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

2014

CONTENTS

CORPORATE PROFILE

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

Our vision is to be a leader in intuitive motion control – leveraging strengths in advanced steering and driveline systems. We maintain product focus on electric power steering (EPS), a socially responsible technology that offers automakers increased fuel economy and reduced emissions. Nexteer Automotive has put more than 30 million EPS units on the road, since 1999, saving more than 3.0 billion gallons of fuel.

Nexteer draws upon a 100-year heritage of vehicle integration expertise and product craftsmanship. Our corporate culture inspires employees to achieve personal and corporate growth by focusing on the Company's core values across all aspects of the enterprise: people, operational excellence and enterprise growth. We seek to be the partner of choice for our customers and suppliers by delivering dependable product solutions and building enduring relationships.

Nexteer provides real-world, vehicle-level solutions:

- Customer Focused: Respected and trusted for delivering on commitments
- Proactive: We listen carefully to understand customer requirements
- Innovative: A market leader in steering and driveline innovations
- Agile: Able to respond quickly with high-quality, cost-effective solutions
- Global: Committed to exceeding customer and vehicle needs every time, everywhere

GLOBAL FOOTPRINT

World Headquarters:	Saginaw, Michigan, United States of America
Manufacturing Plants:	20
Application Engineering Centers:	5
Customer Service Centers:	9
Full-Time Equivalent Global Workforce:	11,000+
Global Customers:	50+, including BMW, Fiat Chrysler, Ford, GM, Toyota, PSA Peugeot Citroën and Volkswagen as well as automakers in India, China, and South America
Products:	Electric Power Steering, Hydraulic Power Steering, Steering Columns, and Driveline Systems

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)

AUTHORISED REPRESENTATIVES

FAN, Yi
MOK Ming Wai (FCIS, FCS)

LEGAL ADVISORS

As to Hong Kong Law

DLA Piper Hong Kong
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

36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Wells Fargo Capital Finance
Bank of China Suzhou
Shanghai Pudong Development Bank
CITIC
The Export-Import Bank of China
PKO Bank Polski
Bank Pekao SA
China Construction Bank

STOCK CODE

Share Listing
Ordinary Shares
The Stock Exchange of Hong Kong Limited
(Stock code: 1316)

Senior Notes Listing
US$250,000,000 5.875%
Senior Notes due 2021
(Stock code: 5826)

COMPANY WEBSITE

http://www.nexteer.com/

OUR PRODUCTS

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

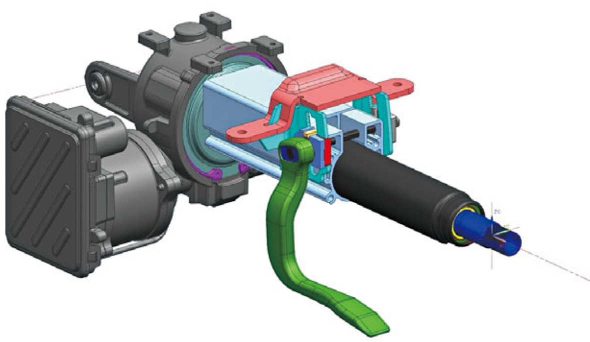
A steering system consists of the components required to provide lateral directional control of the vehicle. Our steering system product lines include electric power steering, hydraulic power steering as well as steering columns and intermediate shafts.

A driveline system consists of the components required to 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)

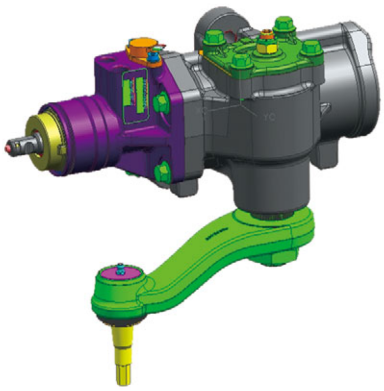
EPS uses an electric motor to assist driver steering. Our hardware and software work together to connect the driver with the road, taking into account driving dynamics and the operating environment. Depending on the type of EPS system, a computer module applies assistive power via an electric motor coupled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

Column-assist EPS (CEPS) integrates 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 for the Wuling Hongguang S micro van and Zheng Cheng.



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. We also supply our REPS in performance vehicles, including the Ford Mustang, Dodge Charger and Dodge Challenger.

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 2008; and BMW in the 1-series, the i3 and the Mini Cooper line.

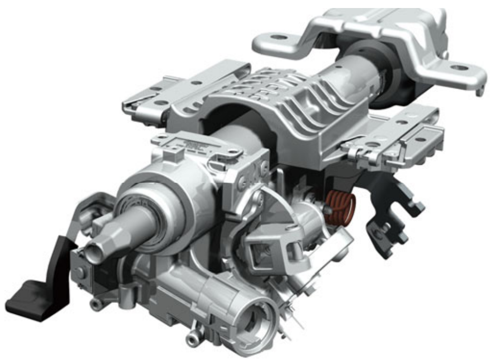


HYDRAULIC POWER STEERING (HPS)

HPS uses high pressure fluids to assist driver steering. An engine-driven power steering pump creates system pressure. Pressurised 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.



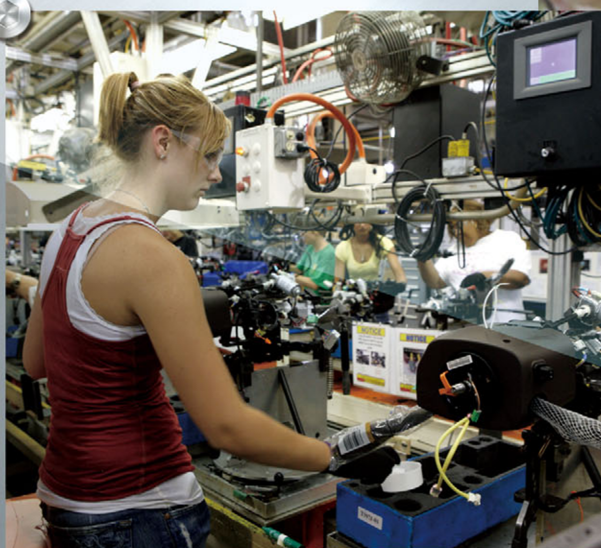
DRIVELINE SYSTEMS

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 Citroën; Volkswagen and a number of China and India domestic OEMs.

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.

Propeller shaft joints are designed for high speed use in 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



2014 BUSINESS HIGHLIGHTS

- Successfully launched new production of awarded customer programs.
- Achieved a strong new business backlog to drive continued growth and diversification.
- Invested in research and development to strengthen product, technology and quality leadership.
- Focused on continuous improvement in operating efficiency and cost competitiveness.
- Completed US$250.0 million bond offering allowing us access to the high-yield bond market.
- Increasing exposure in China

NEW PRODUCTION LAUNCHES

With the launch of 26 major customer programs in 2014, we introduced new or improved product applications in steering columns, driveline and electric power steering. These programs included incumbent and conquest business to increase and further diversify our revenue base. Customer programs that launched or began production in 2014 included:

OEMs	Vehicle Nameplate	Our Products
North America		
Fiat Chrysler	Charger, Challenger, 300	REPS, Halfshafts
Ford	F-150	Column, REPS
Ford	Expedition	Column, REPS
Ford	Mustang	REPS
GM	Tahoe, Escalade, Yukon/Denali	Column
GM	Silverado, Sierra	HPS, Halfshafts
GM	Canyon and Colorado	Column
Europe		
BMW	1 Series	SPEPS
Fiat Chrysler	Doblo	Column, HPS
GM Opel	Corsa	CEPS

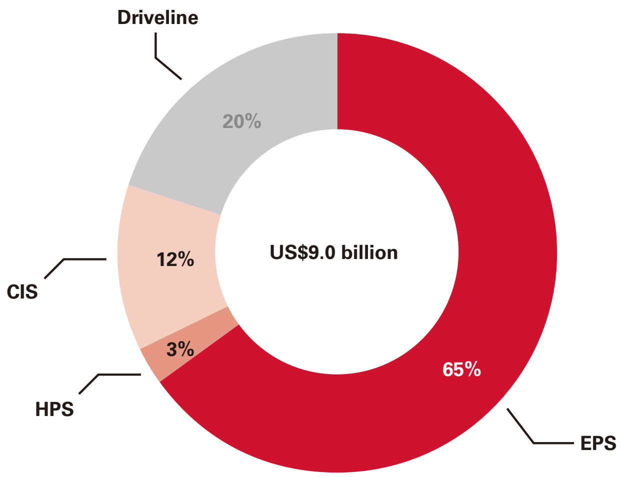
OEMs	Vehicle Nameplate	Our Products
China		
BYD	Denza EV	HPS
Dongfeng Nissan	Micra	Halfshafts
Dongfeng Peugeot Citroën Auto	Peugeot 2008	SPEPS, Halfshafts
Fiat Chrysler	Doblo G36	HPS
SAIC GM Wuling	Wuling Zheng Cheng	Brush CEPS
SAIC GM Wuling	Wuling Baojun 730	Brush CEPS
Shanghai GM	Envision	Halfshafts
Shanghai GM	Cadillac ATS	Halfshafts
Volkswagen	Golf	Halfshafts

BACKLOG OF BOOKED BUSINESS

We begin to derive revenue under a new business contract at start of production, which is generally 24 to 30 months from the date of contract award. As of December 31, 2014, we have secured new contracts for a number of customer programs which are expected to begin production after 2014. As of December 31, 2014, we estimate the value of all booked business under contracts that have been awarded, but which have not yet begun production, amounts to be approximately US$9.0 billion over the production lifetime of the relevant vehicle programs (the Booked Business Amount). The Booked Business Amount is based on estimated lifetime volume of the programs derived from both indicative production arrangements provided by the applicable OEM customers and information provided by third-party industry sources. In calculating the Booked Business Amount, we also assume that the relevant contracts will be performed in accordance with their terms. Any modification or suspension of the contracts related to the booked business by the Group's customers may have a substantial and immediate effect on the value of the booked business. The value of booked business is not a measure defined by International Financial Reporting Standards (IFRS), and our methodology for determining the Booked Business Amount may not be comparable to the methodology used by other companies in determining the value of their booked business.

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

Cumulative Booked Business:



Confirmed Business Backlog Enables Future Clarity

59% of Backlog is Non-GM Business

PRODUCT RESEARCH AND DEVELOPMENT

We have accumulated extensive technical knowledge and developed a high degree of technical expertise through our 100-year history as a steering 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, 2014, we had approximately 603 U.S. patents and 414 non-U.S. patents. In addition, we have nearly 427 applications pending for an additional U.S. and non-U.S. patents.

To support our growing global customer base, we increased development and testing capabilities at our European and China Technology Centers. This move will enable our regional teams to be more responsive to the needs of our customers. In Europe, we invested in additional SPEPS test and validation equipment and transferred program launch and support responsibility from the U.S. to Europe for most European programs. We also strengthened our German customer support centers to meet increasing demands from customers. Similarly in China, we invested in additional CEPS test and validation equipment and transferred program launch and support responsibility from the U.S. to China for most China programs. In addition, the China Technology Center is becoming the engineering center of expertise responsible for brush motor development for the Company.

During 2014, we also began in-house production of brushless motors in North America. The new motor employs a proprietary design and process to deliver high power density in a compact package. This expansion our product portfolio increases vertical integration and opens additional growth options for our business.

We have a quality culture that aspires to deliver perfect quality. In 2014, we achieved significant improvements in key quality metrics. During the twelve months of 2014, first time quality improved by 15% from the previous year ended December 31, 2013. Formal customer complaints were reduced by 12% in 2014 from the previous year ended December 31, 2013. With increased sensitivity on product safety in the automotive industry, we are also working to further enhance quality performance and minimise recall risk under the leadership of the Nexteer Product Safety Compliance Committee (PSCC). The PSCC reviews emerging safety related issues to ensure appropriate action is taken with the highest sense of urgency to minimise exposure to warranty events. We also continue to implement product traceability programs and review contractual terms and conditions to reduce potential financial exposure in product warranty.

FOCUS ON OPERATIONAL EFFICIENCY AND COST COMPETITIVENESS

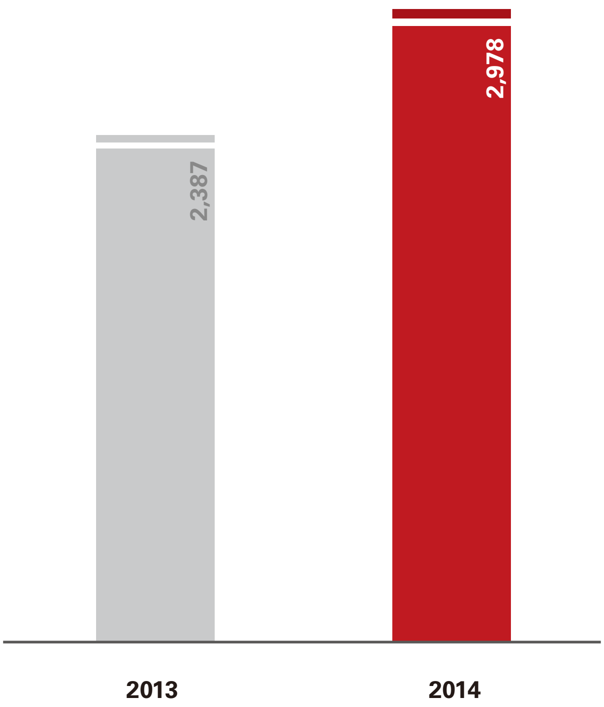
In 2014, we implemented a new web-based product lifecycle management system (PLM). This system provides high quality information to our global product development process. Global users have access to engineering drawings, specifications, change documents and are able to better manage project timelines. We have participated in PLM industry forums to share lessons learned and best practices. The positive response from customers, partners and non-automotive industry participants has been favorable, indicating that we are leading the industry with this practice. As a result, we expect improved enterprise efficiency and effectiveness.

FINANCIAL HIGHLIGHTS

Results (US$'000)	2014	2013
Revenue	**2,978,068**	2,386,823
Gross profit	**419,998**	339,406
Profit before income tax	**214,596**	151,258
Income tax expense	**(51,339)**	(40,337)
Net profit attributable to equity holders	**161,398**	109,191
Net profit	**163,257**	110,921
Adjusted EBITDA	**355,717**	246,724

REVENUE

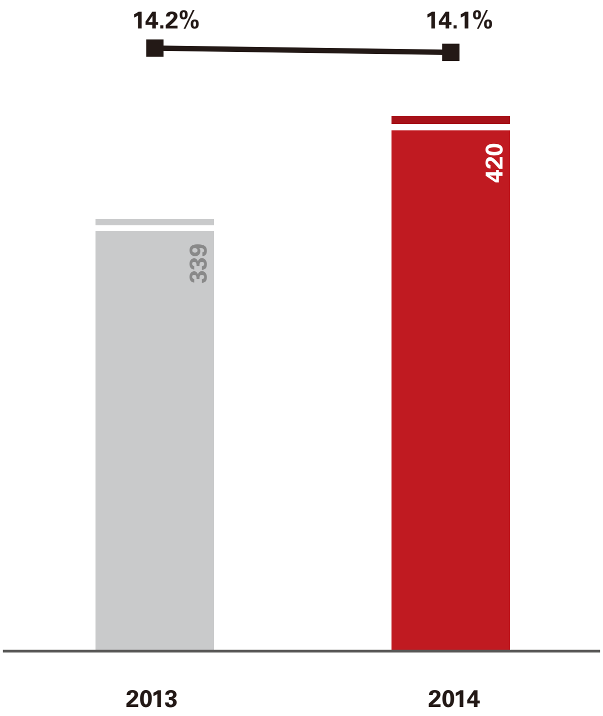
Growth Rate 25%



US$ million

GROSS PROFIT

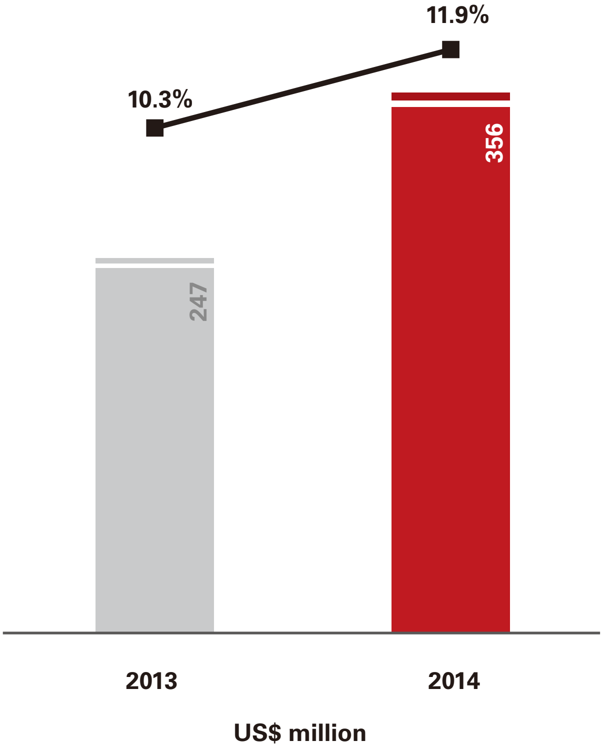
Growth Rate 24%



US$ million

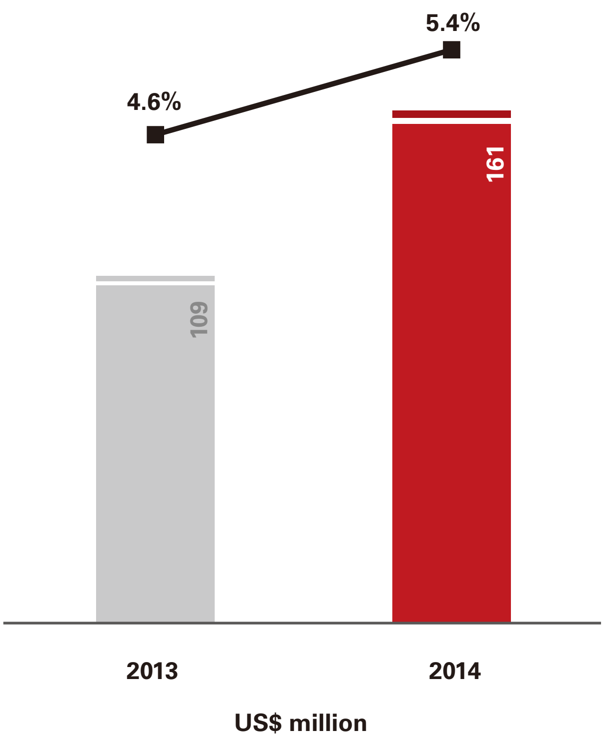
ADJUSTED EBITDA

Growth Rate 44%



NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

Growth Rate 48%



Assets and Liabilities (US$'000)	**2014**	2013
Non-current assets	**1,016,403**	865,971
Current assets	**1,225,510**	939,218
Non-current liabilities	**852,029**	622,897
Current liabilities	**681,865**	591,546
Equity attributable to the Group's equity holders	**683,619**	567,703

These financial highlights should be read in conjunction with the Group's audited Consolidated Financial Statements.

CHAIRMAN'S STATEMENT

"Technology is the competitive advantage that drives opportunity for the Company.
… We believe that value creation is greatly enhanced through the power of aligned and empowered teams."

ZHAO Guibin

Chairman

Dear Shareholders:

On behalf of the Board of Directors of Nexteer (the Board), I present to our shareholders (the Shareholders) the annual report for the financial year ended December 31, 2014.

Building upon our successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange) in 2013, we have solidified our capital structure with a US$250.0 million bond offering (Senior Notes or Notes) in November 2014. This action delivered access to the high-yield bond market and new blue-chip investors. Our strengthened capital structure extends our platform for growth.

Our continuing business expansion embraces increased diversification of customers and vehicle segments served, products offered and regions of operation.

As a leader in intuitive motion control we continue to build enduring relationships with our valued customers and supply base to expand our global reach.

We align the global enterprise under a unifying theme of One Nexteer. We believe that value creation is greatly enhanced through the power of aligned and empowered teams. In 2014, we increased the autonomy of regional workgroups to more closely couple customers with front-line Nexteer team members.

Global markets are responding favorably to the hard work and dedication of our trusted employees. Nexteer is positioned for greater long-term success driven by our strength of earnings, globalisation, product diversification, effective leadership team and a comprehensive EPS technology portfolio.

To further strengthen Nexteer's position in this highly competitive environment, we shared with our employees at the end of 2014 the decision to establish Nexteer's global headquarters in the greater Detroit area of the United States. This region is the global backbone of the automotive industry, with seven global automakers having their world or North American headquarters located there. In addition, 60 of the top 100 automotive suppliers to North America have a significant presence in this location.

The establishment of Nexteer's headquarters in metro Detroit will enable our top leadership, global management team and functional staff closer access to our customers, industry leaders and decision makers. This provides a game-changing opportunity as the Company continues to grow and leverage its brand around the globe.

REVIEW OF RESULTS

In 2014, Nexteer continued its upward trend of value creation for shareholders. For the year ended December 31, 2014, the Group's revenue was US$2,978.1 million, representing an increase of 24.8% from approximately US$2,386.8 million in 2013. The Group's revenue that came from non-U.S. markets amounted to US$936.1 million, representing growth of 35.7% from US$690.0 million in 2013. The profit attributable to equity holders of the Company was US$161.4 million representing an increase of 47.8% from US$109.2 million in 2013. The Group's gross profit was US$420.0 million representing an increase of 23.7% from US$339.4 million in 2013.

Nexteer continues to make global diversification a priority. In 2014, 68.6% of our revenues were from North America, 12.2% were from Europe, 15.7% from China and 3.5% from the rest of the world.

FUTURE PROSPECTS

Technology is the competitive advantage that drives opportunity for the Company.

The integration of advanced driver assist functionality into our systems is key to providing sustainable solutions that customers increasingly require. These advanced driver assist systems will be critical enablers of the "car of the future" and of greater autonomous functionality.

With our commitment to deliver "Affordable Compelling Technology", I believe that Nexteer is well positioned for continued success throughout our global operations.

Nexteer continues to strengthen our business globally by offering steering and driveline products that are personalised to fit each market's needs, with an emphasis on the specific needs of emerging markets.

In 2013, we successfully launched a brush EPS system with a modular scalable design for the Chinese market. This low-cost system met unique market and customer needs. I am pleased to report that market acceptance for this product has been remarkable achieving orders of over 95 thousand units in December 2014. The production rate is expected to exceed one million in 2015. Beyond China, Nexteer is positioned for growth in Brazil, where we were recently awarded a significant EPS program with a key global OEM. As a result of this program, Nexteer EPS will establish a significant presence in the Brazilian market by 2018.

Our capital structure enables us to consider targeted acquisitions and alliances appropriate for our business. This is an enormous benefit as we look to develop collaborative strategies to continue to grow the enterprise globally.

Along with the many growth opportunities on the horizon for 2015 and beyond, Nexteer will continue to closely monitor the needs of global markets and look for favorable non-organic opportunities to ensure Nexteer's long-term success.

APPRECIATION

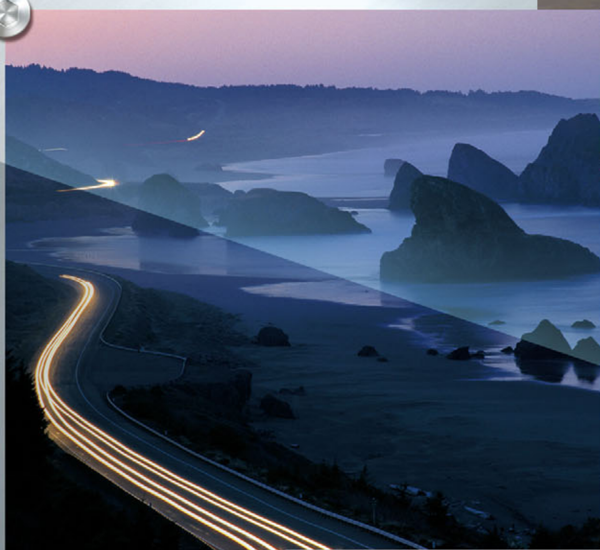
On behalf of the Board, I would like to express my sincere appreciation to our management and employees for their unwavering dedication to making Nexteer a world-class automotive supplier. I extend additional thanks to our Shareholders. Their belief and financial backing affords Nexteer the ability to thrive in fluctuating global markets and have a strong platform for continued growth.

I encourage you to review the material contained in this report, and sincerely appreciate your continued support of Nexteer.

ZHAO Guibin
Chairman

March 11, 2015

MANAGEMENT DISCUSSION AND ANALYSIS



The following management discussion and analysis should be read in conjunction with the Consolidated Financial Statements, included herein, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

GLOBAL AUTOMOTIVE MARKET

The growing global automotive market continues to drive demand in steering and driveline systems. Global light vehicle production increased by 3.4% from 84.47 million units in 2013 to 87.37 million units in 2014, achieving a new record high in this segment. Driven by continued increasing demand for vehicle ownership, China light vehicle production was at 22.98 million units in 2014, up 8.7% or 1.83 million units over the 21.15 million units produced in 2013. North America recorded the fourth consecutive year of growth in 2014 with 17.02 million units, an increase of 5.2% or 0.8 million units over the 16.18 million level achieved in 2013. Europe production remained stable in 2014 at 20.14 million units, an increase of 4.2% over 2013 levels of 19.33 million units.

FINANCIAL REVIEW

Financial Summary

Consistent with our business plan, the Group was successful in driving significant improvements to its financial condition in 2014. The initial offering and listing of our shares in 2013 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. In 2014, the issuance of Notes and the refinancing of the North American borrowings further solidifies our capital structure providing strong liquidity and capital for growth. The Company's strong top line growth and focus on operational efficiency coupled with a strong automotive market, continues to drive earnings accretion.

Operating Environment

The Group's profit attributable to equity holders of the Company for the year ended December 31, 2014 was US$161.4 million (2013: US$109.2 million), or 5.4% of total revenue. The increase in profit of 47.8% compared to the year ended December 31, 2013 was driven by the following:

- An increase in revenue from new program launches related to previously booked business
- Strong automobile industry production resulting in higher demand for our products
- Continued rotation of our portfolio to EPS
- Enterprise focus on cost and operational efficiency

Revenue

The Group's revenue for the year ended December 31, 2014 was US$2,978.1 million, a 24.8% increase from the previous year of US$2,386.8 million. The Company continues to focus on diversification from a customer, geographic and vehicle segment perspective.

Revenue by Geographical Segments

For the year ended December 31, 2014, the Group experienced an increase in revenue in North America, China, and the Europe segments. This increase was partially offset by a decline in revenue in the Rest of World segment. Revenue growth was driven by strong global automotive demand as well as new program launches from previously booked business. The following table sets forth revenue by geographic segments for the years indicated:

	For the year ended December 31, 2014		For the year ended December 31, 2013	
	US$'000	**%**	US$'000	%
North America	**2,041,975**	**68.6**	1,696,800	71.1
China	**468,092**	**15.7**	261,780	11.0
Europe	**363,191**	**12.2**	302,995	12.7
Rest of World(1)	**104,810**	**3.5**	125,248	5.2
Total	**2,978,068**	**100**	2,386,823	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$2,042.0 million for the year ended December 31, 2014 from US$1,696.8 million for the year ended December 31, 2013. The segment generated additional revenue from increased customer demand consistent with the improved automotive market and full year revenue from a key North American customer program launched in 2013.

- The China segment experienced a 78.8% increase in revenue for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase of US$206.3 million to US$468.1 million for the year ended December 31, 2014 is primarily driven by full year revenue from key programs launched in the second half of 2013, as well as the additional successful launches of new programs in 2014.

- The Europe segment experienced an increase in revenue of US$60.2 million to US$363.2 million for the year ended December 31, 2014 from US$303.0 million for the year ended December 31, 2013. The Europe segment benefited from increased revenue from new customer programs launched late in 2013 and the continued ramp up of those programs in 2014.

- The Rest of World segment, which consists of our operating entities in Brazil, India, Korea, and Australia, experienced a decrease in revenue of 16.3% or US$20.4 million to US$104.8 million for the year ended December 31, 2014.

  The Rest of World segment was impacted primarily by the lower automobile production in Brazil.

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, 2014 US$'000	**%**	For the year ended December 31, 2013 US$'000	%
Steering				
EPS	**1,668,140**	**56.0**	1,084,612	45.4
HPS	**183,054**	**6.1**	319,928	13.4
CIS	**583,082**	**19.6**	512,539	21.5
Driveline	**543,792**	**18.3**	469,744	19.7
	2,978,068	**100**	2,386,823	100

Steering revenue increase was driven by the continued launch of new product programs focused on electric power steering as well as strong industry demand.

Cost of Sales

The Group's cost of sales for the year ended December 31, 2014 was US$2,558.1 million, an increase of US$510.7 million from US$2,047.4 million for the year ended December 31, 2013. The Group's cost of sales for the year ended December 31, 2014 primarily included raw material costs of US$1,724.2 million, manufacturing expense of US$770.0 million, as well as other costs of sales of US$63.9 million.

With a continued focus on operational excellence, the Company realised cost efficiencies in raw material and manufacturing. However, increased warranty provisions and amortisation of capitalised product development costs partially offset the effect of these efficiencies. Also, cost of sales increased for the year ended December 31, 2014 compared to December 31, 2013, consistent with increased revenue related to new programs launched and increased unit volumes.

Engineering and Product Development Costs

For the year ended December 31, 2014, the Group's engineering and product development costs charged to the consolidated income statement was US$80.1 million, representing 2.7% of revenue, an increase of US$6.8 million from US$73.3 million or 3.1% of revenue for the year ended December 31, 2013. The decrease in engineering and product development costs as a percentage of revenue is attributable to efficiency of scale with increased revenue growth. The absolute increase in engineering and product development costs includes additional global headcount as the Company continues its strong focus on engineering and product development.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$38.3 million for the year ended December 31, 2014, an increase of US$21.5 million from US$16.8 million for the year ended December 31, 2013. We expect amortisation expense to continue 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, 2014 were US$89.2 million, an increase of US$8.4 million, or 10.4% compared to the year ended December 31, 2013. The increase was primarily due to increased support aligned to our strategy of continued growth. The Group has maintained cost efficiency with scale as administrative expense as a percentage of revenue has decreased from 3.4% as of December 31, 2013 to 3.0% as of December 31, 2014.

Finance Costs

Finance costs, net, consist of interest income and expense reduced by interest capitalised on qualifying assets and product development. For the year ended December 31, 2014, the Group's net finance costs were US$21.6 million which is a decrease of US$0.2 million from US$21.8 million for the year ended December 31, 2013. Included in finance costs, net, were US$4.7 million of interest capitalised for the year ended December 31, 2014 compared to US$7.2 million for the year ended December 31, 2013.

Income Tax Expense

For the year ended December 31, 2014, the Group's income tax expense was US$51.3 million representing 23.9% of the Group's profit before income tax, an increase of US$11.0 million from US$40.3 million or 26.6% of profit before tax for the year ended December 31, 2013. The increase is primarily the result of additional income tax expense on the incremental US$63.3 million of profit before tax for the year ended December 31, 2014. The change in the mix of income generated by US and non-US operations favorably impacted the effective tax rate for the year ended December 31, 2014 in addition to the benefit realised from varying incentives and credits available in both domestic and foreign jurisdictions.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year ended December 31, 2014 was US$420.0 million (2013: US$339.4 million). Our gross profit margin for the year ended December 31, 2014 was 14.1%, a 0.1% decrease from 14.2% for the year ended December 31, 2013. The increase in the gross profit was attributed to increased revenue from continued rotation to EPS and cost improvement initiatives. This was partially offset by increased warranty provision and amortisation of capitalised product development costs.

Profit for the Year

The Group's profit attributable to equity holders of the Company for the year ended December 31, 2014 was US$161.4 million (2013: US$109.2 million).

Provisions

As at December 31, 2014, the Group has provisions of US$80.5 million (2013: US$60.9 million) in relation to restructuring, legal disputes, environmental liabilities, warranties and decommissioning. Included within the December 31, 2013 warranty provision 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 the Group's suppliers. The Group settled this provision with the customer for US$13.0 million of which US$3.0 million remained in the provision as of December 31, 2014.

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 November 2014, the Company successfully completed its first public bond offering of Notes of US$250.0 million. The Company received net proceeds of US$245.5 million. The Notes bear interest at a fixed rate of 5.875% per annum and mature on November 15, 2021. Interest is paid semi-annually on May 15 and November 15 of each year beginning in 2015. Additionally, in the second half of 2014, the Group completed a restructuring of its North America debt facility which increased the facility size from US$275.0 million to US$325.0 million, an extension of the maturity from February 1, 2016 to August 14, 2019, and a decrease in interest rates of approximately 1.0% to 1.75% based upon facility usage. The issuance of these Notes and the restructuring of the debt facility provides the Company with a capital structure to fund future growth.

The completion of the bond offering executed a key strategy of adding competitively fixed rate debt into the capital structure, as well as being the primary driver in reducing the ratio of floating to fixed rate debt to 60% from 100% as at December 31, 2014 and 2013, respectively.

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

	For the year ended December 31, 2014 US$'000	For the year ended December 31, 2013 US$'000
Cash generated from/(used) in:		
Operating activities	**254,066**	222,915
Investing activities	**(275,704)**	(277,408)
Financing activities	**90,509**	304,640
Total increase in cash	**68,871**	250,147

Cash Flows Generated from Operating Activities

For the year ended December 31, 2014, the Group's cash generated from operating activities was US$254.1 million (2013: US$222.9 million). The increase was a result of improved earnings.

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.

In 2014, the Company invested US$6.4 million in a 50% controlled joint venture in Chongqing, China to manufacture and sell steering products.

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

	For the year ended December 31, 2014 US$'000	For the year ended December 31, 2013 US$'000
Purchase of property, plant and equipment	**(172,482)**	(184,476)
Addition of intangible assets	**(106,602)**	(102,914)
Proceeds from sale of property, plant and equipment	**6,759**	13,490
Change in restricted bank deposits	**2,983**	(3,508)
Investment in a joint venture	**(6,362)**	–
Total cash used in investing activities	**(275,704)**	(277,408)

Cash Flows Generated from Financing Activities

The Group's net cash generated from financing activities was US$90.5 million for the year ended December 31, 2014, which was mainly attributable to the net impact of proceeds realised from the issuance of Notes in November 2014 of US$250.0 million, offset by net repayments of borrowings of US$107.0 million, finance costs paid of US$26.3 million, Notes issuance fees of US$4.5 million, and dividends paid of US$21.7 million.

Indebtedness

As of December 31, 2014, the Group's total indebtedness was US$731.0 million (2013: US$588.0 million).

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

	December 31, 2014 US$'000	December 31, 2013 US$'000
Current borrowings	**96,586**	129,245
Non-current borrowings	**633,700**	457,632
Finance lease obligations	**696**	1,139
Total borrowings	**730,982**	588,016

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

	For the year ended December 31, 2014 US$'000	For the year ended December 31, 2013 US$'000
Within 1 year	**96,970**	129,639
Between 1 and 2 years	**74,233**	89,942
Between 2 and 5 years	**252,733**	240,171
Over 5 years	**307,046**	128,264
Total borrowings	**730,982**	588,016

The major factors driving the US$176.1 million increase in non-current borrowings was the issuance of the US$250.0 million Notes during 2014, offset by approximately US$82.0 million repayment on the outstanding long-term borrowings.

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, 2014, the Group had approximately US$890.9 million (2013: US$814.7 million) of total assets pledged as collateral.

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. The Group currently hedges its Peso to USD risk by participating in a hedging program that includes forward foreign exchange contracts. The notional principal amount of the outstanding contracts at December 31, 2014 was US$64.8 million (2013: US$26.4 million).

Gearing Ratio

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

The gearing ratio increased 3.7% from 99.5% as of December 31, 2013 to 103.2% as of December 31, 2014. The ratio remained relatively consistent with 2013 due to improved profits and issuance of Notes in November 2014.

OTHER INFORMATION

Employees and Remuneration Policy

As of December 31, 2014, the Group had over 11,000 full-time equivalents of which 9,780 are direct employees of the Group. The Group's remuneration policies are formulated based on the performance of individual employees and the Company's performance and are reviewed regularly. Our full time employees participate in various employee benefit plans including retirement benefits, extended disability benefits and workers' compensation. In addition, we have adopted employee incentive plans designed to attract, retain and incentivise 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)	51	Chairman, Executive Director and Chief Executive Officer	June 15, 2013 and June 2012, respectively	Overseeing our Group's strategic vision, direction and goals and overseeing the overall execution of our Group's strategy
RICHARDSON, Michael Paul	58	Executive Director, Senior Vice President, Business Strategy and Chief Technology Officer	June 15, 2013 and June 2012, respectively	Our Group's technology planning, information technology and strategic planning
FAN, Yi (樊毅)	48	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)	54	Non-executive Director	August 21, 2013	As a non-executive Director
WANG, Xiaobo (王曉波)	38	Non-executive Director	August 21, 2013	As a non-executive Director
Independent Non-Executive Directors				
TSANG, Hing Lun (曾慶麟)	65	Independent Non-executive Director	June 15, 2013	As an independent Director
LIU, Jianjun (劉健君)	46	Independent Non-executive Director	June 15, 2013	As an independent Director
WEI, Kevin Cheng (蔚成)	47	Independent Non-executive Director	June 15, 2013	As an independent Director

Executive Directors

ZHAO, Guibin (趙桂斌), ***(Chairman and Chief Executive Officer)***, aged 51, 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 17 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 Pacific Century Motors, Inc. (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 Aviation Industry Corporation of China (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, China (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 People's Republic of China State Council in 2000 (2000年中國國務院政府特殊津貼).

RICHARDSON, Michael Paul, aged 58, was appointed as our executive Director on June 15, 2013. Mr. RICHARDSON has been senior vice president responsible for business strategy and chief technology officer since June 2012. Mr. RICHARDSON has over 40 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 48, 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 16 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 Automotive (Hong Kong) Holdings Limited (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 China (北京航空學院) (now known as Beijing University of Aeronautics and Astronautics, China (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, China (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 54, 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 19 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), China, in 2001.

WANG, Xiaobo (王曉波), aged 38, 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 three years of relevant experience in the automotive industry. Mr. WANG was appointed as director of PCM China, one of our Controlling Shareholders, in July 2014. 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), China, in July 1998 and obtained a bachelor's degree in English language.

Independent Non-Executive Directors

TSANG Hing Lun (曾慶麟), aged 65, was appointed as our independent non-executive Director on June 15, 2013. Mr. TSANG has over 31 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) from October 2010 to May 2014; 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 China 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 46, 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 China in August 2001. He obtained a master's degree in law from Peking University, China, 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 47, 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. IFM Investments Limited was delisted from NYSE in 2015. He has also served as chief financial officer 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	43	President and global chief operating officer
PERKINS, Joseph Michael	46	Senior vice president and chief financial officer
CORBEIL, James Martin	48	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	59	Vice president of enterprise systems, manufacturing engineering and capital
FRIES, Diane Marthey	63	Vice president of quality
OWENBY, Douglas E.	54	Vice president and chief operating officer of the Saginaw division
WYSZOMIRSKI, Rafal Zdzislaw	42	Vice president and chief operating officer of the International division
LIU, Tao (柳濤)	50	Vice president and chief operating officer of China division
DECKER, Mark P.	47	Vice president and chief human resources officer

BRESSON, Laurent Robert, aged 43, 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 Nexteer Strategy Counsel (NSC), the top strategy and policy making body in our Group. Mr. BRESSON has 20 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 46, was appointed as our senior vice president and chief financial officer on December 1, 2012. He has 24 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.

CORBEIL, James Martin, aged 48, 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 25 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 organisation 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 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 20 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 59, 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 37 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 63, 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 18 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 54, 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 27 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 42, was appointed as our vice president and chief operating officer of the International division in June 2014. He is responsible for the business plan, the overall financial position and advising on strategic direction of the International division of our Group. He is also a member of NSC. Mr. WYSZOMIRSKI has approximately 13 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 vice president of global operations from August 2013 to May 2014 and 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 50, 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 17 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), China, in 1987 and a master's degree in business administration from Purdue University, the U.S. in 2001.

DECKER, Mark P., aged 47, 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 22 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 for the year ended December 31, 2014.

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.

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$32.3 million or US$0.013 per share of the Company for the year ended December 31, 2014 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 and the Company 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, respectively.

DISTRIBUTABLE RESERVES

As at December 31, 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law, amounted to approximately US$728.5 million (as at December 31, 2013: US$748.5 million).

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 17 to the Consolidated Financial Statements.

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 2014, the charitable contributions and other donations made globally totaled US$0.8 million.

In 2014, our employees volunteered more than 9,500 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, 2014 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 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, three Directors, namely, ZHAO, Guibin, WANG, Xiaobo and TSANG, Hing Lun, 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

Except 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 publication of the 2014 interim report of the Company.

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. Except 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, 2014 or any time during such year and related to the business of the Group.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

During the year ended December 31, 2014, 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, 2014 are set out in note 37 to the Consolidated Financial Statements.

USE OF PROCEEDS FROM LISTING

In October 2013, the shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange and raised net proceeds of approximately US$273.0 million. As at December 31, 2014, the Company has used the full amount of US$273.0 million from such proceeds in accordance with the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated September 24, 2013 (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: 8.9%
- five largest suppliers in aggregate: 26.1%

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

- the largest customer: 53.9%
- five largest customers in aggregate: 88.3%

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

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on June 5, 2014, the Company adopted a Share Option Scheme (the Share Option Scheme).

1. Purpose

The purposes of the Share Option Scheme are: (1) to align the interests of the Company's Directors and senior management with the Company's performance and strategic objectives so as to lay a foundation for the Company's future development and maximise the shareholders' value; and (2) to attract, retain and motivate employees in key positions required for attaining the Company's strategic objectives by offering competitive general remuneration in the human resources market.

2. Participants

The Board may, at their discretion, invite any Directors (excluding Independent Non-Executive Directors), senior management as well as other key employees approved by the Board; and the Company's senior management, which means those who are responsible for the decision-making, operation and management of the Company as the Participants (as defined under the Share Option Scheme).

3. Maximum number of shares subject to Options (as defined under the Share Option Scheme)

(a) The shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option scheme(s) adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not in aggregate exceed 10% of the aggregate of the shares in issue on the date of adoption of the Share Option Scheme (the Scheme Mandate Limit) which shall be 249,780,400 shares.

(b) The Company may refresh the Scheme Mandate Limit at any time subject to prior approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the shares in issue as of the date of the aforesaid approval by the shareholders in general meeting. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed.

(c) The Company may also seek separate approval of the shareholders in a general meeting to grant Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before the aforesaid shareholders' meeting at which such approval is sought.

(d) Subject to the requirements of the Listing Rules, the number of securities may be issued upon the exercise of all outstanding Options granted under the Share Option Scheme and any other schemes shall not exceed 30% of the relevant class of securities in issue of the Company (or its related subsidiaries) from time to time.

(e) Unless approved by the shareholders in the manner set out in this paragraph, the total number of shares issued and to be issued upon exercise of the Options granted and to be granted under the Share Option Scheme of the Company to each Participant (including both exercised and outstanding Options) in any 12 month period shall not exceed 1% of the total number of shares in issue (the Individual Limit). Any further grant of Options to a Participant which would result in the shares issued and to be issued upon exercise of all Options granted and to be granted to such Participant (including exercised, cancelled and outstanding Options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of the shareholders in general meeting with such Participant and his associates abstaining from voting.

(f) Each grant of Options to any Director, chief executive or substantial shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the Independent Non-Executive Directors of the Company. Where any grant of Options to a substantial shareholder, or any of its respective associates, would result in the number of shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Hong Kong Stock Exchange) of the shares in issue; and

(ii) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange on the date on which the Board resolves to make an Offer (as defined under the Share Option Scheme) of that Option to the Participant or such other date as designated by the Board (the Date of Grant), in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Hong Kong Stock Exchange),

such further grant of Options shall be subject to the prior approval by the shareholders (voting by way of poll) in general meeting. The Company shall send a circular to the shareholders in accordance with the Listing Rules and all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour of the resolution at such general meeting.

4. Acceptance Period

A share Option may be accepted by a participant within a certain number of days from the date of the offer of the grant of the Option as indicated in the offer.

5. Exercise period

The period within which the Options may be exercised must expire no later than 10 years from the relevant Date of Grant.

6. Minimum holding period

The Option must be held for one year from the Date of Grant before it can be exercised. The vesting period shall be three years and one-third shall be vested at each anniversary from the Date of Grant.

7. Consideration for acceptance

The consideration payable for acceptance of the Option of grant by each Participant is HK$1.00. If the Participant does not accept such grant of Option pursuant to the procedures specified in the respective grant agreement or notice within the stipulated timeframe, such Option shall be regarded as unaccepted and lapsed.

8. Subscription Price

The Subscription Price (as defined under the Share Option Scheme) shall be such price determined by the Board in its absolute discretion and notified to the Participant in the Offer and shall be no less than the higher of:

(a) the closing price of a share as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange on the Date of Grant;

(b) the average closing price of the shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange for the five business days immediately preceding the Date of Grant; or

(c) the nominal value of a share.

9. The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme become unconditional and has a remaining term of approximately 9 years as at the date of this report.

The summary of the share options granted under the Share Option Scheme that were still outstanding as of December 31, 2014 are as follows:

	Grant date	Options granted during the year	Options exercised during the year 2014	Options cancelled/ lapsed during the year	Outstanding at December 31, 2014	Exercise period [1]	Exercise price per share HK$	Share price on the grant date [2] HK$	Share price on the exercise date [3] HK$
Director									
ZHAO, Guibin	June 11, 2014	1,667,970	–	–	1,667,970	June 11, 2014– June 10, 2024	5.15	5.15	N/A
FAN, Yi	June 11, 2014	526,730	–	–	526,730	June 11, 2014– June 10, 2024	5.15	5.15	N/A
LU, Daen	June 11, 2014	351,150	–	–	351,150	June 11, 2014– June 10, 2024	5.15	5.15	N/A
WANG, Xiaobo	June 11, 2014	351,150	–	–	351,150	June 11, 2014– June 10, 2024	5.15	5.15	N/A
Sub-total		2,897,000	–	–	2,897,000				
Senior Management									
BRESSON, Laurent Robert [4]	June 11, 2014	2,633,650	–	–	2,633,650	June 11, 2014– June 10, 2024	5.15	5.15	N/A
Senior Management (in aggregate)	June 11, 2014	5,706,210	–	702,300	5,003,910	June 11, 2014– June 10, 2024	5.15	5.15	N/A
Sub-total		8,339,860	–	702,300	7,637,560				
Total		11,236,860	–	702,300	10,534,560				

Notes:

(1) The share options must be held for one year from June 11, 2014. The share options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third at each anniversary of the date of grant of share options.

(2) The stated price was the closing price of the shares quoted on the Hong Kong Stock Exchange on the trading day on the date of the grant of the share options.

(3) No share option was exercised during the year ended December 31, 2014.

(4) Mr. BRESSON, Laurent Robert is the President and global chief operating officer of the Company.

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 Hong Kong (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".

For the year ended December 31, 2014, 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 for the year ended December 31, 2014.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There were no contracts of significance 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, 2014 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, 2014, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the SFO)) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (the Model Code) are as follows:

Interest in the Company

Name	Capacity	Nature of interest	No. of underlying Shares of the Company held [(1)]	Approximate Percentage of Total Issued Shares %
ZHAO Guibin	Director and Chief Executive Officer	Beneficial owner	1,667,970(L)	0.07
WANG Xiao Bo	Director	Beneficial owner	351,150(L)	0.01
LU Daen	Director	Beneficial owner	351,150(L)	0.01
FAN Yi	Director	Beneficial owner	526,730(L)	0.02
BRESSON Laurent Robert	President and Global Chief Operating Officer	Beneficial owner	2,633,650(L)	0.11

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

Note:

(1) These represent the interests in underlying shares in respect of the Options granted by the Company.

Except as disclosed above, as at December 31, 2014, none of our Directors and chief executives of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any of its subsidiaries were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them. Neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended December 31, 2014.

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

As at December 31, 2014, 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%
Mondrian Investment Partners Limited	Investment Manager	150,548,000(L)	6.03%

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

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.

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

So far as our Directors are aware, as of December 31, 2014, 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 Lingyun Driveline (Zhuozhou) Co., Ltd.	Lingyun Industrial	Registered owner	40%
Nexteer Lingyun Driveline (Wuhu) Co., Ltd.	Lingyun Industrial	Registered owner	40%
Chongqing Nexteer Steering Systems Co., Ltd.	Changfeng Machine	Registered owner	50%

Save as disclosed above, as at December 31, 2014, our Directors are not aware of any person who, as at December 31, 2014, 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, 2014 set out in note 35(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$126.0 million and US$300.0 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 which commenced on June 2014 and shall be fully settled in October 2020. The total amount of guarantees provided by AVIC and Beijing E-Town to our Group amounted to US$426.0 million. The balance of the bank loans as of December 31, 2014 was US$365.0 million. AVIC and Beijing E-Town are substantial shareholders of the Company and therefore are connected persons under Rule 14A.07(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 of the EXIM Guaranteed Bank Loans, are exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 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 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.07(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.35, 14A.49 and 14A.71, the annual review requirements set out in Rules 14A.55 to 14A.59 and the requirements set out in Rules 14A.34, 14A.51 to 14A.53 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.56 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.55 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 on terms no less favorable to the Group than terms available to or from independent third parties; (b) where there is no available comparable terms; 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

For the year ended December 31, 2014, 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 for the year ended December 31, 2014.

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 is scheduled to be held on June 4, 2015. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from June 2, 2015 to June 4, 2015, 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 June 1, 2015.

The dividend is payable on June 22, 2015 and the record date for entitlement to the proposed final dividend is June 12, 2015. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from June 10, 2015 to June 12, 2015, 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 9, 2015.

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

Hong Kong, March 11, 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted its own Internal Control and Corporate Governance Policies, which are based on the principles, provisions and practices set out in the Corporate Governance Code (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 year ended December 31, 2014.

Chairman and Chief Executive

A.2.1 – Mr. ZHAO Guibin, our chairman also acts as the Chief Executive Officer of the Company which constitutes a deviation from Code Provision A.2.1 of the CG Code. The Board believes that this structure does not impair the balance of power and authority between the Board and the management of the Company or the Group, given that: (i) decisions made by our Board 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.

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. The Chairman is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors and the Joint Company Secretaries.

With the support of the Executive Directors and the Joint Company Secretaries, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and has taken appropriate steps to provide effective communication with Shareholders and other stakeholders, as outlined later in the report.

The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 for the year ended December 31, 2014.

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 (the CFO), 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.

The following is the attendance record of the Directors at Board and committee meetings, and general meetings held for the year ended December 31, 2014:

	Attendance/Number of Meetings in 2014				
Name of Director	Board	Remuneration and Nomination Committee	Audit and Compliance Committee	Annual General Meeting	Extraordinary General Meeting
ZHAO, Guibin (趙桂斌)	4/4	N/A	N/A	1/1	1/1
RICHARDSON, Michael Paul	4/4	N/A	N/A	1/1	1/1
FAN, Yi (樊毅)	4/4	N/A	N/A	1/1	1/1
LU, Daen (錄大恩)	4/4	N/A	3/3	1/1	1/1
WANG, Xiaobo (王曉波)	4/4	2/2	N/A	1/1	1/1
TSANG, Hing Lun (曾慶麟)	4/4	2/2	3/3	1/1	1/1
LIU Jianjun (劉健君)	4/4	2/2	N/A	1/1	1/1
WEI, Kevin Cheng (蔚成)	4/4	N/A	3/3	1/1	1/1

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 year ended December 31, 2014, 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 receives 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, 2014, 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, 2014.

During the year ended December 31, 2014, 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,B,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's 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 recognises 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 were three meetings of the Audit and Compliance Committee held for the year ended December 31, 2014, the attendance record of the committee members is set out above. The following is a summary of the major work performed by the Audit and Compliance Committee during 2014:

- reviewed the reports and findings from management including internal audit on the implementation and refinement of the internal control measures;
- confirmed the independence and objectivity of the Company's external auditor, PricewaterhouseCoopers;
- met with the external auditor and reviewed their 2014 audit plan;
- reviewed the annual results and the adequacy of the internal control system for the year ended December 31, 2013; and
- reviewed the interim results for the six months ended June 30, 2014.

Subsequent to December 31, 2014 and up to the date of this Annual Report, a meeting of the Audit and Compliance Committee was held on March 11, 2015 to review the annual results and the adequacy of the internal control system for the year ended December 31, 2014.

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.

The remuneration of directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance. No Director or any of his or her associates takes part in any discussion about his or her own remuneration.

There were two meetings of the Remuneration and Nomination Committee held for the year ended December 31, 2014, the attendance record of the committee members is set out above. The following is a summary of the major work performed by the Remuneration and Nomination Committee during 2014:

- reviewed and made a recommendation to the Board regarding the fees of the Non-Executive Directors;
- reviewed and made a recommendation to the Board regarding the fees of the Independent Non-Executive Directors;
- reviewed the Board structure, size, composition and board diversity (including ability, knowledge and experience etc.);
- reviewed the effectiveness of the related Board Diversity Policy;
- confirmed the independence of Independent Non-Executive Directors; and
- considered 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, 2014 amounted to approximately US$2.2 million and US$2.3 million, respectively. An analysis of the remuneration paid to PricewaterhouseCoopers for the year ended December 31, 2014 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	2,239
Non-audit Services – Tax consulting and compliance	2,273
Total	4,512

Tax consulting and compliance services rendered include the preparation of required tax filings and correspondence with related authorities in certain jurisdictions, and the delivery of advice on the application of relevant tax regulations to unusual or significant transactions, as such matters arise.

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 authorised representative. The primary contact person of the Company is Mr. FAN Yi, the Joint Company Secretary, the authorised representative and an Executive Director of the Company.

During 2014, each of the joint company secretaries undertook over 15 hours of professional training to update their respective 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 recognised 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, 2014 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, 2014 is within the following bands:

Band of remuneration in US$	No. of person
US$ Nil – US$250,000	0
US$250,001 – US$500,000	1
US$500,001 – US$750,000	8
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 its 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, 2014, 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 have direct access to the Board through reporting to the Chairman of the Audit and Compliance Committee, and report administratively to the CFO. The Head of the Internal Audit department has the right to consult the Audit and Compliance Committee without reference to management. With this independence, the Internal Audit department is able to 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 reviewed the risk assessment and three-year internal audit plans with the Audit and Compliance Committee in 2014. The Internal Audit department executed the approved internal audit plan and conducted a review of the effectiveness of the system of internal controls including but not limited to the audit of the internal controls over financial reporting for key high risk frameworks of the Company. The Internal Audit department reported summary audit findings and recommendations to the Audit and Compliance Committee. Management is responsible for ensuring that control weaknesses highlighted in internal audits are rectified within a reasonable period.

Management and the CFO, in conjunction with the Board and the Audit and Compliance Committee, continue to evaluate 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 internal audit function; (2) the implementation status of recommended internal control recommendations; and (3) the reports and findings from 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, 2014.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There was no change in the Memorandum and Articles of Association of the Company for the year ended December 31, 2014.

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 57 to 127, which comprise the consolidated and company balance sheets as at December 31, 2014, 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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, 2014, 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 11, 2015

CONSOLIDATED BALANCE SHEET

As at December 31, 2014

	Notes	As at December 31, 2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**625,924**	562,540
Land use rights	7	**689**	732
Intangible assets	8	**343,827**	271,358
Deferred income tax assets	10	**29,908**	23,320
Other receivables and prepayments	14(a)	**10,410**	8,021
Investment in a joint venture	35(b)	**5,645**	–
		1,016,403	865,971
Current assets			
Inventories	12	**226,049**	185,323
Trade receivables	13	**525,225**	363,932
Other receivables and prepayments	14(a)	**93,291**	71,565
Derivative financial instruments	11	**–**	462
Restricted bank deposits	15	**772**	3,816
Cash and cash equivalents	16	**380,173**	314,120
		1,225,510	939,218
Total assets		**2,241,913**	1,805,189

The notes on pages 64 to 127 are an integral part of these consolidated financial statements.

As at December 31, 2014

	Notes	As at December 31, 2014 US$'000	2013 US$'000
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	17	**32,222**	32,222
Other reserves	18(a)	**318,114**	361,799
Retained earnings		**333,283**	173,682
		683,619	567,703
Non-controlling interests		**24,400**	23,043
Total equity		**708,019**	590,746
LIABILITIES			
Non-current liabilities			
Borrowings	19	**634,012**	458,377
Retirement benefits and compensations	20	**29,960**	25,614
Deferred income tax liabilities	10	**42,696**	28,347
Derivative financial instruments	11	**543**	–
Provisions	21	**54,458**	42,423
Deferred revenue	22	**82,452**	65,232
Other payables and accruals	24(a)	**7,908**	2,904
		852,029	622,897
Current liabilities			
Trade payables	23	**438,975**	336,476
Other payables and accruals	24(a)	**77,341**	72,308
Current income tax liabilities		**14,072**	19,083
Retirement benefits and compensations	20	**2,757**	2,116
Derivative financial instruments	11	**3,484**	–
Provisions	21	**26,013**	18,494
Deferred revenue	22	**22,253**	13,430
Borrowings	19	**96,970**	129,639
		681,865	591,546
Total liabilities		**1,533,894**	1,214,443
Total equity and liabilities		**2,241,913**	1,805,189
Net current assets		**543,645**	347,672
Total assets less current liabilities		**1,560,048**	1,213,643

The notes on pages 64 to 127 are an integral part of these consolidated financial statements.

Fan, Yi (樊毅)	**Richardson, Michael Paul**
Director	*Director*

BALANCE SHEET OF THE COMPANY

As at December 31, 2014

	Notes	As at December 31, 2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**632,964**	504,400
Other receivables and prepayments	14(b)	**20,000**	–
		652,964	504,400
Current assets			
Cash and cash equivalents		**185,437**	213,424
Other receivables and prepayments	14(b)	**172,373**	63,359
		357,810	276,783
Total assets		**1,010,774**	781,183
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	17	**32,222**	32,222
Other reserves	18(b)	**736,629**	757,043
Accumulated losses	18(b)	**(8,176)**	(8,576)
Total equity		**760,675**	780,689
Non-current liabilities			
Borrowings	19(1)(e)	**245,051**	–
Current liabilities			
Other payables and accruals	24(b)	**5,048**	494
Total equity and liabilities		**1,010,774**	781,183
Net current assets		**352,762**	276,289
Total assets less current liabilities		**1,005,726**	780,689

The notes on pages 64 to 127 are an integral part of these consolidated financial statements.

Fan, Yi (樊毅)	**Richardson, Michael Paul**
Director	*Director*

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2014

	Notes	For the year ended December 31 2014 US$'000	2013 US$'000
Revenue	5	**2,978,068**	2,386,823
Cost of sales	26	**(2,558,070)**	(2,047,417)
Gross profit		**419,998**	339,406
Engineering and product development costs	26	**(80,070)**	(73,297)
Selling and distribution expenses	26	**(8,280)**	(8,493)
Administrative expenses	26	**(89,165)**	(80,808)
Other losses, net	25	**(5,587)**	(3,780)
Operating profit		**236,896**	173,028
Finance income	28	**1,912**	1,277
Finance costs	28	**(23,495)**	(23,047)
Finance costs, net		**(21,583)**	(21,770)
Share of loss of a joint venture	35(b)	**(717)**	–
Profit before income tax		**214,596**	151,258
Income tax expense	29	**(51,339)**	(40,337)
Profit for the year		**163,257**	110,921
Attributable to:			
Equity holders of the Company		**161,398**	109,191
Non-controlling interests		**1,859**	1,730
		163,257	110,921
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**	$0.06
Dividend	32	**32,280**	21,838

The notes on pages 64 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2014

	For the year ended December 31 2014 US$'000	2013 US$'000
Profit for the year	**163,257**	110,921
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss		
Actuarial (losses)/gains on defined benefit plans, net of tax of US$794,000 (2013: (US$477,000))	**(1,797)**	1,453
Items that may be reclassified subsequently to profit or loss		
Exchange differences	**(23,717)**	1,698
Cash flow hedge	**(56)**	–
	(25,570)	3,151
Total comprehensive income for the year	**137,687**	114,072
Attributable to:		
Equity holders of the Company	**136,330**	111,907
Non-controlling interests	**1,357**	2,165
	137,687	114,072

The notes on pages 64 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014

	Attributable to equity holders of the Company								Non-controlling interests	
	Share capital US$ `000 (Note 17)	Share premium US$ `000 (Note 18(a))	Merger reserve US$ `000 (Note 18(a))	Share-based compensation reserve US$ `000	Exchange reserve US$ `000 (Note 18(a))	Hedging reserve US$ `000 (Note 18(a))	Retained earnings US$ `000	Sub-total US `000	US$ `000	Total US$ `000
Balance at January 1, 2013	–	–	113,000	–	(5,107)	–	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	–	1,453	2,716	435	3,151
Total comprehensive income	–	–	–	–	1,263	–	110,644	111,907	2,165	114,072
Transactions with owners										
Capitalisation issue	21,672	(21,672)	–	–	–	–	–	–	–	–
Issuance of new shares	10,550	284,857	–	–	–	–	–	295,407	–	295,407
Share issuance cost	–	(10,542)	–	–	–	–	–	(10,542)	–	(10,542)
	32,222	252,643	–	–	–	–	–	284,865	–	284,865
Balance at December 31, 2013	32,222	252,643	113,000	–	(3,844)	–	173,682	567,703	23,043	590,746
Comprehensive income										
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**161,398**	**161,398**	**1,859**	**163,257**
Other comprehensive loss										
Exchange differences	**–**	**–**	**–**	**–**	**(23,215)**	**–**	**–**	**(23,215)**	**(502)**	**(23,717)**
Actuarial losses on defined benefit plans, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**(1,797)**	**(1,797)**	**–**	**(1,797)**
Cash flow hedge	**–**	**–**	**–**	**–**	**–**	**(56)**	**–**	**(56)**	**–**	**(56)**
Total other comprehensive loss	**–**	**–**	**–**	**–**	**(23,215)**	**(56)**	**(1,797)**	**(25,068)**	**(502)**	**(25,570)**
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(23,215)**	**(56)**	**159,601**	**136,330**	**1,357**	**137,687**
Transactions with owners										
Value of employee services provided under share option scheme (Note 27(a))	**–**	**–**	**–**	**1,240**	**–**	**–**	**–**	**1,240**	**–**	**1,240**
Dividends paid to shareholders	**–**	**(21,654)**	**–**	**–**	**–**	**–**	**–**	**(21,654)**	**–**	**(21,654)**
	–	**(21,654)**	**–**	**1,240**	**–**	**–**	**–**	**(20,414)**	**–**	**(20,414)**
Balance at December 31, 2014	**32,222**	**230,989**	**113,000**	**1,240**	**(27,059)**	**(56)**	**333,283**	**683,619**	**24,400**	**708,019**

The notes on pages 64 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

	Notes	For the year ended December 31 **2014** **US$'000**	2013 US$'000
Cash flows from operating activities			
Cash generated from operations	33	**305,099**	229,836
Income tax paid		**(51,033)**	(6,921)
Net cash generated from operating activities		**254,066**	222,915
Cash flows from investing activities			
Purchase of property, plant and equipment		**(172,482)**	(184,476)
Addition of intangible assets		**(106,602)**	(102,914)
Proceeds from sale of property, plant and equipment		**6,759**	13,490
Changes in restricted bank deposits		**2,983**	(3,508)
Investment in a joint venture		**(6,362)**	–
Net cash used in investing activities		**(275,704)**	(277,408)
Cash flows from financing activities			
Proceeds from issuance of new shares		**–**	295,407
Proceeds from issuance of notes	19(1)(e)	**250,000**	–
Proceeds from borrowings		**90,528**	124,163
Repayments of borrowings		**(197,561)**	(77,134)
Finance costs paid		**(26,337)**	(30,164)
Payment of listing expenses		**–**	(7,632)
Payments of notes issuance expenses		**(4,467)**	–
Dividends paid to equity holders of the Company		**(21,654)**	–
Net cash generated from financing activities		**90,509**	304,640
Net increase in cash and cash equivalents		**68,871**	250,147
Cash and cash equivalents at January 1		**314,120**	64,080
Exchange losses on cash and cash equivalents		**(2,818)**	(107)
Cash and cash equivalents at December 31		**380,173**	314,120

The notes on pages 64 to 127 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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

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

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

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 11, 2015.

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.

These consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisitions profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Any distributions the Group receives from the joint ventures reduce the carrying amount of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint arrangements (Continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been aligned where necessary to ensure consistency with the policies adopted by the Group.

2.4 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.

2.5 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.

(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)

2.6 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 2.9).

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)

2.7 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.

2.8 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)

2.8 Intangible assets (Continued)

(b) Computer software

Cost associated with maintaining computer software programs 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.

2.9 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)

2.10 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.

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 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" (Note 2.13) and "cash and cash equivalents" (Note 2.14) in the balance sheet.

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)

2.10 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.

2.11 Derivative financial instruments and hedging activities

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 method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. All of the Group's hedging instruments are designated as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 11. Movements on the hedging reserve in shareholder's equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Derivative financial instruments and hedging activities (Continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other losses, net'.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative unrecognised gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other losses, net'.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 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.

2.18 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.

The current service cost of the defined benefit plan is recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year benefit changes, curtailments and settlements.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Retirement obligations (Continued)

(b) Defined benefit plans (Continued)

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

2.19 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 taxes are not recorded on temporary differences arising on investments in subsidiaries and joint arrangements, except in situations where the timing of the reversal of the temporary difference is not controlled by the Group and it is probable that the temporary difference will 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 tax 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)

2.20 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.

2.21 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.

2.22 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, engineering and pre-production

Prototype, engineering and pre-production activities are only performed in connection with the development of products that will be produced for the customers. Consideration received from customers for engineering, prototyping and pre-production activity 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 tooling is accepted by the customers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 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 finance 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.

2.24 Share-based payment

The Group established an equity-settled, share-based compensation plan in June 2014, under which the Group receives services from certain employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and retaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 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.

2.26 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, 2014:

- Amendment to IAS 32 "Financial instruments: Presentation on asset and liability offsetting" 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" addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to IAS 39 "Financial Instruments: Recognition and measurement" on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.

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

2 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, 2014 and have not been applied in these financial statements.

- Amendment to IAS 19 regarding defined benefit plans: employee contributions (effective for annual periods beginning on or after July 1, 2014) applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

- IFRS 14 "Regulatory deferral accounts" (effective for annual periods beginning on or after January 1, 2016) describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.

- Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations (effective for annual periods beginning on or after January 1, 2016) requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' as defined in IFRS 3 Business combinations.

- Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation (effective for annual periods beginning on or after January 1, 2016) clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to IAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate.

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 (Continued)

- Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods beginning on or after January 1, 2016) address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

- Amendment to IAS 27 on equity method in separate financial statements (effective for annual periods beginning on or after January 1, 2016) allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to IAS 1 for the disclosure initiative (effective for annual periods beginning on or after January 1, 2016) clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- IFRS 15, "Revenue from contracts with customers" (effective for annual periods beginning on or after January 1, 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations.

- IFRS 9 "Financial instruments" (effective for annual periods beginning on or after January 1, 2018) 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.

The Group is assessing the impact of these changes.

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 effects 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 dollar 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, 2014		
Euro	**20,908**	**2,789**
RMB	**16,499**	**3,950**
As at and for the year ended December 31, 2013		
Euro	19,974	3,681
RMB	12,232	2,329

A weakening of the US dollar 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 and 2014 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. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages certain of its cash flow interest rate risk by using a floating to fixed interest rate swap and assessing the ratio of floating to fixed rate borrowings. Inclusive of the interest rate swap, as at December 31, 2014, 60% (December 31, 2013: 100%) of the Group's borrowings were in floating rate instruments. 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, 2014, 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, 2014 would have been US$5,143,000 (2013: US$6,453,000) 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, 2014 (2013: 54%). Trade receivables from General Motors Group and its affiliates was 37% of total trade receivables as at December 31, 2014 (December 31, 2013: 45%).

The Group monitors the credit ratings of its banks and financial institutions. As at December 31, 2014, the Group holds approximately 85% (December 31, 2013: 85%) of its cash in financial institutions with credit ratings of A3 (Moody's) 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.

	Within 1 year US$'000	**1–2 years US$'000**	**2–5 years US$'000**	**Over 5 years US$'000**
At December 31, 2014				
Short-term borrowings	**21,909**	**–**	**–**	**–**
Long-term borrowings	**107,297**	**102,569**	**319,646**	**323,601**
Finance lease obligations	**415**	**287**	**30**	**–**
	129,621	**102,856**	**319,676**	**323,601**
Trade payables	**438,975**	**–**	**–**	**–**
Other payables and accruals	**77,341**	**7,908**	**–**	**–**

	Within 1 year 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	107,533	107,628	272,994	140,142
Finance lease obligations	476	524	533	–
	151,368	108,152	273,527	140,142
Trade payables	336,476	–	–	–
Other payables and accruals	72,308	2,904	–	–

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 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. As at December 31, 2014 no such requirements existed.

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 divided by total equity at the end of each year, and is displayed as follows:

	As at December 31,	
	2014	2013
	US$'000	US$'000
Total borrowings (Note 19)	**730,982**	588,016
Total equity	**708,019**	590,746
Gearing ratio	**103.2%**	99.5%

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's assets and (liabilities) that are measured at fair value at December 31, 2014 and 2013:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at December 31, 2014				
Forward foreign exchange contracts	**–**	**(3,971)**	**–**	**(3,971)**
Interest rate swap	**–**	**(56)**	**–**	**(56)**
As at December 31, 2013				
Forward foreign exchange contracts	–	462	–	462

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) 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 2.8. 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)

(b) 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.

(c) 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)

(d) 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.

(e) Share-based payment

In determining the fair value of the share option scheme, 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.

(f) 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, China, Europe 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 manage segment operations are:

- Adjusted EBITDA, which represents operating income before interest, taxes, depreciation and amortisation and share of loss of a joint venture.
- 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$'000	China US$'000	Europe US$'000	Rest of World US$'000	Others US$'000	Total US$'000
For the year ended December 31, 2014						
Total revenue	**2,082,418**	**475,349**	**380,305**	**119,352**	**–**	**3,057,424**
Inter-segment revenue	**(40,443)**	**(7,257)**	**(17,114)**	**(14,542)**	**–**	**(79,356)**
Revenue from external customers	**2,041,975**	**468,092**	**363,191**	**104,810**	**–**	**2,978,068**
Adjusted EBITDA	**232,176**	**72,431**	**43,253**	**1,217**	**6,640**	**355,717**
NWC	**200,367**	**88,597**	**13,021**	**14,590**	**(4,276)**	**312,299**
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
Adjusted EBITDA	185,027	22,484	42,374	(9,276)	6,115	246,724
NWC	161,821	12,599	41,866	(3,716)	209	212,779

The 2013 segment EBITDA was adjusted to conform with current year presentation.

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 adjusted EBITDA to those as determined under IFRS are as follows:

	For the year ended December 31	
	2014	2013
	US$'000	US$'000
Adjusted EBITDA from reportable segments	**355,717**	246,724
Depreciation and amortisation expenses	**(118,821)**	(73,696)
Finance costs, net	**(21,583)**	(21,770)
Share of loss of a joint venture	**(717)**	–
Profit before income tax	**214,596**	151,258

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.

Adjusted EBITDA includes a non-cash component for deferred revenue amortisation. For the year ended December 31, 2014, the North America segment and China segment recognised US$15,758,000 (2013: US$6,484,000) and US$1,317,000 (2013: US$890,000).

The geographic distribution of revenue for the years ended December 31, 2014 and 2013 is as follows:

	For the year ended December 31	
	2014	2013
	US$'000	US$'000
North America	**2,041,975**	1,696,800
Europe:		
Poland	**357,336**	297,591
Rest of Europe	**5,855**	5,404
China	**468,092**	261,780
Rest of world	**104,810**	125,248
	2,978,068	2,386,823

5 SEGMENT INFORMATION (Continued)

The geographic distribution of non-current assets excluding deferred income tax assets as at December 31, 2014 and 2013 respectively is as follows:

	As at December 31, 2014 US$'000	2013 US$'000
North America	**729,801**	603,319
Europe:		
Poland	**87,109**	100,181
Rest of Europe	**2,819**	2,874
China	**151,831**	118,665
Rest of world	**14,935**	17,612
	986,495	842,651

Distribution of revenue between product lines for the years ended December 31, 2014 and 2013 is as follows:

	For the year ended December 31, 2014 US$'000	%	For the year ended December 31, 2013 US$'000	%
Steering				
EPS	**1,668,140**	**56.0**	1,084,612	45.4
HPS	**183,054**	**6.1**	319,928	13.4
CIS	**583,082**	**19.6**	512,539	21.5
Driveline	**543,792**	**18.3**	469,744	19.7
	2,978,068	**100**	2,386,823	100

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 2014 US$'000	2013 US$'000
General Motors Group and its affiliates	**1,604,536**	1,284,360
Customer A	**501,362**	261,795
Customer B	**303,798**	242,062
	2,409,696	1,788,217

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, 2013							
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 January 1, 2014							
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
Year ended December 31, 2014							
Opening net book amount	**7,141**	**2,514**	**19,665**	**435,699**	**1,108**	**96,413**	**562,540**
Additions/(transfer upon completions)	**108**	**2,390**	**3,473**	**171,405**	**1,309**	**(12,798)**	**165,887**
Disposals	**(159)**	**(45)**	**(18)**	**(6,651)**	**(9)**	**(555)**	**(7,437)**
Depreciation	**(297)**	**(682)**	**(899)**	**(77,898)**	**(482)**	**–**	**(80,258)**
Exchange differences	**(284)**	**(160)**	**(416)**	**(12,527)**	**(131)**	**(1,290)**	**(14,808)**
Net book amount at December 31, 2014	**6,509**	**4,017**	**21,805**	**510,028**	**1,795**	**81,770**	**625,924**
At December 31, 2014							
Cost	**8,416**	**5,570**	**30,068**	**715,655**	**2,800**	**81,770**	**844,279**
Accumulated depreciation	**(1,907)**	**(1,553)**	**(8,263)**	**(205,627)**	**(1,005)**	**–**	**(218,355)**
Net book amount	**6,509**	**4,017**	**21,805**	**510,028**	**1,795**	**81,770**	**625,924**

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$479,406,000 as at December 31, 2014 (December 31, 2013: US$366,396,000).

Property, plant and equipment at December 31, 2014 included equipment under finance lease of US$844,000 (December 31, 2013:US$1,138,000), including accumulated depreciation of US$1,020,000 (December 31, 2013: US$622,000).

Depreciation has been charged to the following function of expenses:

	For the year ended December 31	
	2014	2013
	US$'000	US$'000
Cost of sales	**76,260**	53,907
Engineering and product development costs	**2,683**	1,882
Administrative expenses	**1,315**	1,120
	80,258	56,909

The Group has capitalised borrowing costs amounting to US$ nil on qualifying assets of property, plant and equipment for the year ended December 31, 2014 (2013: US$1,122,000). Borrowing costs were capitalised at the weighted average of the borrowing rate of 4.8% for the year ended December 31, 2013.

7 LAND USE RIGHTS

	For the year ended December 31	
	2014	2013
	US$'000	US$'000
Cost		
As at January 1	**1,036**	1,007
Exchange differences	**(15)**	29
As at December 31	**1,021**	1,036
Accumulated amortisation		
As at January 1	**304**	270
Amortisation	**25**	26
Exchange differences	**3**	8
	332	304
Net book amount		
As at December 31	**689**	732

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

8 INTANGIBLE ASSETS

	Product development costs US$'000	Computer software development costs US$'000	Total US$'000
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
Cost			
As at January 1, 2014	**287,249**	**6,107**	**293,356**
Additions	**102,064**	**9,198**	**111,262**
Exchange differences	**–**	**–**	**–**
As at December 31, 2014	**389,313**	**15,305**	**404,618**
Accumulated amortisation			
As at January 1, 2014	**21,998**	**–**	**21,998**
Amortisation	**38,339**	**199**	**38,538**
Exchange differences	**255**	**–**	**255**
As at December 31, 2014	**60,592**	**199**	**60,791**
Net book amount			
As at December 31, 2014	**328,721**	**15,106**	**343,827**

The additions for the year ended December 31, 2014 include US$4,660,000 of capitalised interest related to the borrowings associated with developmental costs (2013: US$6,123,000). Borrowing costs were capitalised at the weighted average of the borrowing rate of 4.3% for the year ended December 31, 2014 (2013: 4.8%).

8 INTAGIBLE ASSETS (Continued)

Amortisation has been charged to the following function of expenses:

	For the year ended December 31	
	2014	2013
	US$'000	US$'000
Cost of sales	**38,339**	16,761
Administrative expenses	**199**	–
	38,538	16,761

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.

The recoverable amount of the cash generating units was determined based upon value in use from the most recent detailed calculations. The value in use was estimated using the discounted cash flow approach. For significant cash generating units, the pre tax discount rates used to estimate future cash flows between 13.0% and 16.0% which are based on an estimated weighted average cost of capital depending on geographical location and risk factors and includes estimates of country risk premiums. Estimated cash flows are based on the estimated useful life of the cash generating unit. There was significant headroom for all significant cash generating units.

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.

9 INVESTMENTS IN SUBSIDIARIES

	As at December 31, 2014 US$'000	2013 US$'000
Unlisted investments, at cost	**632,964**	504,400
Less: provision for impairment losses	**–**	–
	632,964	504,400

Particulars of principal subsidiaries of the Group as at December 31, 2014 are set out in Note 37.

10 DEFERRED INCOME TAXES

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

	As at December 31, 2014 US$'000	2013 US$'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**6,286**	6,007
– to be recovered within 12 months	**23,622**	17,313
	29,908	23,320
Deferred income tax liabilities:		
– to be settled after more than 12 months	**(42,696)**	(28,347)
– to be settled within 12 months	**–**	–
	(42,696)	(28,347)
Deferred income tax liabilities, net	**(12,788)**	(5,027)

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, 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
At January 1, 2014	**3,826**	**14,010**	**56,621**	**18,281**	**121**	**10,895**	**103,754**
Credited/(charged) to income statement	**1,174**	**2,010**	**19,765**	**(8,675)**	**(121)**	**257**	**14,410**
Credited/(charged) to other comprehensive income	**–**	**794**	**(4,375)**	**–**	**–**	**–**	**(3,581)**
Exchange differences	**(225)**	**(164)**	**(260)**	**(35)**	**–**	**(52)**	**(736)**
At December 31, 2014	**4,775**	**16,650**	**71,751**	**9,571**	**–**	**11,100**	**113,847**
Deferred income tax liabilities							
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)
At January 1, 2014	**(6,951)**	**–**	**(1,792)**	**–**	**(98,573)**	**(1,465)**	**(108,781)**
Credited/(charged) to income statement	**5,967**	**–**	**925**	**–**	**(23,995)**	**(622)**	**(17,725)**
Exchange differences	**(61)**	**–**	**(60)**	**–**	**–**	**(8)**	**(129)**
At December 31, 2014	**(1,045)**	**–**	**(927)**	**–**	**(122,568)**	**(2,095)**	**(126,635)**

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, 2014 US$'000	2013 US$'000
Tax losses and credits	**13,162**	10,213
Deductible temporary differences	**2,736**	5,191
	15,898	15,404

(i) As at December 31, 2014, the Group has US$13,784,000 (December 31, 2013: US$13,784,000) of gross net operating loss ("NOL") carry forwards in US subject to certain annual utilisation limitations which will begin to expire in 2032. As at December 31, 2014, the Group has US$42,531,000 (December 31, 2013: US$22,719,000) of non-US gross NOL carry forwards which have various expiration dates of which a significant amount is unlimited.

(ii) As at December 31, 2014, the Group has US$6,041,000 (December 31, 2013: US$14,591,000) 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 totaled US$285,479,000 as at December 31, 2014 (December 31, 2013: US$134,398,000).

11 DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31, 2014		2013	
	Assets US$'000	**Liabilities US$'000**	Assets US$'000	Liabilities US$'000
Forward foreign exchange contracts	**–**	**3,971**	462	–
Interest rate swap – cash flow hedge	**–**	**56**	–	–
	–	**4,027**	462	–
Less: non-current portion				
Forward foreign exchange contracts	**–**	**(487)**	–	–
Interest rate swaps – cash flow hedge	**–**	**(56)**	–	–
Current portion	**–**	**3,484**	462	–

11 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Forward foreign exchange contracts

The notional principal amount of the outstanding forward foreign exchange contracts at December 31, 2014 were US$64,800,000 (December 31, 2013: US$26,400,000).

(b) Interest rate swap

The notional principal amount of the outstanding interest rate swap contract at December 31, 2014 were US$48,615,000 (December 31, 2013: US$Nil).

At December 31, 2014, the fixed interest rate is 0.45%, and the floating rate is 1-Month LIBOR. Gains and losses recognised in the hedging reserve in equity on the interest rate swap contract as at December 31, 2014 will be continuously released to the income statement until January 2016.

12 INVENTORIES

	As at December 31,	
	2014	2013
	US$'000	US$'000
Raw materials	**154,984**	117,188
Work in progress	**43,359**	43,582
Finished goods	**42,813**	35,763
	241,156	196,533
Less: provision for impairment losses	**(15,107)**	(11,210)
	226,049	185,323

As at December 31, 2013, an immaterial classification error relating to inventory categories has been corrected in the presentation of categories above.

The cost of inventories recognised as an expense and included in cost of sales for the year ended December 31, 2014 amounted to US$2,379,644,000 (2013: US$2,000,933,000).

The carrying amounts of inventories pledged as collateral were US$142,764,000 as at December 31, 2014 (December 31, 2013: US$145,517,000).

13 TRADE RECEIVABLES

	As at December 31,	
	2014	2013
	US$'000	US$'000
Trade receivables, gross	**527,848**	366,836
Less: provision for impairment	**(2,623)**	(2,904)
	525,225	363,932

13 TRADE RECEIVABLES (Continued)

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, 2014 US$'000	2013 US$'000
Not overdue	**489,286**	344,212
Overdue up to 30 days	**26,182**	11,606
Overdue 30 to 60 days	**8,512**	6,267
Overdue 60 to 90 days	**2,295**	1,608
Overdue over 90 days	**1,573**	3,143
	527,848	366,836

Trade receivables of US$35,939,000 were past due but not impaired as at December 31, 2014 (December 31, 2013: US$19,720,000). 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, 2014 US$'000	2013 US$'000
Overdue up to 30 days	**26,182**	11,606
Overdue 30 to 60 days	**8,512**	6,267
Overdue 60 to 90 days	**1,245**	1,608
Overdue over 90 days	**–**	239
	35,939	19,720

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$2,623,000 were impaired as at December 31, 2014 on which full provision was made (2013: US$2,904,000). 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 2014 US$'000	2013 US$'000
As at January 1	**2,904**	2,944
Reversal of provision	**(125)**	(94)
Exchange differences	**(156)**	54
As at December 31	**2,623**	2,904

The carrying amounts of trade receivables pledged as collateral were US$268,768,000 as at December 31, 2014 (December 31, 2013: US$302,791,000).

14 OTHER RECEIVABLES AND PREPAYMENTS

(a) Group

	As at December 31, 2014 US$'000	2013 US$'000
Amounts reimbursable from customers on tools	**45,195**	28,912
Other taxes recoverable (i)	**25,762**	26,102
Prepaid assets	**21,225**	15,554
Reimbursable engineering expenses	**8,683**	3,470
Deposits to vendors	**2,433**	3,672
Others	**403**	1,876
	103,701	79,586
Less: non-current portion	**(10,410)**	(8,021)
Current portion	**93,291**	71,565

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.

(b) Company

	As at December 31, 2014 US$'000	2013 US$'000
Interest receivable	**2,554**	96
Receivables due from a subsidiary (i)	**–**	22,113
Notes receivable from subsidiaries (ii)	**189,819**	41,150
	192,373	63,359
Less: Non-current portion	**(20,000)**	–
Current portion	**172,373**	63,359

Note:

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

(ii) Represents loans granted to subsidiaries with a term of one to three years which bear interest at LIBOR plus 1.7% – 3% per annum.

15 RESTRICTED BANK DEPOSITS

As at December 31, 2014, restricted bank deposits of US$772,000 (December 31, 2013: US$3,816,000) 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$20,397,000 are deposited with banks in China as at December 31, 2014 (December 31, 2013: US$18,428,000). The RMB is not a freely convertible currency. The conversion of these RMB denominated balances into foreign currencies in China is subject to rules and regulations of foreign exchange control promulgated by the China government. Cash balances denominated in RMB will be used as part of the normal operating activities in China and are classified as unrestricted cash on this basis.

17 SHARE CAPITAL

	Number of ordinary shares	Amount
Authorised:		
HK$0.10 each authorised on June 15, 2013 (note (a))	4,000,000,000	HK$400,000,000
HK$0.10 each at December 31, 2014 and 2013	4,000,000,000	HK$400,000,000
Issued and fully paid:		
HK$0.10 each issued on June 15, 2013 (note (a))	1	HK$0.10
Capitalisation issue of shares (note (b))	1,679,999,999	HK$168,000,000
New share issued upon the Listing (note (c))	817,804,000	HK$81,780,000
HK$0.10 each at December 31, 2014 and 2013	2,497,804,000	HK$249,780,000

Note:

(a) 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 Automotive (Hong Kong) Holdings Limited, the immediate holding company of the Company.

(b) 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.

(c) 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

	Share premium (note (i)) US$'000	Merger reserve (note (ii)) US$'000	Share-based compensation reserve US$'000	Exchange reserve (note (iv)) US$'000	Hedging reserve (note (iii)) US$'000	Total other reserves US$'000
At January 1, 2013	–	113,000	–	(5,107)	–	107,893
Capitalisation issue (Note 17(b))	(21,672)	–	–	–	–	(21,672)
Issuance of new shares (Note 17(c))	284,857	–	–	–	–	284,857
Share issuance costs (Note 17(c))	(10,542)	–	–	–	–	(10,542)
Exchange differences	–	–	–	1,263	–	1,263
At December 31, 2013	252,643	113,000	–	(3,844)	–	361,799
Dividends paid to shareholders	**(21,654)**	**–**	**–**	**–**	**–**	**(21,654)**
Value of employee services provided under share-option scheme (Note 27(a))	**–**	**–**	**1,240**	**–**	**–**	**1,240**
Exchange differences	**–**	**–**	**–**	**(23,215)**	**–**	**(23,215)**
Cash flow hedge	**–**	**–**	**–**	**–**	**(56)**	**(56)**
At December 31, 2014	**230,989**	**113,000**	**1,240**	**(27,059)**	**(56)**	**318,114**

(i) *Share premium*

Share premium of the Company and the Group represents the difference between the fair value of shares issued and their respective par value. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction.

(ii) *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, 2014 and 2013 represent the aggregate amount of share capital of PCM US and PCM Singapore.

(iii) *Hedging reserve*

The hedging reserve comprises the effective portion of the accumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

(iv) *Exchange reserve*

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

18 RESERVES (Continued)

(b) Company

	Share premium US$'000	Share-based compensation reserve US$'000	Capital reserve US$'000 (note (i))	Accumulated losses US$'000	Total reserves US$'000
At January 1, 2013	–	–	–	–	–
Loss for the year	–	–	–	(8,576)	(8,576)
Contributions from holding company	–	–	504,400	–	504,400
Capitalisation issue (Note 17(b))	(21,672)	–	–	–	(21,672)
Issuance of new shares (Note 17(c))	284,857	–	–	–	284,857
Share issuance costs (Note 17(c))	(10,542)	–	–	–	(10,542)
At December 31, 2013	252,643	–	504,400	(8,576)	748,467
Profit for the year	**–**	**–**	**–**	**400**	**400**
Value of employee services provided under share-option scheme (Note 27(a))	**–**	**1,240**	**–**	**–**	**1,240**
Dividends paid to shareholders	**(21,654)**	**–**	**–**	**–**	**(21,654)**
At December 31, 2014	**230,989**	**1,240**	**504,400**	**(8,176)**	**728,453**

19 BORROWINGS

	As at December 31, 2014 US$'000	2013 US$'000
Non-current		
Borrowings from banks		
– secured (note (1.a))	**71,275**	81,306
– unsecured (note (1.b))	**317,374**	376,326
Notes (note (1.e))	**245,051**	–
Finance lease obligations (note (1.f))	**312**	745
	634,012	458,377
Current		
Borrowings from banks		
– secured, others (note (1.c))	**7,284**	16,659
– unsecured (note (1.d))	**13,575**	26,115
Add: current portion of:		
– non-current secured borrowings from banks (note (1.a))	**11,002**	23,577
– non-current unsecured borrowings from banks (note (1.b))	**64,725**	62,894
– finance lease obligations (note (1.f))	**384**	394
	96,970	129,639
Total borrowings	**730,982**	588,016

(1) Note:

(a) This primarily includes:

(i) long-term borrowings of US$54,779,000 (December 31, 2013: US$67,106,000) which bears interest at LIBOR plus 1.75%–2.25% per annum and matures in 2019.

(ii) long-term borrowings of US$26,885,000 (December 31, 2013: US$35,609,000) which bears interest at EURIBOR plus 3.1% and matures in 2020.

(b) This primarily includes:

(i) bank loans totaling US$365,000,000 as at December 31, 2014 (December 31, 2013: US$426,000,000), which are guaranteed by AVIC and Beijing E-Town International Investment & Development Co., Ltd., (shareholder of Pacific Century Motors, Inc which is the intermediate holding company of the Company), bear interest at LIBOR plus 3.5% per annum and due in semi-annual installments of US$30,500,000 which commenced in June 2014 and mature in October 2020 with the last repayment to be made then.

(ii) bank loans of US$19,583,000 as at December 31, 2014 (December 31, 2013: US$14,774,000) bearing interest at LIBOR plus 2.75%–5.60% per annum and matures in 2017.

19 BORROWINGS (Continued)

(1) Note: (Continued)

(c) This primarily includes

(i) a revolving line of credit of US$6,377,000 (December 31, 2013: US$ Nil) borrowed by a subsidiary of the Group which bear interest at LIBOR plus 1.50%–prime plus 1.75% per annum, and is secured by property, plant and equipment, trade receivables and inventories.

(ii) the short-term bank loans of US$ Nil (December 31, 2013: US$10,000,000) borrowed by a subsidiary of the Group which bear interest at LIBOR plus 1.60% per annum, and is secured by cash. The loans were repaid in 2014.

(d) As at December 31, 2014, this primarily includes bank loans of US$13,575,000 (December 31, 2013: US$13,424,000) borrowed by a subsidiary of the Group which bear interest at LIBOR plus 1.50%–2.55% per annum.

(e) On November 13, 2014 the Company issued US$250,000,000 in aggregate principal amount of 5.875% senior unsecured notes maturing on November 15, 2021.

(f) Finance lease obligations

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

	As at December 31	
	2014	2013
	US$'000	US$'000
Within 1 year	**415**	476
Between 1 and 2 years	**287**	524
Between 2 and 5 years	**30**	533
	732	1,533
Less: future finance charges	**(36)**	(394)
	696	1,139

(ii) Present value of finance lease obligations:

	As at December 31	
	2014	2013
	US$'000	US$'000
Within 1 year	**384**	394
Between 1 and 2 years	**283**	479
Between 2 and 5 years	**29**	266
	696	1,139

19 BORROWINGS (Continued)

(2) Maturity of borrowings

	As at December 31	
	2014	2013
	US$'000	US$'000
Within 1 year	**96,970**	129,639
Between 1 and 2 years	**74,233**	89,942
Between 2 and 5 years	**252,733**	240,171
Over 5 years	**307,046**	128,264
	730,982	588,016

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

	As at December 31			
	Carrying Amount		Fair Value	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Bank borrowings	**388,649**	457,632	**392,923**	449,514
Other borrowings	**245,051**	–	**245,051**	–
Finance lease obligations	**312**	745	**312**	745
	634,012	458,377	**638,286**	450,259

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 1.71% to 3.17% as at December 31, 2014 (2013: 1.229% to 4.469%), 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	
	2014	2013
Bank borrowings	**4.3%**	4.8%
Notes	**5.9%**	–

19 BORROWINGS (Continued)

(5) Currency denomination

	As at December 31	
	2014	2013
	US$'000	US$'000
US$	**704,094**	545,342
Euro	**26,885**	36,517
RMB	**–**	4,135
Others	**3**	2,022
	730,982	588,016

20 RETIREMENT BENEFITS AND COMPENSATIONS

	As at December 31	
	2014	2013
	US$'000	US$'000
Pension – defined benefit plans (note (a))	**12,329**	12,239
Extended disability benefits (note (b))	**14,957**	10,743
Workers' compensation (note (c))	**5,431**	4,748
	32,717	27,730
Less: non-current portion	**(29,960)**	(25,614)
Current portion	**2,757**	2,116

(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 December 1, 2010 as part of the acquisition of business. The plans had no 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, 2014			December 31, 2013		
	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))	**11,392**	**1,747**	**13,139**	11,502	1,629	13,131
Fair value of plan assets (note (ii))	**(810)**	**–**	**(810)**	(892)	–	(892)
Deficit of funded plans	**10,582**	**1,747**	**12,329**	10,610	1,629	12,239

There is no current requirement for the Group to fund the deficit between the fair value of plan assets and the present value of the defined benefit plan obligations as at December 31, 2014.

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

	December 31, 2014			December 31, 2013		
	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	**11,502**	**1,629**	**13,131**	12,764	1,663	14,427
Current service cost	**769**	**–**	**769**	1,138	–	1,138
Past service (income)/cost (note)	**(1,955)**	**–**	**(1,955)**	–	45	45
Interest cost	**646**	**59**	**705**	706	47	753
Losses/(gains) from changes in financial assumptions	**1,912**	**71**	**1,983**	(1,476)	(89)	(1,565)
Experience losses/(gains)	**572**	**(2)**	**570**	(365)	(27)	(392)
Gains from changes in demographic assumptions	**–**	**(1)**	**(1)**	–	–	–
Exchange differences	**(1,434)**	**–**	**(1,434)**	137	–	137
Divestitures/transfers	**–**	**–**	**–**	(647)	–	(647)
Benefits paid	**(620)**	**(9)**	**(629)**	(755)	(10)	(765)
Ending balance	**11,392**	**1,747**	**13,139**	11,502	1,629	13,131

Note: Past service costs relate to non-US plan amendments which resulted in a change to plan membership.

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, 2014 Non-US plans US$'000	US ERP US$'000	Total US$'000	For the year ended December 31, 2013 Non-US plans US$'000	US ERP US$'000	Total US$'000
Opening balance	**892**	**–**	**892**	870	–	870
Interest income	**60**	**–**	**60**	54	–	54
Return on plan assets, excluding amounts included in interest income	**(39)**	**–**	**(39)**	(27)	–	(27)
Employer contributions	**620**	**9**	**629**	755	10	765
Exchange differences	**(103)**	**–**	**(103)**	(5)	–	(5)
Benefits paid	**(620)**	**(9)**	**(629)**	(755)	(10)	(765)
Ending balance	**810**	**–**	**810**	892	–	892

Plan assets comprise as follows:

	As at December 31 **2014**	2013
Equities	**36%**	36%
Bonds	**32%**	32%
Cash	**32%**	32%
	100%	100%

Amounts recognised in other comprehensive income:

	For the year ended December 31, 2014 Non-US plans US$'000	US ERP US$'000	For the year ended December 31, 2013 Non-US plans US$'000	US ERP US$'000
(Losses)/gains from changes in financial assumptions	**(1,912)**	**(71)**	1,476	89
Experience (losses)/gains	**(572)**	**2**	365	27
Gains from changes in demographic assumptions	**–**	**1**	–	–
Return on plan assets, excluding amounts included in interest income	**(39)**	**–**	(27)	–
Total	**(2,523)**	**(68)**	1,814	116

20 RETIREMENT BENEFITS AND COMPENSATIONS (Continued)

(a) Pension – defined benefit plans (Continued)

Amount recognised in income statement:

	For the year ended December 31, 2014		For the year ended December 31, 2013	
	Non-US plans US$'000	US ERP US$'000	Non-US plans US$'000	US ERP US$'000
Current service cost	769	–	1,138	–
Past service (income)/cost	(1,955)	–	–	45
Interest cost	586	59	652	47
Total	(600)	59	1,790	92
Included in:				
Cost of sales	(394)	–	1,182	–
Engineering and product development costs	(296)	–	349	–
Selling and distribution costs	7	–	7	–
Administrative expenses	83	59	252	92
	(600)	59	1,790	92

Principal actuarial assumptions used were as follows:

	December 31, 2014		December 31, 2013	
	Non-US plans	US ERP	Non-US plans	US ERP
Discount rate	4.71%	2.92%	6.34%	3.65%
Salary increase rate	3.59%	NA	3.68%	NA
Price inflation rate	3.09%	NA	3.36%	NA
Pension increase rate	1.75%	NA	2.00%	NA

20 RETIREMENT BENEFITS AND COMPENSATIONS (Continued)

(a) Pension – defined benefit plans (Continued)

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, 2014		December 31, 2013	
	Non-US plans US$'000	US ERP US$'000	Non-US plans US$'000	US ERP US$'000
1% increase in discount rate	**10,037**	**1,651**	10,165	1,529
1% decrease in discount rate	**13,008**	**1,851**	13,177	1,739
1% increase in salary increase rate	**12,328**	**NA**	12,768	NA
1% decrease in salary increase rate	**10,536**	**NA**	10,502	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.

(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, 2014			As at December 31, 2013		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Restructuring	**791**	**–**	**791**	1,089	–	1,089
Litigation (note (a))	**642**	**–**	**642**	824	–	824
Environmental liabilities (note (b))	**244**	**12,096**	**12,340**	211	12,197	12,408
Warranties (note (c))	**24,336**	**35,268**	**59,604**	16,370	24,033	40,403
Decommissioning (note (d))	**–**	**7,094**	**7,094**	–	6,193	6,193
	26,013	**54,458**	**80,471**	18,494	42,423	60,917

21 PROVISIONS (Continued)

Movement of provisions is as follows:

	Restructuring US$'000	Litigation (note (a)) US$'000	Environmental liabilities (note (b)) US$'000	Warranties (note (c)) US$'000	Decom-missioning (note (d)) US$'000	Total US$'000
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
At January 1, 2014	**1,089**	**824**	**12,408**	**40,403**	**6,193**	**60,917**
(Reversals)/additions	**(253)**	**163**	**85**	**37,178**	**989**	**38,162**
Payments	**(45)**	**(289)**	**(149)**	**(15,774)**	**–**	**(16,257)**
Exchange differences	**–**	**(56)**	**(4)**	**(2,203)**	**(88)**	**(2,351)**
At December 31, 2014	**791**	**642**	**12,340**	**59,604**	**7,094**	**80,471**

Note:

(a) Litigation

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

(b) Environmental liabilities

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

(c) Warranty

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

Included within the warranty provision as of December 31, 2013 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. The Group settled this provision with the customer for US$13,000,000 in 2014 of which US$3,000,000 remained in the provision as of December 31, 2014 and is classified as current.

The increase in warranty costs in 2014 is primarily associated with increased customer product recalls of US$19,347,000 and increased warranty costs recognised at the time of sale.

(d) 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, prototyping, and 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, 2014			December 31, 2013		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Pre-production activity	**22,253**	**82,452**	**104,705**	13,430	65,232	78,662

Movement of deferred revenue is as follows:

	As at December 31	
	2014 US$'000	2013 US$'000
At January 1	**78,662**	52,941
Additions	**43,195**	33,020
Amortisation	**(17,075)**	(7,374)
Exchange differences	**(77)**	75
At December 31	**104,705**	78,662

23 TRADE PAYABLES

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

	As at December 31	
	2014 US$'000	2013 US$'000
Not overdue	**407,308**	313,553
Overdue up to 30 days	**15,895**	9,506
Overdue 30 to 60 days	**5,875**	4,725
Overdue 60 to 90 days	**2,784**	2,968
Overdue over 90 days	**7,113**	5,724
	438,975	336,476

24 OTHER PAYABLES AND ACCRUALS

(a) Group

	As at December 31	
	2014	2013
	US$'000	US$'000
Accrued expenses	**75,101**	65,373
Deposits from customers	**5,837**	7,067
Other taxes payable	**3,880**	1,935
Others	**431**	837
	85,249	75,212
Less: non-current portion	**(7,908)**	(2,904)
Current portion	**77,341**	72,308

(b) Company

	As at December 31	
	2014	2013
	US$`000	US$`000
Accrued expenses	**1,836**	–
Payables to subsidiaries (note)	**3,212**	494
Current portion	**5,048**	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 2014 US$'000	2013 US$'000
Foreign exchange losses	**201**	2,675
Loss on disposal of property, plant and equipment	**678**	1,534
Fair value losses/(gains) on derivative financial instruments (Note 11)	**4,433**	(462)
Others	**275**	33
	5,587	3,780

26 EXPENSE BY NATURE

	For the year ended December 31 2014 US$'000	2013 US$'000
Raw materials used	**1,724,202**	1,368,452
Changes in inventories of finished goods and work-in-progress	**6,827**	(3,794)
Employee benefit costs (Note 27)	**449,902**	400,470
Temporary labour costs	**75,343**	68,281
Restructuring costs (Note 21)	**(253)**	(382)
Supplies and tools	**153,176**	145,232
Depreciation on property, plant and equipment (Note 6)	**80,258**	56,909
Amortisation on		
– land use rights (Note 7)	**25**	26
– intangible assets (Note 8)	**38,538**	16,761
Impairment charges/(reversal of provisions) on		
– inventories	**3,897**	2,944
– receivables (Note 13)	**(125)**	(94)
Utilities	**38,270**	34,988
Transportation expenses	**11,357**	8,475
Operating lease expenses	**12,343**	12,188
Warranty expenses (Note 21)	**37,178**	15,002
Auditors' remuneration	**2,239**	2,647
Listing expenses	**–**	3,349
Others	**102,408**	78,561
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**2,735,585**	2,210,015

For the year ended December 31, 2013, a classification error related to expense categories has been corrected in the figures above.

27 EMPLOYEE BENEFIT COSTS

	For the year ended December 31 2014 US$'000	2013 US$'000
Salary expenses	**331,558**	291,529
Pension costs – defined contribution plans	**24,654**	20,246
Pension costs – defined benefit plans (Note 20)	**(541)**	1,882
Other employee costs (Note (a))	**94,231**	86,813
	449,902	400,470

(a) Share-based payments

Pursuant to a shareholders' resolution passed on June 5, 2014, the Company adopted a share option scheme (the Scheme). The Scheme will remain in force for a period of 10 years commencing from June 5, 2014.

The subscription price for the shares under the option to be granted will be determined by the Board of Directors and will be the highest of: (a) the closing price of the shares of the Company as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheet on the grant date; (b) the average closing price of the shares of the Company as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheets for the five business days immediately preceding the grant date; and (c) the nominal value of the shares of the Company.

The options will vest and become exercisable gradually after the grantees complete a period of service of 1 to 3 years from the grant date, and subject to the Group achieving its performance target.

On June 11, 2014, the Board of Directors approved an initial grant of share options under the Scheme, pursuant to which options to subscribe for 11,236,860 shares, representing approximately 0.4499% of the issued share capital of the Company, were granted to 15 selected participants at the exercise price of HK$5.15 per share.

Movements in the number of share options outstanding and their average exercise prices are as follows:

	Average exercise price (per share) HK$	Outstanding options (thousands)
At January 1, 2014	–	–
Granted	5.15	11,237
Forfeited	5.15	(702)
At December 31, 2014	**5.15**	**10,535**
Exercisable as at December 31, 2014	**–**	**–**

27 EMPLOYEE BENEFIT COSTS (Continued)

(a) Share-based payments (Continued)

Share options outstanding at the end of the period have the following vesting dates and exercise prices:

	Average exercise price (per share) HK$	Outstanding options (thousands)
June 11, 2015	5.15	3,512
June 11, 2016	5.15	3,512
June 11, 2017	5.15	3,511

The weighted average fair value of options granted during the period determined using a binomial valuation model was HK$2.71 per option. The significant inputs into the model were share price at the measurement date of HK$5.15, exercise price of HK$5.15, volatility of 50%, dividend yield of nil, an expected term of 8.06 years, and an annual risk-free interest rate of 1.88%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of historical daily trading prices of the Company's shares since the date of listing (October 7, 2013) as well as the daily trading prices of benchmarked publicly traded companies in the same industry. Considering there is limited information on the historical share price of the Company, the Group referred to benchmarked companies' historical share price in addition to our share price history to determine the historical volatility.

The fair value of the share options charged to the consolidated income statement was US$1,240,000 for the year ended December 31, 2014.

(b) Directors' emoluments

The remuneration of each director for the year ended December 31, 2014 is set out below:

Name	Fees US$'000	Salary US$'000	Discretionary bonus (note (i)) US$'000	Other benefits (note (ii)) US$'000	Total US$'000
Mr. Guibin Zhao*	200	–	376	–	576
Mr. Yi Fan	–	220	286	66	572
Mr. Michael Paul Richardson	–	760	210	135	1,105
Mr. Hing Lun Tsang	32	–	–	–	32
Mr. Kevin Cheng Wei	32	–	–	–	32
Mr. Jianjun Liu	32	–	–	–	32
Mr. Daen Lu	30	–	41	–	71
Mr. Xiaobo Wang	30	–	41	–	71
	356	980	954	201	2,491

27 EMPLOYEE BENEFIT COSTS (Continued)

(b) Directors' emoluments (Continued)

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	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

* Chief executive of the Company

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.

(iv) Appointed on August 21, 2013.

27 EMPLOYEE BENEFIT COSTS (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2014 include one director (2013: two), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2013: three) individuals during the year are as follows:

	For the year ended December 31	
	2014	2013
	US$'000	US$'000
Salaries and allowances	**1,560**	1,338
Discretionary bonuses	**4,213**	3,575
Other benefits	**345**	839
	6,118	5,752

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

	For the year ended December 31	
	2014	2013
	Number of individuals	
HK$5,000,000 – HK$5,500,000 (US$645,000 – US$700,000)	**1**	–
HK$6,000,000 – HK$6,500,000 (US$773,000 – US$838,000)	**1**	–
HK$9,000,000 – HK$9,500,000 (US$1,160,000 – US$1,225,000)	**–**	1
HK$11,500,000 – HK$12,000,000 (US$1,483,000 – US$1,547,000)	**1**	1
HK$24,000,000 – HK$24,500,000 (US$3,094,000 – US$3,158,000)	**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	
	2014	2013
	US$'000	US$'000
Finance income		
Interest on bank deposits	**1,912**	1,277
Finance costs		
Interest expense on bank borrowings		
– Wholly repayable within 5 years	**6,851**	10,573
– Not wholly repayable within 5 years	**17,643**	18,210
Interest on notes		
– Not wholly repayable within 5 years	**1,836**	–
	26,330	28,783
Interest on finance leases	**60**	67
Realised losses on interest rate swap	**56**	–
Other finance costs	**1,709**	1,442
	28,155	30,292
Less: amount capitalised in qualifying assets (Notes 6 and 8)	**(4,660)**	(7,245)
	23,495	23,047
Finance costs, net	**21,583**	21,770

29 INCOME TAX EXPENSE

	For the year ended December 31 2014 US$'000	2013 US$'000
Current income tax	**48,024**	21,808
Deferred income tax (Note 10)	**3,315**	18,529
	51,339	40,337

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, China and Poland, respectively, from where the Group's profits were mainly generated.

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

	For the year ended December 31 2014 US$'000	2013 US$'000
Profit before income tax	**214,596**	151,258
Tax calculated at rates applicable to profits in respective countries	**63,440**	50,388
Expenses not deductible for tax purposes	**4,589**	5,078
Non-taxable income	**(7,042)**	(4,893)
Tax credits (note (i))	**(6,881)**	(11,658)
Preferential rates due to tax holidays (note (ii))	**(9,423)**	(8,597)
Tax losses and deductible temporary differences for which no deferred tax was recognised	**3,454**	2,715
US state and withholding taxes	**3,604**	5,642
Others	**(402)**	1,662
Tax charge	**51,339**	40,337

Note:

(i) Mainly represents tax benefits granted for 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 preferential tax rate in China through 2015 for high-technology enterprises and 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

(a) Basic

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

	For the year ended December 31	
	2014	2013
Profit attributable to the equity holders of the Company (US$'000)	**161,398**	109,191
Weighted average number of ordinary shares in issue (thousands)	**2,497,804**	1,867,329
Basic earnings per share (in US$)	**0.06**	0.06

In determining the number of ordinary shares in issue for the year ended December 31, 2013, 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(b)), had been regarded as if these shares were in issue since January 1, 2013.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted earnings per share is the same as basic earnings per share because all of the Company's potential ordinary shares are anti-dilutive.

	For the year ended December 31	
	2014	2013
Diluted earnings per share (in US$)	**0.06**	0.06

31 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt within the financial statements of the Company to the extent of US$400,000 (2013: a loss of US$8,576,000).

32 DIVIDENDS

	For the year ended December 31 2014 US$'000	2013 US$'000
Final dividend, proposed of US$0.013 (2013: US$0.0087) per share	**32,280**	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 would be paid out of the share premium account of the Company for the year ending December 31, 2015.

33 CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

	For the year ended December 31 2014 US$'000	2013 US$'000
Profit before income tax	**214,596**	151,258
Adjustments for:		
Finance costs	**23,495**	23,047
Depreciation on property, plant and equipment	**80,258**	56,909
Amortisation on land use rights and intangible assets	**38,563**	16,787
Amortisation of deferred revenue	**(17,075)**	(7,374)
Impairment charges on inventories and receivables	**3,772**	2,850
Exchange differences	**(492)**	1,195
Fair value loss on derivative financial instruments	**4,433**	–
Share of loss of a joint venture	**717**	–
Share-based compensation	**1,240**	–
Others	**678**	1,533
	350,185	246,205
Changes in working capital:		
– Increase in receivables	**(196,614)**	(62,696)
– Increase in inventories	**(48,917)**	(10,773)
– Increase in payables and accruals	**133,948**	16,992
– Increase in provisions	**19,554**	4,144
– Increase in retirement benefits and compensations	**3,748**	2,944
– Increase in deferred revenue	**43,195**	33,020
Cash generated from operations	**305,099**	229,836

(b) Major non-cash transactions

During the years ended December 31, 2014, the Group purchased property, plant and equipment which were recorded in payables in the amounts of US$44,508,000 (December 31, 2013: US$51,103,000).

34 COMMITMENTS

(a) Capital commitments

The Group has capital commitments of US$92,476,000 as at December 31, 2014 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2013: US$139,502,000).

(b) Operating lease commitments

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

	As at December 31	
	2014	2013
Up to 1 year	**10,798**	10,205
1 to 5 years	**29,385**	26,864
Over 5 years	**8,811**	1,334
	48,994	38,403

(c) Investment commitments to joint ventures

The Group has investment commitments of US$3,316,000 as at December 31, 2014 to invest in the operations of its joint venture (December 31, 2013: US$9,897,000).

35 RELATED PARTY TRANSACTIONS

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

	For the year ended December 31	
	2014	2013
	US$'000	US$'000
Purchase of goods	**8,985**	184

(b) Transactions with a joint venture

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

As at December 31, 2014 the Group has invested US$6,362,000 into the joint venture.

For the year ended December 31, 2014, the Group's share of losses from the joint venture amount to US$717,000.

35 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with a joint venture (Continued)

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

	For the year ended December 31 2014 US$'000	2013 US$'000
Sale of services (i)	**651**	–
Purchase of services	**565**	–

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

(c) 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 2014 US$'000	2013 US$'000
Basic salaries, other allowances and benefits	**4,973**	5,223
Bonuses	**7,122**	8,300
Others	**829**	1,225
	12,924	14,748

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

36 SUBSEQUENT EVENTS

In February 2015, the Company detected contingent warranty related risks which we deem probable of occurrence. In the event, the related customers require product replacement the associated costs of the financial liability are estimated to be US$6,000,000 based upon an internal analysis, however that estimate could change based upon resolution with the customer. The potential cost associated with the parts subject to replacement which were produced and delivered in 2014 are immaterial to the consolidated financial statements as of and for the year ended December 31, 2014.

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURE

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$99,900,000 and SGD 1	100%	Investment holding
Nexteer (China) Holding Co., Ltd.	China June 16, 2014	US$30,000,000	100%	Investment holding
Indirectly held:				
Steering Holding Pte. Ltd.	Singapore February 15, 2008	US$6,400,000 and EUR 1	100%	Investment holding
Project Rhodes Holding Corporation	Delaware, US May 18, 2007	US$1	100%	Investment holding
Global Steering Holdings, LLC (formerly 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
Rhodes Holding I S.à r.l.	Luxembourg January 15, 2008	EUR 4,344,881	100%	Investment holding
Rhodes Holding II S.à r.l.	Luxembourg January 15, 2008	EUR 4,311,151	100%	Investment holding
Nexteer Otomotiv Sanayi ve Ticaret Limited Sirketi	Turkey March 28, 2008	TRY 1,105,000	100%	Manufacturing of steering components
Nexteer Automotive India Private Limited	India February 25, 2008	INR 207,917,940	100%	Manufacturing of steering components
Nexteer Automotive Japan LLC	Japan February 21, 2008	JPY1	100%	Customer support/ engineering centre

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURE (Continued)

Name	Place of operation/ incorporation and date of incorporation	Issued and paid-up capital	Attributable equity interest	Principal activities
Nexteer Automotive Australia Pty Ltd	Australia January 23, 2008	AUD$2,849,108	100%	Manufacturing of steering components
Nexteer Automotive Italy S.r.l.	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	PLN 20,923,750	100%	Manufacturing of steering components
Nexteer Automotive (Suzhou) Co., Ltd.	China January 24, 2007	US$31,300,000	100%	Manufacturing of steering components
Nexteer Lingyun Driveline (Zhuozhou) Co., Ltd.	China October 6, 1995	US$22,000,000	60%	Manufacturing of steering components
Nexteer Lingyun Driveline (Wuhu) Co., Ltd.	China December 22, 2006	US$22,400,000	60%	Manufacturing of steering components
Nexteer Industria e Comercio de Sistemas Automotivos Ltda.	Brazil March 6, 2007	BRL 198,328,316	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	MXN 100,292,917	100%	Manufacturing of steering components
Nexteer Automotive Mexico S. de R.L. de C.V.	Mexico July 24, 2014	MXN 129,912	100%	Distribution company
Nexteer Automotive Luxembourg S.à r.l.	Luxembourg November 5, 2013	US$20,000	100%	Investment holding
Joint venture:				
Chongqing Nexteer Steering Systems Co., Ltd.	China January 22, 2014	RMB78,864,000	50%	Manufacturing of steering components

FIVE YEARS' FINANCIAL SUMMARY

	For the year ended December 31				
	2014	2013	2012	2011	2010*
	US$'000	US$'000	US$'000	US$'000	US$'000
RESULTS					
Revenue	**2,978,068**	2,386,823	2,167,802	2,247,752	156,688
Profit/(Loss) before taxation	**214,596**	151,258	62,194	73,437	(58,960)
Income taxes (expense)/benefit	**(51,339)**	(40,337)	(3,567)	(5,404)	293
Profit/(Loss) for the year	**163,257**	110,921	58,627	68,033	(58,667)
Attributable to:					
Owners of the Company	**161,398**	109,191	57,096	66,686	(58,539)
Non-controlling interests	**1,859**	1,730	1,531	1,347	(128)
	163,257	110,921	58,627	68,033	(58,667)
Earnings/(Loss) per share, USD					
Basic	**0.06**	0.06	0.03	0.04	(0.03)
Diluted	**0.06**	0.06	0.03	0.04	(0.03)
ASSETS AND LIABILITIES					
Total assets	**2,241,913**	1,805,189	1,258,871	973,490	911,913
Total liabilities	**(1,533,894)**	(1,214,443)	(1,067,062)	(850,472)	(836,959)
Total equity	**708,019**	590,746	191,809	123,018	74,954
Equity attributable to owners of the Company	**683,619**	567,703	170,931	110,828	54,339
Non-controlling interests	**24,400**	23,043	20,878	12,190	20,615
	708,019	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.