions	1,175	768	1,934	96,057	642	100,903	201,479
Disposals	(792)	–	(1,298)	(3,650)	(24)	(2,504)	(8,268)
Depreciation	(688)	(179)	(3,442)	(48,784)	(190)	–	(53,283)
Exchange differences	(10)	(184)	1,357	2,245	(17)	638	4,029
Net book amount at December 31, 2012	9,193	2,306	17,927	269,237	959	134,481	434,103
At December 31, 2012							
Cost	10,579	2,890	25,363	361,131	1,364	134,481	535,808
Accumulated depreciation	(1,386)	(584)	(7,436)	(91,894)	(405)	–	(101,705)
Net book amount	9,193	2,306	17,927	269,237	959	134,481	434,103
Year ended December 31, 2013							
Opening net book amount	**9,193**	**2,306**	**17,927**	**269,237**	**959**	**134,481**	**434,103**
Additions/(transfer upon completions)	**326**	**465**	**3,356**	**229,221**	**297**	**(35,229)**	**198,436**
Disposals	**(1,800)**	**(6)**	**(582)**	**(9,773)**	**(2)**	**(2,861)**	**(15,024)**
Depreciation	**(265)**	**(317)**	**(996)**	**(55,166)**	**(165)**	**–**	**(56,909)**
Exchange differences	**(313)**	**66**	**(40)**	**2,180**	**19**	**22**	**1,934**
Net book amount at December 31, 2013	**7,141**	**2,514**	**19,665**	**435,699**	**1,108**	**96,413**	**562,540**
At December 31, 2013							
Cost	**8,809**	**3,465**	**27,941**	**574,820**	**1,693**	**96,413**	**713,141**
Accumulated depreciation	**(1,668)**	**(951)**	**(8,276)**	**(139,121)**	**(585)**	**–**	**(150,601)**
Net book amount	**7,141**	**2,514**	**19,665**	**435,699**	**1,108**	**96,413**	**562,540**

Note:

In 2012 a classification error relating to asset categories has been corrected in the figures above.

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Certain of the Group's property, plant and equipment have been pledged as collateral under the Group's borrowing arrangements. The carrying amounts of property, plant and equipment pledged as collateral were US$366,396,000 as at December 31, 2013 (December 31, 2012: US$320,840,000).

Property, plant and equipment at December 31, 2013 included equipment under finance lease of US$1,138,000 (December 31, 2012: US$1,387,000), net of accumulated depreciation of US$622,000 (December 31, 2012: US$386,000).

Depreciation has been charged to the following function of expenses:

	For the year ended December 31	
	2013	2012
	US$'000	US$'000
Cost of sales	**53,907**	50,171
Engineering and product development costs	**1,882**	1,987
Administrative expenses	**1,120**	1,125
	56,909	53,283

The Group has capitalised borrowing costs amounting to US$1,122,000 on qualifying assets of property, plant and equipment for the year ended December 31, 2013 (2012: US$447,000). Borrowing costs were capitalised at the weighted average of the borrowing rate of 4.8% for the year ended December 31, 2013 (2012: 4.1%).

7 LAND USE RIGHTS

	For the year ended December 31	
	2013	2012
	US$'000	US$'000
Cost		
As at January 1	**1,007**	1,005
Exchange differences	**29**	2
As at December 31	**1,036**	1,007
Accumulated amortisation		
As at January 1	**270**	251
Amortisation	**26**	25
Exchange differences	**8**	(6)
	304	270
Net book amount		
As at December 31	**732**	737

The Group's land use rights are located in the PRC and are held under leases for periods of 50 years.

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For the year ended December 31, 2013

8 INTANGIBLE ASSETS

	Product development costs US$'000	Computer software development costs US$'000	Total US$'000
Cost			
As at January 1, 2012	75,617	–	75,617
Additions	108,615	87	108,702
As at December 31, 2012	184,232	87	184,319
Accumulated amortisation			
As at January 1, 2012	675	–	675
Amortisation	4,562	–	4,562
As at December 31, 2012	5,237	–	5,237
Net book amount			
As at December 31, 2012	178,995	87	179,082
Cost			
As at January 1, 2013	**184,232**	**87**	**184,319**
Additions	**103,017**	**6,020**	**109,037**
As at December 31, 2013	**287,249**	**6,107**	**293,356**
Accumulated amortisation			
As at January 1, 2013	**5,237**	**–**	**5,237**
Amortisation	**16,761**	**–**	**16,761**
As at December 31, 2013	**21,998**	**–**	**21,998**
Net book amount			
As at December 31, 2013	**265,251**	**6,107**	**271,358**

The additions for the year ended December 31, 2013 include US$6,123,000 of capitalised interest related to the borrowings associated with developmental costs (2012: US$4,611,000). Borrowing costs were capitalised at the weighted average of the borrowing rate of 4.8% for the year ended December 31, 2013 (2012: 4.1%).

8 INTANGIBLE ASSETS (Continued)

Impairment tests

Capitalised product development costs not yet available for use are tested annually based on the recoverable amount of the cash generating unit to which the intangible asset is related. As these development costs support each of the operating segments, their appropriate cash-generating unit is at the Group's level.

In 2013, the Group used the most recent detailed calculation of the cash generating unit's recoverable amount made in the preceding period as all of the following criteria were met: (I) the assets and liabilities of the Group have not changed significantly from the most recent calculation; (II) the most recent calculation resulted in an amount that exceeded the assets's carrying amount by a substantial margin; and (III) based on an analysis of events that have occurred and circumstances that have changed since the most recent calculation, the likelihood that a current recoverable amount determination would be less than the asset's carrying amount is remote.

The recoverable amount of the Group was determined based upon value in use from the most recent detailed calculation. The value in use was estimated using the discounted cash flow approach. The pre-tax discount rates used to discount the estimated future cash flows were 14% which were based on an estimated weighted average cost of capital and include estimates of industry sector risk premium.

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

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

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

Estimated cash flows are based on management forecasts over a five year horizon and a terminal value, which assumes a 3% long-term growth rate. The growth rate is consistent with similar global enterprises and consistent with expected long-term inflation. Management believes that there are long term prospects for growth due to the Group's market position and established platform of products. If the growth rate had been 1% higher/(lower), there was still sufficient headroom with no impairment required.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

9 INVESTMENTS IN SUBSIDIARIES

	As at December 31, 2013 US$'000	2012 US$'000
Unlisted investments, at cost	**504,400**	–
Less: provision for impairment losses	**–**	–
	504,400	–

Particulars of principal subsidiaries of the Group as at December 31, 2013 are set out in Note 38.

10 DEFERRED INCOME TAXES

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

	As at December 31, 2013 US$'000	2012 US$'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**6,007**	–
– to be recovered within 12 months	**17,313**	14,595
	23,320	14,595
Deferred income tax liabilities:		
– to be settled after more than 12 months	**(28,347)**	(2,762)
– to be settled within 12 months	**–**	(104)
	(28,347)	(2,866)
Deferred income tax (liabilities)/assets, net	**(5,027)**	11,729

10 DEFERRED INCOME TAXES (Continued)

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

	Property, plant and equipment US$'000	Retirement benefits and compensations US$'000	Provisions and accruals US$'000	Tax losses and credits US$'000	Intangible assets US$'000	Others US$'000	Total US$'000
Deferred income tax assets							
At January 1, 2012	7,867	4,018	26,598	1,140	–	554	40,177
(Charged)/credited to income statement	(3,752)	3,716	17,189	19,654	–	9,714	46,521
Credited to other comprehensive income	–	622	–	–	–	–	622
Exchange differences	19	10	24	36	–	247	336
At December 31, 2012	4,134	8,366	43,811	20,830	–	10,515	87,656
At January 1, 2013	**4,134**	**8,366**	**43,811**	**20,830**	**–**	**10,515**	**87,656**
(Charged)/credited to income statement	**(462)**	**6,081**	**10,928**	**(2,549)**	**121**	**356**	**14,475**
(Charged)/credited to other comprehensive income	**–**	**(477)**	**1,882**	**–**	**–**	**–**	**1,405**
Exchange differences	**154**	**40**	**–**	**–**	**–**	**24**	**218**
At December 31, 2013	**3,826**	**14,010**	**56,621**	**18,281**	**121**	**10,895**	**103,754**
Deferred income tax liabilities							
At January 1, 2012	(2,223)	(160)	(194)	–	(27,699)	(1,766)	(32,042)
(Charged)/credited to income statement	(5,360)	64	(170)	–	(38,668)	282	(43,852)
Exchange differences	(25)	–	–	–	–	(8)	(33)
At December 31, 2012	(7,608)	(96)	(364)	–	(66,367)	(1,492)	(75,927)
At January 1, 2013	**(7,608)**	**(96)**	**(364)**	**–**	**(66,367)**	**(1,492)**	**(75,927)**
Credited /(charged) to income statement	**591**	**96**	**(1,503)**	**–**	**(32,206)**	**18**	**(33,004)**
Exchange differences	**66**	**–**	**75**	**–**	**–**	**9**	**150**
At December 31, 2013	**(6,951)**	**–**	**(1,792)**	**–**	**(98,573)**	**(1,465)**	**(108,781)**

10 DEFERRED INCOME TAXES (Continued)

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

	As at December 31,	
	2013	2012
	US$'000	US$'000
Tax losses and credits	**10,213**	7,249
Deductible temporary differences	**5,191**	4,765
	15,404	12,014

(i) As at December 31, 2013, the Group has US$13,784,000 (December 31, 2012: US$29,722,000) of gross net operating loss ("NOL") carry forwards in US subject to certain annual utilization limitations which will begin to expire in 2032. As at December 31, 2013, the Group has US$22,719,000 (December 31, 2012: US$26,347,000) of non-US gross NOL carry forwards which have various expiration dates of which a significant amount is unlimited.

(ii) As at December 31, 2013, the Group has US$14,591,000 (December 31, 2012: US$9,035,000) of various tax credits which begin to expire in 2022. With the exception of these credits, the remaining deductible temporary differences do not expire under current tax legislation.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries because the Company is able to control the timing of reversal of the temporary differences and no material amounts of such unremitted earnings are currently intended to be distributed. Unremitted earnings totalled US$134,398,000 as at December 31, 2013 (December 31, 2012: US$100,700,000).

11 DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,			
	2013		2012	
	Assets	**Liabilities**	Assets	Liabilities
	US$'000	**US$'000**	US$'000	US$'000
Forward foreign exchange contracts	**462**	**–**	–	–
Less: non-current portion	**–**	**–**	–	–
Current portion	**462**	**–**	–	–

The notional principal amounts of the outstanding forward foreign exchange contracts at December 31, 2013 were US$26,400,000 (December 31, 2012: Nil).

12 INVENTORIES

	As at December 31, 2013 US$'000	2012 US$'000
Raw materials	**112,800**	107,148
Work in progress	**41,471**	40,764
Finished goods	**42,262**	34,787
	196,533	182,699
Less: provision for impairment losses	**(11,210)**	(8,266)
	185,323	174,433

The cost of inventories recognised as an expense and included in cost of sales for the year ended December 31, 2013 amounted to US$2,000,933,000 (2012: US$1,851,941,000).

The carrying amounts of inventories pledged as collateral were US$145,517,000 as at December 31, 2013 (December 31, 2012: US$126,855,000).

13 TRADE RECEIVABLES

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

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

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

13 TRADE RECEIVABLES (Continued)

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

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

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

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

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

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

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

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

14 OTHER RECEIVABLES AND PREPAYMENTS

(a) Group

	As at December 31, 2013 US$'000	2012 US$'000
Amounts reimbursable from customers on tools	**28,912**	30,525
Other taxes recoverable (i)	**26,102**	17,963
Prepaid assets (ii)	**15,554**	12,333
Reimbursable engineering expenses	**3,470**	–
Deposits to vendors	**3,672**	5,662
Others	**1,876**	790
	79,586	67,273
Less: non-current portion	**(8,021)**	(2,483)
Current portion	**71,565**	64,790

Note:

(i) Balance mainly represents value-added tax recoverable and certain incentives granted to the Group for investing capital and maintaining jobs in the State of Michigan, USA.

(ii) As at December 31, 2013, this balance includes prepaid listing expenses of nil (December 31, 2012: US$1,047,000).

(b) Company

	As at December 31, 2013 US$'000	2012 US$'000
Interest receivable	**96**	–
Receivables due from a subsidiary (i)	**22,113**	–
Notes receivable from subsidiaries (ii)	**41,150**	–
	63,359	–

Note:

(i) This represents current amount balance with a subsidiary which are unsecured, non-interest bearing and is repayable on demand.

(ii) This represents loans granted to subsidiaries with a term of one year bearing interest at LIBOR plus 2% - 3% per annum.

15 RESTRICTED BANK DEPOSITS

Restricted bank deposits are maintained with banks for issuance of letters of credit and pledges of bank borrowings.

16 CASH AND CASH EQUIVALENTS

The Group's RMB balances of US$18,428,000 (December 31, 2012: US$13,771,000) are deposited with banks in the PRC as at December 31, 2013. The RMB is not a freely convertible currency. The conversion of these RMB denominated balances into foreign currencies in the PRC is subject to rules and regulations of foreign exchange control promulgated by the PRC government. Cash balances denominated in RMB will be used as part of the normal operating activities in the PRC and are classified as unrestricted cash on this basis. All other cash balances are unrestricted.

All of the Company's cash and cash equivalents of US$213,424,000 (31 December 2012: Nil) are denominated in HK$ as at December 31, 2013.

17 SHARE CAPITAL

	Number of ordinary shares	Amount
Authorised:		
US$1.00 each upon incorporation on August 21, 2012 and at December 31, 2012 (note (a))	50,000	US$50,000
Cancellation (note (b))	(50,000)	US$(50,000)
HK$0.10 each authorised on June 15, 2013 (note (b))	4,000,000,000	HK$400,000,000
HK$0.10 each at December 31, 2013	4,000,000,000	HK$400,000,000
Issued and fully paid:		
US$1.00 each upon incorporation on August 21, 2012 and at December 31, 2012 (note (a))	1	US$1
Repurchase (note (b))	(1)	US$(1)
HK$0.10 each issued on June 15, 2013 (note (b))	1	HK$0.10
Capitalisation issue of shares (note (c))	1,679,999,999	HK$168,000,000
New share issued upon the Listing (note (d))	817,804,000	HK$81,780,000
HK$0.10 each at December 31, 2013	2,497,804,000	HK$249,780,000

17 SHARE CAPITAL (Continued)

Note:

(a) The Company was incorporated in the Cayman Islands on August 21, 2012 as a limited liability company with authorised share capital of 50,000 ordinary shares of US$1.00 each. On the same day, one ordinary share was issued and allotted by the Company to Nexteer Automotive (Hong Kong) Holdings Limited ("Nexteer Hong Kong", the parent company of the Company).

(b) Pursuant to the written resolution passed by the shareholder of the Company on June 15, 2013, the existing single share at nominal value of US$1.00 was repurchased by the Company, and the unissued authorised share capital of US$50,000 was cancelled. The authorised share capital of the Company was then increased to HK$400,000,000 (equivalent to approximately US$51,546,000) divided into 4,000,000,000 shares at nominal value of HK$0.10 each, and the Company issued one share at nominal value of HK$0.10 to Nexteer Hong Kong.

(c) On October 4, 2013, the Company capitalised HK$168,000,000 (equivalent to approximately US$21,672,000) by crediting the share premium account of the Company and applied such sum to pay up in full at par a total of 1,679,999,999 shares for allotment and issue to the shareholder.

(d) On October 7, 2013, the Company completed its public offering of shares ("Global Offering") by issuing 720,000,000 new shares with nominal value of HK$0.1 each at a price of HK$2.80 per share. The Company's shares were then listed on the Main Board of The Stock Exchange of Hong Kong Limited.

On October 27, 2013, the Company issued additional 97,804,000 new shares with nominal value of HK$0.1 each for the Global Offering at a price of HK$2.80 per share.

The total gross proceeds from the Global Offering was approximately HK$2,289,851,000 (equivalent to approximately US$295,407,000), of which share capital was approximately US$10,550,000 and share premium was approximately US$284,857,000. The share issuance cost relating to the Listing amounted to US$10,542,000.

18 RESERVES

(a) Group

Movements in the reserves of the Group are set out in the consolidated statements of changes in equity. The analysis of other reserves is as follows:

	Share premium US$'000	Merger reserve US$'000 (note (i))	Exchange reserve US$'000 (note (ii))	Total other reserves US$'000
Balance at January 1, 2012	–	113,000	(9,508)	103,492
Exchange differences	–	–	4,401	4,401
At December 31, 2012	–	113,000	(5,107)	107,893
Balance at January 1, 2013	**–**	**113,000**	**(5,107)**	**107,893**
Capitalisation issue (Note 17(c))	**(21,672)**	**–**	**–**	**(21,672)**
Issuance of new shares (Note 17(d))	**284,857**	**–**	**–**	**284,857**
Share issuance costs (Note 17(d))	**(10, 542)**	**–**	**–**	**(10,542)**
Exchange differences	**–**	**–**	**1,263**	**1,263**
At December 31, 2013	**252,643**	**113,000**	**(3,844)**	**361,799**

18 RESERVES (Continued)

(a) Group (Continued)

(i) Merger reserve

The Company was incorporated on August 21, 2012 and the Group's reorganisation was completed on January 30, 2013. The merger reserve in the consolidated balance sheets at December 31, 2013 represented the aggregate amount of share capital of PCM US and PCM Singapore.

(ii) Exchange reserve

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

(b) Company

	Share premium US$'000	Capital reserve US$'000 (note (i))	Accumulated losses US$'000	Total reserves US$'000
At December 31, 2012	–	–	–	–
Loss for the year	–	–	(8,576)	(8,576)
Contributions from holding company	–	504,400	–	504,400
Capitalisation issue (Note 17(c))	(21,672)	–	–	(21,672)
Issuance of new shares (Note 17(d))	284,857	–	–	284,857
Share issuance costs (Note 17(d))	(10,542)	–	–	(10,542)
At December 31, 2013	**252,643**	**504,400**	**(8,576)**	**748,467**

Note:

(i) On January 30, 2013, the Company acquired the entire equity interests in PCM US and PCM Singapore respectively from Pacific Century Motors, Inc. ("PCM China", the parent company of Nexteer Hong Kong). The considerations were settled through the issuance of two new ordinary shares by Nexteer Hong Kong at par to PCM China. Capital reserve of the Company represents the fair value of underlying equity interests in PCM US and PCM Singapore transferred from PCM China to the Company.

19 BORROWINGS

	As at December 31, 2013 US$'000	2012 US$'000
Non-current		
Borrowings from banks		
– unsecured (note (1.a))	**376,326**	439,961
– secured (note (1.b))	**81,306**	571
Finance lease obligations (note (1.e))	**745**	999
	458,377	441,531
Current		
Borrowings from banks		
– secured, others (note (1.c))	**16,659**	47,055
– unsecured (note (1.d))	**26,115**	50,045
Add: current portion of:		
– non-current secured borrowings from banks (note (1.b))	**23,577**	285
– non-current unsecured borrowings from banks (note (1.a))	**62,894**	1,388
– finance lease obligations (note (1.e))	**394**	344
	129,639	99,117
Total borrowings	**588,016**	540,648

(1) Note:

(a) This mainly includes:

(i) bank loans totalling US$426,000,000 as at December 31, 2013 (December 31, 2012: US$426,000,000), which are guaranteed by AVIC and Beijing E-Town International Investment & Development Co., Ltd. ("Beijing E-Town", shareholder of PCM China), bear interest at LIBOR+3.5% per annum and due in semi-annual installments of US$30,500,000 which commence in June 2014 and mature in October 2020 with the last repayment to be made then.

(ii) bank loans of US$14,774,000 as at December 31, 2013 (December 31, 2012: Nil) bearing interest at LIBOR plus 2.75% - 5.60% per annum for USD denominated amounts and 6.72% per annum for RMB denominated amounts.

(iii) bank loans of US$15,817,000 as at December 31, 2012 borrowed by a subsidiary of the Group which were guaranteed by PCM China and bore interest at LIBOR plus floating basis points for USD denominated amounts and 10% above the People's Bank of China (the "PBOC") benchmark rate for RMB denominated amounts. These loans were repaid in June 2013.

(b) As at December 31, 2013, this primarily includes long-term borrowings of US$67,106,000 which bears interest at LIBOR plus 3.5% per annum and matures in 2019, and of US$35,609,000 which bears interest at EURIBOR plus 3.1% and matures in 2020.

(c) As at December 31, 2013, this primarily includes the short-term bank loans of US$10,000,000 (December 31, 2012: Nil) borrowed by a subsidiary of the Group which bear interest at LIBOR plus 1.60% per annum, and is secured by cash. As at December 31, 2012, this primarily included the short-term borrowings from a factoring program in Europe (Note 13) and those for working capital needs in North America. North America short-term borrowings were secured by property, plant and equipment, intangible assets, trade receivables and inventories.

19 BORROWINGS (Continued)

(1) Note: (Continued)

(d) As at December 31, 2013, this primarily includes bank loans of US$13,424,000 borrowed by a subsidiary of the Group which bear interest at LIBOR plus 1.70%-2.35% per annum. As at December 31, 2012 this primarily included bank loans of US$16,917,000 borrowed by a subsidiary of the Group which were guaranteed by PCM China and bore interest at 4.78% for USD denominated amounts and 6.6%-6.9% on RMB denominated amounts. These loans were repaid in June 2013.

(e) Finance lease obligations

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

	As at December 31	
	2013	2012
	US$'000	US$'000
Within 1 year	**476**	430
Between 1 and 2 years	**524**	430
Between 2 and 5 years	**533**	652
	1,533	1,512
Less: future finance charges	**(394)**	(169)
	1,139	1,343

(ii) Present value of finance lease obligations:

	As at December 31	
	2013	2012
	US$'000	US$'000
Within 1 year	**394**	344
Between 1 and 2 years	**479**	382
Between 2 and 5 years	**266**	617
	1,139	1,343

19 BORROWINGS (Continued)

(2) Maturity of borrowings

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

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

	As at December 31			
	Carrying Amount		Fair Value	
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
Bank borrowings	**457,632**	440,532	**449,514**	442,188
Finance lease obligations	**745**	999	**745**	999
	458,377	441,531	**450,259**	443,187

The fair values are based on discounted cash flows using applicable discount rates based upon the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristic as at the balance sheet dates. Such discount rates ranged from 1.229% to 4.469% as at December 31, 2013 (2012: 3.7%), depending on the type of the debt, and were within level 2 of the fair value hierarchy.

The carrying amounts of current borrowings approximate their fair value.

(4) Weighted average annual interest rates

	As at December 31	
	2013	2012
Bank borrowings	**4.8%**	4.1%

(5) Currency denomination

	As at December 31	
	2013	2012
	US$'000	US$'000
US$	**545,342**	476,476
Euro	**36,517**	21,232
RMB	**4,135**	32,350
Others	**2,022**	10,590
	588,016	540,648

19 BORROWINGS (Continued)

(6) Undrawn facilities at floating rates

	As at December 31	
	2013	2012
	US$'000	US$'000
Expiring within 1 year	**358,928**	178,154
Expiring beyond 1 year	**–**	57,040
	358,928	235,194

20 RETIREMENT BENEFITS AND COMPENSATIONS

	As at December 31	
	2013	2012
	US$'000	US$'000
Pension – defined benefit plans (note (a))	**12,239**	13,557
Extended disability benefits (note (b))	**10,743**	9,732
Workers compensation (note (c))	**4,748**	3,509
	27,730	26,798
Less: non-current portion	**(25,614)**	(25,077)
Current portion	**2,116**	1,721

(a) Pension – defined benefit plans

The Group sponsors various defined benefit plans that generally provide benefits based on negotiated amounts for each year of eligible service. The Group's most significant plans are under regulatory frameworks in Mexico, Germany, France and US. The US Executive Retirement Plan ("US ERP") is a frozen plan established on 1 December 2010 as part of the acquisition of business. The plans had no amendments, curtailments or settlements affecting the defined benefit obligation.

20 RETIREMENT BENEFITS AND COMPENSATIONS (Continued)

(a) Pension – defined benefit plans (Continued)

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

	December 31, 2013			December 31, 2012		
	Non-US plans US$'000	US ERP US$'000	Total US$'000	Non-US plans US$'000	US ERP US$'000	Total US$'000
Present value of funded obligations (note (i))	**11,502**	**1,629**	**13,131**	12,764	1,663	14,427
Fair value of plan assets (note (ii))	**(892)**	**–**	**(892)**	(870)	–	(870)
Deficit of funded plans	**10,610**	**1,629**	**12,239**	11,894	1,663	13,557

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

	For the year ended December 31, 2013			For the year ended December 31, 2012		
	Non-US plans US$'000	US ERP US$'000	Total US$'000	Non-US plans US$'000	US ERP US$'000	Total US$'000
Opening balance	**12,764**	**1,663**	**14,427**	9,654	1,586	11,240
Service cost	**1,138**	**45**	**1,183**	863	–	863
Interest cost	**706**	**47**	**753**	664	67	731
(Gains)/losses from changes in financial assumptions	**(1,476)**	**(89)**	**(1,565)**	1,221	179	1,400
Experience (gains)/ losses	**(365)**	**(27)**	**(392)**	810	(169)	641
Exchange differences	**137**	**–**	**137**	605	–	605
Divestitures/transfers	**(647)**	**–**	**(647)**	–	–	–
Benefits paid	**(755)**	**(10)**	**(765)**	(1,053)	–	(1,053)
Ending balance	**11,502**	**1,629**	**13,131**	12,764	1,663	14,427

20 RETIREMENT BENEFITS AND COMPENSATIONS (Continued)

(a) Pension – defined benefit plans (Continued)

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

	For the year ended December 31, 2013			For the year ended December 31, 2012		
	Non-US plans US$'000	**US ERP US$'000**	**Total US$'000**	Non-US plans US$'000	US ERP US$'000	Total US$'000
Opening balance	**870**	**–**	**870**	733	–	733
Interest income	**54**	**–**	**54**	57	–	57
Return on plan assets, excluding amounts included in interest income	**(27)**	**–**	**(27)**	25	–	25
Employer contributions	**755**	**10**	**765**	1,053	–	1,053
Exchange differences	**(5)**	**–**	**(5)**	55	–	55
Benefits paid	**(755)**	**(10)**	**(765)**	(1,053)	–	(1,053)
Ending balance	**892**	**–**	**892**	870	–	870

Plan assets comprise as follows:

	As at December 31 2013	2012
Equities	**36%**	36%
Bonds	**32%**	31%
Cash	**32%**	33%
	100%	100%

Amounts recognised in other comprehensive income:

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Non-US plans US$'000	**US ERP US$'000**	Non-US plans US$'000	US ERP US$'000
Gains/(losses) from changes in financial assumptions	**1,476**	**89**	(1,221)	(179)
Experience gains/(losses)	**365**	**27**	(810)	169
Return on plan assets, excluding amounts included in interest income	**(27)**	**–**	25	–
Total	**1,814**	**116**	(2,006)	(10)

20 RETIREMENT BENEFITS AND COMPENSATIONS (Continued)

(a) Pension – defined benefit plans (Continued)

Amount recognised in income statement:

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Non-US plans US$'000	**US ERP US$'000**	Non-US plans US$'000	US ERP US$'000
Service cost	**1,138**	**45**	863	–
Interest cost	**652**	**47**	607	67
Total	**1,790**	**92**	1,470	67
Included in:				
Cost of sales	**1,182**	**–**	863	–
Engineering and product development costs	**349**	**–**	359	–
Selling and distribution costs	**7**	**–**	7	–
Administrative expenses	**252**	**92**	241	67
	1,790	**92**	1,470	67

Principal actuarial assumptions used were as follows:

	December 31, 2013		December 31, 2012	
	Non-US plans	**US ERP**	Non-US plans	US ERP
Discount rate	**6.34%**	**3.65%**	5.58%	2.83%
Salary increase rate	**3.68%**	**NA**	3.71%	NA
Price inflation rate	**3.36%**	**NA**	3.41%	NA
Pension increase rate	**2.00%**	**NA**	2.00%	NA

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

	December 31, 2013		December 31, 2012	
	Non-US plans US$'000	**US ERP US$'000**	Non-US plans US$'000	US ERP US$'000
1% increase in discount rate	**10,165**	**1,529**	11,022	1,534
1% decrease in discount rate	**13,177**	**1,739**	14,969	1,806
1% increase in salary increase rate	**12,768**	**NA**	14,217	NA
1% decrease in salary increase rate	**10,502**	**NA**	11,638	NA

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

20 RETIREMENT BENEFITS AND COMPENSATIONS (Continued)

(b) Extended disability benefits

Costs associated with extended disability benefits provided to injured employees in the US are accrued throughout the duration of active employment. Workforce demographic data and historical experience are utilised to develop projections of time frames and related expenses for these post-employment benefits.

(c) Workers compensation

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

21 PROVISIONS

	As at December 31, 2013			As at December 31, 2012		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Restructuring (note (a))	**1,089**	**–**	**1,089**	5,715	–	5,715
Litigation (note (b))	**824**	**–**	**824**	442	–	442
Environmental liabilities (note (c))	**211**	**12,197**	**12,408**	220	12,284	12,504
Warranties (note (d))	**16,370**	**24,033**	**40,403**	9,666	22,732	32,398
Decommissioning (note (e))	**–**	**6,193**	**6,193**	–	5,714	5,714
	18,494	**42,423**	**60,917**	16,043	40,730	56,773

Movement of provisions is as follows:

	Restructuring (note (a)) US$'000	Litigation (note (b)) US$'000	Environmental liabilities (note (c)) US$'000	Warranties (note (d)) US$'000	Decom-missioning (note (e)) US$'000	Total US$'000
At January 1, 2012	1,589	316	12,541	25,115	5,178	44,739
Additions	7,446	241	108	16,740	484	25,019
Payments	(3,320)	(142)	(132)	(9,502)	–	(13,096)
Exchange differences	–	27	(13)	45	52	111
At December 31, 2012	5,715	442	12,504	32,398	5,714	56,773
At January 1, 2013	**5,715**	**442**	**12,504**	**32,398**	**5,714**	**56,773**
(Reversals)/additions	**(382)**	**653**	**–**	**15,002**	**482**	**15,755**
Payments	**(4,238)**	**(266)**	**(78)**	**(7,258)**	**–**	**(11,840)**
Exchange differences	**(6)**	**(5)**	**(18)**	**261**	**(3)**	**229**
At December 31, 2013	**1,089**	**824**	**12,408**	**40,403**	**6,193**	**60,917**

21 PROVISIONS (Continued)

Note:

(a) Restructuring

Restructuring costs in 2012 relate to a certain layer of management headcount reductions and exit costs in Brazil, Australia and the US.

(b) Litigation

The balance represents a provision primarily for certain labour claims brought against the Group. Management is of the view that, after taking appropriate legal advice, the outcome of these legal claims will not give rise to significant losses beyond the amounts provided at each reporting date.

(c) Environmental liabilities

A provision is recognised for the present value of remediation costs to be incurred for the restoration of the manufacturing sites upon the initial recognition of the related assets.

(d) Warranty

A provision is recognized for warranty costs associated with products sold to the customer principally at the time of sale or when it is determined that such obligations are probable and can be reasonably estimated.

Included within the warranty provision is an amount of US$8,271,000 for a product recall by one of our customers relating to component parts supplied by the Group that were manufactured by one of the Group's suppliers.

As at the date hereof, the Group has not paid any amount on account of this recall and the Company is not aware of any litigation filed against the Group by such customer.

This particular provision amount was determined by an internal estimate of our potential financial liability based on the likely scope of such recall. We expect that based on contractual terms with the relevant supplier, any financial liability relating to this recall would be recoverable from the supplier.

(e) Decommissioning

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

22 DEFERRED REVENUE

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

	December 31, 2013			December 31, 2012		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Prototype and engineering	**13,430**	**65,232**	**78,622**	6,907	46,034	52,941

Movement of deferred revenue is as follows:

	As at December 31	
	2013 US$'000	2012 US$'000
At January 1	**52,941**	25,598
Additions	**33,020**	30,321
Amortisation	**(7,374)**	(2,978)
Exchange differences	**75**	–
At December 31	**78,662**	52,941

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23 TRADE PAYABLES

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

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

24 OTHER PAYABLES AND ACCRUALS

(a) Group

	As at December 31	
	2013	2012
	US$'000	US$'000
Accrued expenses	**65,373**	62,982
Deposits from customers	**7,067**	6,761
Other taxes payable	**1,935**	1,568
Shared-based compensation payable (Note 27 (a))	**–**	433
Payables to Beijing E-Town (Note 36 (c)(i))	**–**	10,458
Payables to PCM China (Note 36 (c)(ii))	**–**	3,764
Others	**837**	3,110
	75,212	89,076
Less: non-current portion	**(2,904)**	(3,527)
Current portion	**72,308**	85,549

(b) Company

	As at December 31	
	2013	2012
	US$'000	US$'000
Payables to subsidiaries (Note)	**494**	–

Note:

This represents payments that certain subsidiaries made on behalf of the Company which are unsecured, non-interest bearing and are repayable on demand.

25 OTHER LOSSES, NET

	For the year ended December 31	
	2013	2012
	US$'000	US$'000
Foreign exchange losses	**2,675**	3,349
Loss on disposal of property, plant and equipment	**1,534**	4,597
Fair value gain on derivative financial instruments (Note 11)	**(462)**	–
Others	**33**	12
	3,780	7,958

26 EXPENSE BY NATURE

	For the year ended December 31	
	2013	2012
	US$'000	US$'000
Raw materials used	**1,368,452**	1,264,615
Changes in inventories of finished goods and work-in-progress	**(8,182)**	(12,243)
Employee benefit costs (Note 27)	**400,470**	341,868
Temporary labour costs	**35,184**	31,472
Restructuring costs (Note 21)	**(382)**	7,446
Supplies and tools	**145,232**	119,207
Depreciation on property, plant and equipment (Note 6)	**56,909**	53,283
Amortisation on		
– land use rights (Note 7)	**26**	25
– intangible assets (Note 8)	**16,761**	4,562
Impairment charges/(reversal of provisions) on		
– inventories	**2,944**	4,844
– receivables (Note 13)	**(94)**	1,570
Utilities	**41,645**	39,128
Transportation expenses	**8,475**	11,328
Operating lease expenses	**12,188**	10,690
Warranty expenses (Note 21)	**15,002**	16,740
Auditors' remuneration	**2,647**	3,528
Listing expenses	**3,349**	6,634
Others	**109,389**	171,224
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**2,210,015**	2,075,921

27 EMPLOYEE BENEFIT COSTS

	For the year ended December 31	
	2013	2012
	US$'000	US$'000
Salary expenses	**291,529**	257,743
Pension costs – defined contribution plans	**20,246**	19,777
Pension costs – defined benefit plans (Note 20)	**1,882**	1,537
Other employee costs (Note (a))	**86,813**	62,811
	400,470	341,868

(a) Share-based compensation

On December 11, 2012, the Group adopted a deferred incentive compensation plan, pursuant to which the plan participants are awarded incentive compensation that is derived from the appreciation in the combined value of certain subsidiaries of the Group between December 31, 2010 and the earlier of December 31, 2015 (the "continuous employment payment event") and the completion of an initial public offering of the Company (the "IPO payment event"). The compensation will be paid to the participants who complete a period of service up to January 15, 2016 under the continuous employment payment event or, in case of IPO payment event, the completion of the initial public offering of the Company, whichever is earlier.

The fair value of the liability of the abovementioned incentive compensation granted on December 11, 2012 determined using the Black-Scholes Model with inputs including the risk-free interest rate of 0.36%, expected dividend yield of 0%, and expected volatility of the value of comparable companies of 35% was US$15,600,000, of which US$433,000 of the benefit was earned for the year ended December 31, 2012.

On November 6, 2013, total awards of US$6,479,000 were paid to the plan participants as IPO payment event was achieved on October 7, 2013, of which US$6,046,000 of the benefit was earned for the year ended December 31, 2013.

27 EMPLOYEE BENEFIT COSTS (Continued)

(b) Directors' emoluments

The remuneration of each director for the year ended December 31, 2013 is set out below:

Name	Fees US$'000	Salary US$'000	Discretionary bonus (note (i)) US$'000	Other benefits (note (ii)) US$'000	Employer's contribution to retirement plan US$'000	Total US$'000
Mr. Guibin Zhao*	200	–	789	–	–	989
Mr. Yi Fan	44	28	277	1	–	350
Mr. Jian Zhu (note (iii))	–	60	131	18	–	209
Mr. Michael Paul Richardson	–	760	1,345	148	–	2,253
Mr. Qunhui Luo (note (iii))	–	–	–	–	–	–
Mr. Hing Lun Tsang	17	–	–	–	–	17
Mr. Kevin Cheng Wei	17	–	–	–	–	17
Mr. Jianjun Liu	17	–	–	–	–	17
Mr. Daen Lu (note (iv))	11	–	–	–	–	11
Mr. Xiaobo Wang (note (iv))	11	–	–	–	–	11
	317	848	2,542	167	–	3,874

The remuneration of each director for the year ended December 31, 2012 is set out below:

Name	Fees US$'000	Salary US$'000	Discretionary bonus (note (i)) US$'000	Other benefits (note (ii)) US$'000	Employer's contribution to retirement plan US$'000	Total US$'000
Mr. Guibin Zhao*	150	–	101	–	–	251
Mr. Yi Fan	70	–	34	–	–	104
Mr. Jian Zhu (note (iii))	–	120	59	17	–	196
Mr. Michael Paul Richardson	–	412	363	81	18	874
Mr. Qunhui Luo (note (iii))	–	–	–	–	–	–
Mr. Hing Lun Tsang	–	–	–	–	–	–
Mr. Kevin Cheng Wei	–	–	–	–	–	–
Mr. Jianjun Liu	–	–	–	–	–	–
Mr. Daen Lu (note (iv))	–	–	–	–	–	–
Mr. Xiaobo Wang (note (iv))	–	–	–	–	–	–
	220	532	557	98	18	1,425

* Chief executive of the Company

27 EMPLOYEE BENEFIT COSTS (Continued)

(b) Directors' emoluments (Continued)

Note:

(i) Discretionary bonus comprises the annual incentive compensation plan which is payable within one year from the year-end, and the deferred incentive compensation plans to be settled when all the conditions are met and with approval by the board of directors (certain of which with estimates based upon the extent of meeting certain performance targets).

(ii) Other benefits include payments made for dental, disability and healthcare covers and contributions to social security and health-saving accounts.

(iii) Resigned as the director on August 21, 2013, but is still an employee of the Group.

(iv) Appointed on August 21, 2013.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2013 include two directors (2012:one), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2012: four) individuals during the year are as follows:

	For the year ended December 31	
	2013	2012
	US$'000	US$'000
Salaries and allowances	**1,338**	1,614
Discretionary bonuses	**3,575**	872
Other benefits	**839**	1,731
Employer's contribution to retirement plan	**–**	71
	5,752	4,288

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

	For the year ended December 31	
	2013	2012
	Number of individuals	
HK$6,000,000–HK$6,500,000 (US$773,000–US$838,000)	**–**	1
HK$7,500,000–HK$8,000,000 (US$967,000–US$1,031,000)	**–**	1
HK$8,500,000–HK$9,000,000 (US$1,096,000–US$1,160,000)	**–**	1
HK$9,000,000–HK$9,500,000 (US$1,160,000–US$1,225,000)	**1**	–
HK$10,500,000–HK$11,000,000 (US$1,354,000–US$1,418,000)	**–**	1
HK$11,500,000–HK$12,000,000 (US$1,483,000–US$1,547,000)	**1**	–
HK$24,500,000–HK$25,000,000 (US$3,159,000-US$3,223,000)	**1**	–

28 FINANCE COSTS, NET

	For the year ended December 31 2013 US$'000	2012 US$'000
Finance income		
Interest on bank deposits	**1,277**	562
Finance costs		
Interest expense on bank borrowings		
– Wholly repayable within 5 years	**10,573**	16,274
– Not wholly repayable within 5 years	**18,210**	2,048
	28,783	18,322
Interest on finance leases	**67**	69
Guarantee fees	**–**	7,818
Other finance costs	**1,442**	1,140
	30,292	27,349
Less: amount capitalised in qualifying assets (Notes 6 and 8)	**(7,245)**	(5,058)
	23,047	22,291
Finance costs, net	**21,770**	21,729

29 INCOME TAX EXPENSE

	For the year ended December 31 2013 US$'000	2012 US$'000
Current income tax	**21,808**	6,236
Deferred income tax charges/(credit) (Note 10)	**18,529**	(2,669)
	40,337	3,567

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

29 INCOME TAX EXPENSE (Continued)

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

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

Note:

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

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

30 EARNINGS PER SHARE

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

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

In determining the number of ordinary shares in issue for the year ended December 31, 2013 and 2012, one share of the Company issued and allotted upon incorporation on August 21, 2012 (Note 17(a)) and the 1,679,999,999 shares issued and allotted through capitalisation of the share premium account of the Company on October 4, 2013 (Note 17 (c)), had been regarded as if these shares were in issue since January 1, 2012.

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

31 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of US$8,576,000 (2012: Nil).

32 DIVIDENDS

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013

33 CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

	For the year ended December 31	
	2013	2012
	US$'000	US$'000
Profit before income tax	**151,258**	62,194
Adjustments for:		
Finance costs	**23,047**	22,291
Depreciation on property, plant and equipment	**56,909**	53,283
Amortisation on land use rights and intangible assets	**16,787**	4,587
Amortization of deferred revenue	**(7,374)**	(2,978)
Impairment charges on inventories and receivables	**2,850**	6,414
Exchange differences	**1,195**	2,022
Others	**1,533**	4,597
	246,205	152,410
Changes in working capital:		
– Increase in receivables	**(62,696)**	(32,926)
– Increase in inventories	**(10,773)**	(22,102)
– Increase in payables and accruals	**16,992**	20,675
– Increase in provisions	**4,144**	12,034
– Increase in retirement benefits and compensations	**2,944**	3,346
– Increase in deferred revenue	**33,020**	30,321
Net cash generated from operations	**229,836**	163,758

(b) Major non-cash transactions

During the years ended December 31, 2013, the Group purchased property, plant and equipment which were recorded in payables in the amounts of US$51,103,000 (December 31, 2012: US$38,422,000).

34 COMMITMENTS

(a) Capital commitments

The Group has capital commitments of US$139,502,000 as at December 31, 2013 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2012: US$201,617,000).

(b) Purchase commitments

As at December 31, 2013 the Group entered into an agreement that nullifies all previous agreements to purchase an annual volume of units with a certain supplier. The total purchase obligation as at December 31, 2013 is nil (December 31, 2012: US$20,867,000).

(c) Operating lease commitments

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

	As at December 31	
	2013	2012
	US$'000	US$'000
Up to 1 year	**10,205**	9,924
1 to 5 years	**26,864**	26,314
Over 5 years	**1,334**	3,600
	38,403	39,838

35 CONTINGENT LIABILITIES

In relation to the recall mentioned in Note 21(d), and based on the facts currently available to us, we consider that the Scope of the recall might further expand but it is not probable, and the amount of contingent liabilities in this respect is amounting to US$14 million. We will monitor the developments relating to our financial liability with respect to this recall.

36 RELATED PARTY TRANSACTIONS

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

	For the year ended December 31	
	2013	2012
	US$'000	US$'000
Purchase of goods	**184**	10

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

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

	For the year ended December 31	
	2013	2012
	US$'000	US$'000
Basic salaries, other allowances and benefits	**5,223**	3,878
Bonuses	**8,300**	2,215
Others	**1,225**	2,563
	14,748	8,656

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

(c) Other transactions

The Group recorded the following balances with related parties which are unsecured, non-interest bearing and repayable on demand.

	As at December 31	
	2013	2012
	US$'000	US$'000
Other payables due to Beijing E-Town (note (i))	**–**	10,458
Other payables due to PCM China (note (ii))	**–**	3,764

Note:

(i) Balance represents outstanding acquisition-related costs paid by Beijing E-Town on the Group's behalf which was repaid in February 2013.

(ii) Balance represents finance costs paid by PCM China on behalf of PCM US and PCM Singapore which was settled in October 2013.

37 SUBSEQUENT EVENTS

On August 20, 2013, Nexteer Automotive (Suzhou) Co., Ltd. (a wholly-owned subsidiary of the Company) and Chongqing Changfeng Machinery Co., Ltd. (a subsidiary controlled by China South Industries Group Corporation, a PRC state-owned enterprise) entered into an agreement, pursuant to which the parties shall establish a joint venture in Chongqing, the PRC to manufacture and sell steering products. Each of the parties will hold 50% of the interest in this joint venture. On January 22, 2014, the entity was established and legally registered as a joint venture in Chongqing.

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name	Place of operation/ incorporation and date of incorporation	Issued and paid-up capital	Attributable equity interest	Principal activities
Subsidiaries				
Directly held:				
PCM (US) Steering Holding Inc.	Delaware, US November 8, 2010	US$10,000	100%	Investment holding
PCM (Singapore) Steering Holding Pte. Limited	Singapore November 4, 2010	US$40,000,000 and SGD 1	100%	Investment holding
Indirectly held:				
Steering Holding Pte. Ltd.	Singapore February 15, 2008	US$6,100,000 and EUR 1	100%	Investment holding
Project Rhodes Holding Corporation	Delaware, US May 18, 2007	US$1	100%	Investment holding
Global Steering Holdings, LLC (formally GM Global Steering Holdings, LLC)	Delaware, US March 9, 2009	–	100%	Investment holding
Steering Solutions Corporation	Delaware, US October 29, 2007	US$1	100%	Investment holding
Nexteer Automotive Corporation	Delaware, US January 2, 2008	US$1	100%	Manufacturing of steering components
Steering Solutions Expat Holding Corporation	Delaware, US January 2, 2008	US$1	100%	Investment holding
Steering Solutions IP Holding Corporation	Delaware, US January 2, 2008	US$1	100%	Investment holding

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of operation/ incorporation and date of incorporation	Issued and paid-up capital	Attributable equity interest	Principal activities
Rhodes Holding I S.a.r.l.	Luxembourg January 15, 2008	EUR 4,344,880	100%	Investment holding
Rhodes Holding II S.a.r.l.	Luxembourg January 15, 2008	EUR 4,311,150	100%	Investment holding
Nexteer Otomotiv Sanayi ve Ticaret Limited Sirketi	Turkey March 28, 2008	LIRA 1,105,000	100%	Manufacturing of steering components
Nexteer Automotive India Private Limited	India February 25, 2008	RS 189,810,000	100%	Manufacturing of steering components
Rhodes Japan LLC	Japan February 21, 2008	JPY 1	100%	Customer support/ engineering centre
Nexteer Automotive Australia Pty Ltd	Australia January 23, 2008	AU$2,849,108	100%	Manufacturing of steering components
Nexteer Automotive Italy Srl	Italy January 30, 2008	EUR 10,000	100%	Customer support/ engineering centre
Nexteer Automotive Germany GmbH	Germany January 2, 2008	EUR 25,000	100%	Customer support/ engineering centre
Nexteer Automotive France S.A.S.	France March 25, 2008	EUR 1,287,000	100%	Customer support/ engineering centre
Nexteer Automotive Korea Limited	Korea February 28, 2008	KRW 6,400,000,000	100%	Manufacturing of steering components
Fidass II B.V.	Netherlands February 6, 2007	EUR 18,002	100%	Investment holding
Nexteer Automotive Poland Sp. z o.o.	Poland January 2, 1997	ZLOTY 20,923,650	100%	Manufacturing of steering components
Nexteer Automotive (Suzhou) Co., Ltd.	The PRC January 24, 2007	US$21,000,000	100%	Manufacturing of steering components

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of operation/ incorporation and date of incorporation	Issued and paid-up capital	Attributable equity interest	Principal activities
Nexteer Lingyun Driveline (Zhuozhou) Co., Ltd.	The PRC October 6, 1995	US$22,000,000	60%	Manufacturing of steering components
Nexteer Lingyun Driveline (Wuhu) Co., Ltd.	The PRC December 22, 2006	US$22,400,000	60%	Manufacturing of steering components
Nexteer Industria e Comercio de Sistemas Automotivos Ltda.	Brazil March 6, 2007	REAL 89,917,316	100%	Manufacturing of steering components
Rhodes I LLC	Michigan, US November 7, 2007	–	100%	Investment holding
Rhodes II LLC	Michigan, US November 7, 2007	–	100%	Investment holding
SteeringMex S. de R.L. de C.V.	Mexico December 14, 2007	PESO 100,292,917	100%	Manufacturing of steering components

FOUR YEARS' FINANCIAL SUMMARY

	For the year ended December 31			
	2013	2012	2011	2010*
	US$'000	US$'000	US$'000	US$'000
RESULTS				
Revenue	**2,386,823**	2,167,802	2,247,752	156,688
Profit/(Loss) before taxation	**151,258**	62,194	73,437	(58,960)
Income taxes (expense)/benefit	**(40,337)**	(3,567)	(5,404)	293
Profit/(Loss) for the year	**110,921**	58,627	68,033	(58,667)
Attributable to:				
Owners of the Company	**109,191**	57,096	66,686	(58,539)
Non-controlling interests	**1,730**	1,531	1,347	(128)
	110,921	58,627	68,033	(58,667)
Earnings/(Loss) per share, USD				
Basic	**0.06**	0.03	0.04	(0.03)
Diluted	**0.06**	0.03	0.04	(0.03)
ASSETS AND LIABILITIES				
Total assets	**1,805,189**	1,258,871	973,490	911,913
Total liabilities	**(1,214,443)**	(1,067,062)	(850,472)	(836,959)
	590,746	191,809	123,018	74,954
Equity attributable to owners of the Company	**567,703**	170,931	110,828	54,339
Non-controlling interests	**23,043**	20,878	12,190	20,615
	590,746	191,809	123,018	74,954

* The Group was acquired by PCM China in November 2010. The financial summary is extracted from the consolidated financial statements covering the period from November 4, 2010 to December 31, 2010.