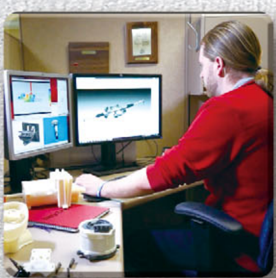
Nexteer Automotive Group Limited
耐世特汽車系統集團有限公司

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

(Stock Code : 01316)

INTERIM REPORT 2015



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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 a 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 innovation
- **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:	10
Full-Time Equivalent Global Workforce:	12,000+
Global Customers:	50+, including BMW, Fiat Chrysler, Ford, GM, Toyota, PSA Peugeot Citroën and Volkswagen as well as domestic automakers in India, China, and South America
Products:	Electric Power Steering (**EPS**), Hydraulic Power Steering (**HPS**), Steering Columns (**CIS**), and Driveline Systems (**DL**)

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 (樊毅)
MOK, Ming Wai (莫明慧) (FCIS, FCS)

AUTHORIZED REPRESENTATIVES

FAN, Yi (樊毅)
MOK, Ming Wai (莫明慧) (FCIS, FCS)

LEGAL ADVISERS

As to Hong Kong Law

DLA Piper Hong Kong

As to Cayman Islands Law

Maples and Calder

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

3900 E. Holland Road
Saginaw, MI 48601-9494 USA

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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
Shanghai Pudong Development Bank
CITIC
The Export-Import Bank of China
PKO Bank Polski
Bank Pekao SA
China Construction Bank

STOCK CODES

Share Listing
Ordinary Shares
The Stock Exchange of Hong Kong Limited
(Stock code: 01316)

Senior Notes Listing
US$250,000,000 5.875%
Senior Notes due 2021
(Stock code: 05826)

COMPANY WEBSITE

http://www.nexteer.com/

BUSINESS OVERVIEW

CONTINUED FOCUS ON STRATEGY FOR PROFITABLE GROWTH:

- Strengthen technology leadership
- Expand and diversify revenue base
- Capitalise on global transition to EPS
- Target China and emerging market growth
- Optimise cost structure
- Pursue select acquisitions and alliances

FIRST HALF OF 2015 BUSINESS HIGHLIGHTS

The following are some business highlights for the first half of 2015 which are driven by the above Strategy For Profitable Growth:

- Successfully launched new production of awarded customer programs across multiple product segments, regions and customers
- Achieved a strong new business backlog to drive continued growth and diversification
- Increased exposure in China through new program launches and strength of sport utility vehicle (**SUV**), multi-purpose vehicle (**MPV**) and mini-van related sales
- Invested in research and development to strengthen product, technology and manufacturing leadership
- Focused on continuous improvement in operating efficiency and cost competitiveness

NEW PRODUCTION LAUNCHES

With the launch of ten major customer programs during the first six months of 2015, we introduced new or improved product applications in steering columns, drivelines, rack-assist EPS (**REPS**), column-assist EPS (**CEPS**), and brush column-assist EPS (**BEPS**). These programs included incumbent and conquest business to increase and further diversify our revenue base. Customer programs that launched or began production during the six months ended June 30, 2015 included:

OEMs	Vehicle Nameplate	Our Products
North America		
Ford	F550, F650, F750	Column
General Motors (GM)	Chevy Equinox, GMC Terrain	Driveline
China		
Ford	Ranger, Everest	HPS
SAIC GM Wuling	Bao Jun 560	REPS
SAIC GM Wuling	Hong Guang S1	BEPS
Fiat Chrysler	Fiat 225 E6	BEPS
Rest of the World		
Renault	Logan, Sandero, Clio, Kangoo	HPS
Suzuki	Every & Every Wagon	Column
Mahindra	Jeeto	Driveline
Eicher Polaris	Multix	Driveline

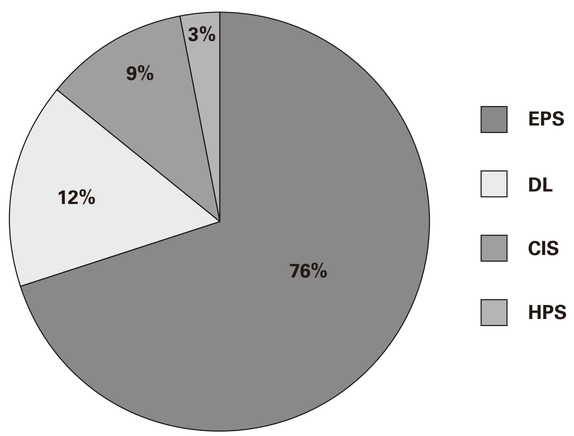
BACKLOG OF BOOKED BUSINESS

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

Cumulative Booked Business:

Backlog by Product Group



GROWTH IN CHINA

We achieved several significant milestones during the first half of 2015 that have positioned us for continued growth and diversify our customer base in the People's Republic of China (**China**).

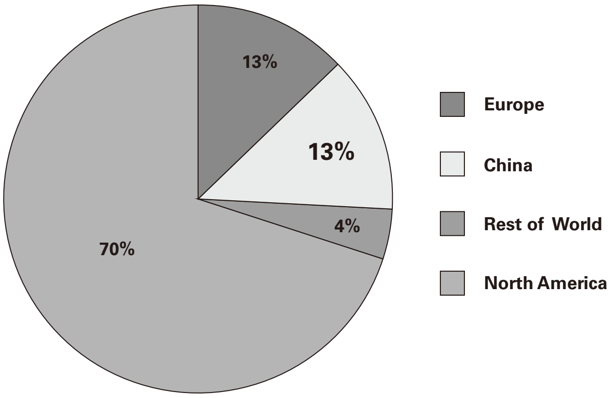
China is now the only segment that produces Nexteer's entire EPS portfolio with the successful start of production of REPS for the Ford Ranger and Everest during the six months ended June 30, 2015. With enhanced production capabilities, the Company can now take full advantage of China's ongoing EPS conversion by offering a localized range of passenger vehicle applications ranging from the small A-B segment to light commercial vehicles.

Additionally, adoption of our affordable Brush EPS system has exceeded expectations. Developed at the Company's Engineering Center in Saginaw, Michigan, USA, the premium BEPS system was optimized for local requirements at the China Application Technology Center in Suzhou to provide advanced steering performance to China domestic and developing market customers. Production for this product began in late 2013 and has quickly grown to an average monthly output of more than 75,000 units during the first half of 2015. This rate is poised to continue to grow with the addition of new BEPS programs like SAIC GM Wuling's Bao Jun 560 and Wu Ling Hong Guang S1, which also began production in the first half of 2015.

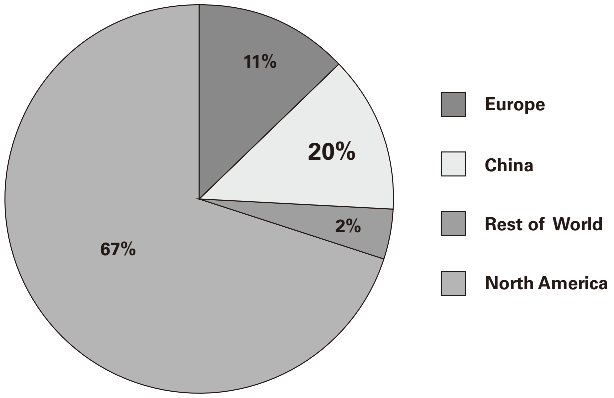
In the first half of 2015, the Company registered a new indirect wholly owned subsidiary, Nexteer Automotive Systems (Liuzhou) Co., LTD., in China to expand the manufacturing of BEPS. Production is expected to begin in the second half of 2015.

OEM customers who thought high-end EPS systems were too expensive are now reconsidering after learning about fuel economy and emission gains that result from our product. Changing to an electric power steering system is one of the greatest single fuel efficiency gains an OEM can make. The Nexteer BEPS system also enables advanced driver assistance functionality like active return to center and lane keeping.

The Company continues to increase its exposure in the China automotive market.



Revenue as a % of total revenue for the six months ended June 30, 2014



Revenue as a % of total revenue for the six months ended June 30, 2015

PRODUCT RESEARCH & DEVELOPMENT

We have accumulated extensive technical knowledge and developed a high degree of technical expertise through our 100-year history as a steering and driveline systems supplier with a consistent focus on research and development. We strive to maintain a competitive advantage with our current product portfolio as an imperative to our continued success. Concurrently, we are accelerating our focus on technology and innovation to position us to enter new, profitable adjacent markets. This enhanced focus will further enable our global engineering team to drive higher levels of innovation and alignment across all our current and future product portfolios.

Our technology leadership in steering and vehicle control systems exemplifies our ability to deliver leading edge innovations to the industry. With the ongoing electrification of vehicle systems, the future of personal mobility continues to shape the automotive industry. Nexteer has been at the forefront of this emerging trend with the application of vehicle integration know-how to electric power steering systems. Experience as a systems integrator positions us well as we consider strategic options to grow the business.

As the automotive industry looks to define the future of mobility, the Company has identified a number of opportunities to pursue the development of Advanced Driver Assistance Systems (**ADAS**) and Vehicle Connectivity. In the first quarter of 2015, Nexteer, joined the University of Michigan Mobility Transformation Center (**MTC**) as an affiliate of the program. Nexteer along with 27 other companies, including OEMs and suppliers, will play a critical role in shaping a viable system of connected and automated vehicles with the MTC. We see it as our responsibility to use our advanced technology in a way that improves the safety, sustainability and accessibility of advanced mobility systems.

We have also taken steps to increase the pace of innovation resulting in transformative ways of thinking and working in research and development (**R&D**). From expanding and restructuring our R&D organization – all the way to embracing faster, iterative design approaches to re-configuring our work environments for even greater collaboration across technical specialties. As a leader in intuitive motion control, Nexteer is poised for fast-tracking new, profitable business growth within and beyond the automotive industry space.

FOCUS ON OPERATIONAL EFFICIENCY AND COST COMPETITIVENESS

During the first half of 2015, we continued to optimize our enterprise systems technology architecture to drive operational efficiency and cost competitiveness. In January, we deployed the initial phase of a new human capital management system that will enable the transformation of our human resource processes from administrative to strategic. This will result in standardised global processes and reporting that will enable improved execution of strategies, enhanced productivity and data accuracy.

Nexteer received the Enterprise Technology Leadership Award from the Manufacturing Leadership Community. Winners are chosen by a panel of expert judges for results that enabled the manufacturers to set themselves apart from their competitors and that have delivered clear and compelling value, return on investment, and other tangible outcomes. Nexteer was awarded for the implementation of its QAD cloud-based enterprise resource planning (**ERP**) system that improves efficiencies in all global business operations by removing legacy systems. In Poland, we also received the Central and Eastern Europe Manufacturing Excellence Award for a new and innovative surface measurement system.

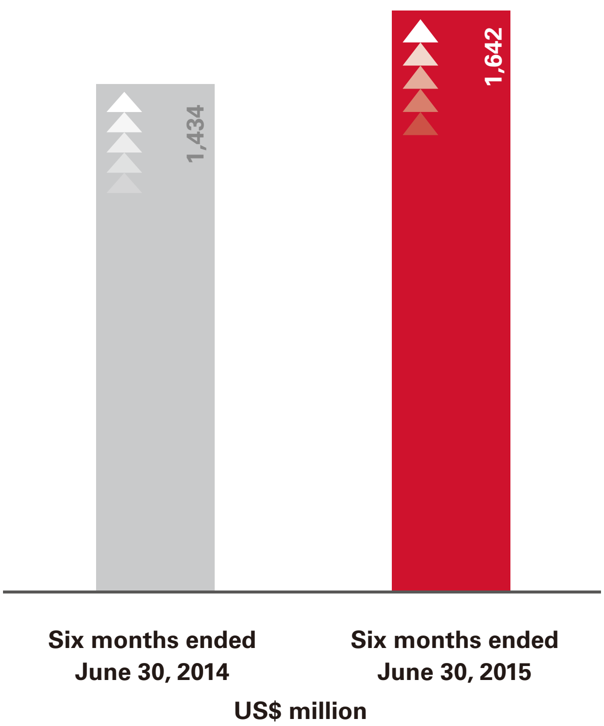
The Company also received customer awards for its China and Poland operations during the reporting period. SAIC GM Wuling (**SGMW**) recognized our Suzhou operations with the "Best Supplier" award. This is the top award SGMW presents to its suppliers, who must demonstrate excellent performance on all aspects of manufacturing in order to qualify. Among 1000 SGMW suppliers, only 7 suppliers received the "Best Supplier" designation. PSA Peugeot-Citroen also recognized our Poland Tychy Plant with the 'PSA Best Plant 2015' award for manufacturing excellence.

FINANCIAL HIGHLIGHTS

Results (US'$000)	**Six months ended June 30, 2015 (Unaudited)**	Six months ended June 30, 2014 (Unaudited)	Growth rate %
Revenue	**1,642,321**	1,434,372	14.5
Gross Profit	**254,841**	204,361	24.7
Profit before income tax	**134,414**	111,750	20.3
Income tax expense	**(35,349)**	(30,149)	17.2
Net profit attributable to equity holders	**96,519**	80,900	19.3
Net profit	**99,065**	81,601	21.4
Adjusted EBITDA	**217,821**	171,068	27.3

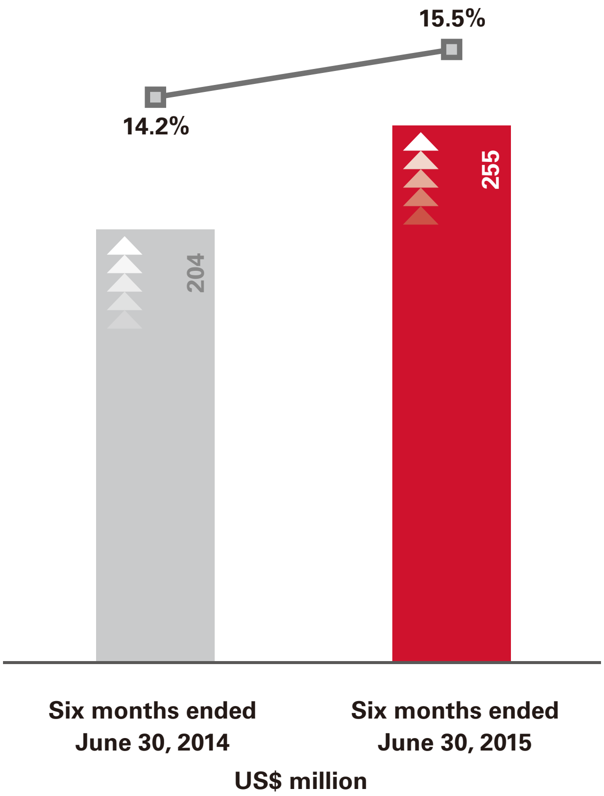
REVENUE

Growth Rate 15%



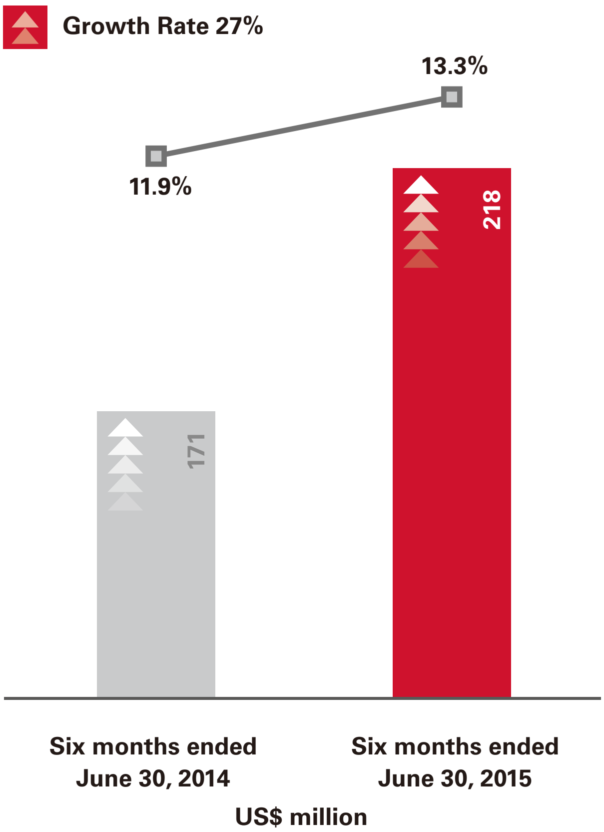
GROSS PROFIT

Growth Rate 25%

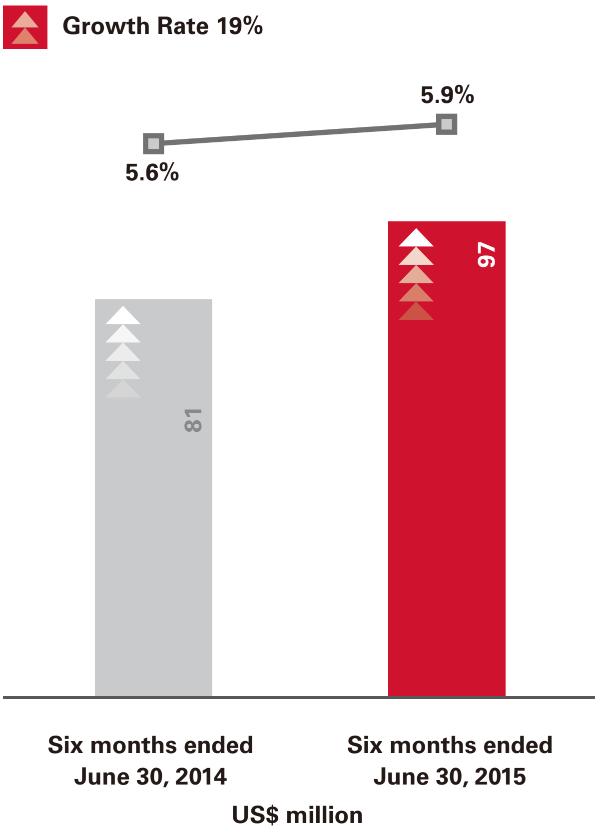


Financial Highlights

Adjusted EBITDA



Net Profit Attributable to Equity Holders



Assets and Liabilities (US'$000)	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)	Change %
Non-current assets	**1,057,461**	1,016,403	4.0
Current assets	**1,206,414**	1,225,510	(1.6)
Non-current liabilities	**838,114**	852,029	(1.6)
Current liabilities	**665,971**	681,865	(2.3)
Equity attributable to the Group's equity holders	**733,897**	683,619	7.4

These financial highlights should be read in conjunction with the Group's Unaudited Interim Condensed Consolidated Financial Information.

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis should be read in conjunction with the Unaudited Interim Condensed Consolidated Financial Statements, included herein, which have been prepared in accordance with International Accounting Standards (**IAS**) 34 "Interim Financial Reporting".

FINANCIAL REVIEW

Financial Summary

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

Operating Environment

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

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

- Successfully launched new production of awarded customer programs across multiple product segments, regions and customers
- Increased customer demand due to market strength
- Increased exposure in China through new program launches and strength of SUV, MPV and mini-van related sales
- Focused on continuous improvement in operating efficiency and cost competitiveness
- Improved product line mix (continued conversion from HPS to EPS)

Revenue

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

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

Revenue by Geographical Segments

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

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

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

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

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

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

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

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

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

Revenue by Products

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

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

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

Cost of Sales

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

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

Engineering and Product Development Costs

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

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

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

Other Losses, net

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

Administrative Expenses

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

Finance Costs, net

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

Income Tax Expense

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

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

Gross Profit and Gross Margin

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

Provisions

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

Liquidity and Capital Resources

Cash Flows

Our business requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials, capital spending for customer programs, and engineering and product development costs. We have historically met our working capital and other capital requirements principally from cash provided by operations and loans from banks. In recent years, the Group has invested extensively in capital equipment and engineering and product development costs. For the six months ended June 30, 2015, the Group invested US$80.4 million and US$54.4 million in capital equipment and engineering product development, respectively. Due to an increase in cash generated from operations, the Group has reduced the principal balance on some of its borrowings.

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

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

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

Cash Flows Generated from Operating Activities

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

Cash Flows Used in Investing Activities

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

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

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

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

Cash Flows Used in Financing Activities

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

Indebtedness

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

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

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

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

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

Details of the borrowings of the Group during the period are set out in note 12 to the Unaudited Interim Condensed Consolidated Financial Information.

Pledge of Assets

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

Exposure to Currency Rate Fluctuations and Related Hedges

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

Gearing Ratio

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

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

OTHER INFORMATION

Future Prospects

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

Employees Remuneration Policy

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

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

CORPORATE GOVERNANCE/OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

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

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

Chairman and Chief Executive Officer

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

COMPLIANCE WITH CODE ON CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

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

INTERIM DIVIDEND

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

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

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

PURCHASE, SALE OR REDEMPTION BY THE COMPANY

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

SHARE OPTION SCHEME

On June 5, 2014, the Company adopted a share option scheme (the **Share Option Scheme**).

The Board may, at its discretion, invite any Directors (excluding independent non-executive Directors), senior management as well as other key employees approved by the Board as the Participants (as defined under the Share Option Scheme).

The summary of the Options initially granted under the Share Option Scheme that were still outstanding as of June 30, 2015 are as follows:

	Grant date	Options granted	Options held at January 1, 2015	Options granted during the interim period	Options exercised during the interim period	Options cancelled/ lapsed during the interim period	Options held at June 30, 2015	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	–	–	–	1,667,970	June 11, 2014 – June 10, 2024	5.15	5.15	N/A
	June 10, 2015	1,667,970	–	1,667,970	–	–	1,667,970	June 10, 2015 – June 9, 2025	8.61	8.48	N/A
FAN, Yi	June 11, 2014	526,730	526,730	–	–	–	526,730	June 11, 2014 – June 10, 2024	5.15	5.15	N/A
	June 10, 2015	526,730	–	526,730	–	–	526,730	June 10, 2015 – June 9, 2025	8.61	8.48	N/A
LU, Daen	June 11, 2014	351,150	351,150	–	–	–	351,150	June 11, 2014 – June 10, 2024	5.15	5.15	N/A
	June 10, 2015	351,150	–	351,150	–	–	351,150	June 10, 2015 – June 9, 2025	8.61	8.48	N/A
WANG, Xiaobo	June 11, 2014	351,150	351,150	–	–	–	351,150	June 11, 2014 – June 10, 2024	5.15	5.15	N/A
	June 10, 2015	351,150	–	351,150	–	–	351,150	June 10, 2015 – June 9, 2025	8.61	8.48	N/A
Sub-total		**5,794,000**	**2,897,000**	**2,897,000**	**–**	**–**	**5,794,000**				
Senior Management											
BRESSON, Laurent Robert[4]	June 11, 2014	2,633,650	2,633,650	–	–	–	2,633,650	June 11, 2014 – June 10, 2024	5.15	5.15	N/A
	June 10, 2015	2,633,650	–	2,633,650	–	–	2,633,650	June 10, 2015 – June 9, 2025	8.61	8.48	N/A
Senior Management (in aggregate)	June 11, 2014	5,706,210	5,003,910	–	–	(234,100)	4,769,810	June 11, 2014 – June 10, 2024	5.15	5.15	N/A
	June 10, 2015	4,828,340	–	4,828,340	–	–	4,828,340	June 10, 2015 – June 9, 2025	8.61	8.48	N/A
Sub-total		**15,801,850**	**7,637,560**	**7,461,990**	**–**	**(234,100)**	**14,865,450**				
Total		**21,595,850**	**10,534,560**	**10,358,990**	**–**	**(234,100)**	**20,659,450**				

Notes:

(1) The Options must be held for one year from the respective Date of Grant (i.e. June 11, 2014 and June 10, 2015). The Options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third at each anniversary of the relevant Date of Grant of Options.

(2) The Exercise Price for the options granted on June 11, 2014 was the closing price of the shares quoted on the Stock Exchange on the trading day on the date of the grant of the Options. The closing price of the shares of the Company immediately before the date of the grant (i.e. June 10, 2014) was HK$5.07. The Exercise Price for the options granted on June 10, 2015 was the average closing price for five consecutive trading days prior to the date of the grant. The closing price of the shares of the Company immediately before the date of the grant (i.e. June 9, 2015) was HK$8.25.

(3) No Option was exercised during the period ended June 30, 2015.

(4) Mr BRESSON, Laurent Robert is the President and Global Chief Operating Officer of the Company.

(5) For the value of the Options granted during the period ended June 30, 2015, please refer to note 19 to the Unaudited Interim Condensed Consolidated Financial Information for details.

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2015, 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 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 Stock Exchange pursuant to 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	3,335,940(L)	0.13
WANG Xiao Bo	Director	Beneficial owner	702,300(L)	0.03
LU Daen	Director	Beneficial owner	702,300(L)	0.03
FAN Yi	Director	Beneficial owner	1,053,460(L)	0.04
BRESSON Laurent Robert	President and Global Chief Operating Officer	Beneficial owner	5,267,300(L)	0.21

Note:

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

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

Except as disclosed above, as at June 30, 2015, 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 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 six months ended June 30, 2015.

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

As at June 30, 2015, 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	Nature of Interest	No. of Shares	Approximate Percentage of Total Issued Shares %
Nexteer Automotive (Hong Kong) Holdings Limited (**Nexteer Hong Kong**)(1)	Beneficial owner	1,680,000,000(L)	67.26
Pacific Century Motors, Inc. (**PCM China**)(1)	Interest of controlled corporation	1,680,000,000(L)	67.26
AVIC Automobile Industry Holding Co., Ltd. (**AVIC Auto**)(1)(2)	Interest of controlled corporation	1,680,000,000(L)	67.26
Aviation Industry Corporation of China (**AVIC**)(2)	Interest of controlled corporation	1,680,000,000(L)	67.26
Mondrian Investment Partners Limited	Investment manager	174,584,000(L)	6.99

Notes:

(1) Nexteer Hong Kong is wholly-owned by PCM China, which is in turn owned as to 51% by AVIC Auto and 49% by Beijing E-Town International Investment & Development Co. Ltd. Each of PCM China and AVIC Auto is deemed to be interested in the 1,680,000,000 shares held by Nexteer Hong Kong.

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

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF NEXTEER AUTOMOTIVE GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 54, which comprises the interim condensed consolidated balance sheet of Nexteer Automotive Group Limited (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2015 and the related interim condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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羅兵咸永道

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 27, 2015

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2015

	Notes	June 30, 2015 US$'000 (Unaudited)	December 31, 2014 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**634,711**	625,924
Land use rights	7	**675**	689
Intangible assets	7	**375,791**	343,827
Investment in a joint venture	25(b)	**7,726**	5,645
Deferred income tax assets		**31,386**	29,908
Derivative financial instruments	8	**64**	–
Other receivables and prepayments	10	**7,108**	10,410
		1,057,461	1,016,403
Current assets			
Inventories		**241,887**	226,049
Trade receivables	9	**561,240**	525,225
Other receivables and prepayments	10	**76,033**	93,291
Derivative financial instruments	8	**156**	–
Restricted bank deposits		**145**	772
Cash and cash equivalents		**326,953**	380,173
		1,206,414	1,225,510
Total assets		**2,263,875**	2,241,913

The notes on pages 30 to 54 are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet (Continued)

As at June 30, 2015

	Notes	**June 30, 2015 US$'000 (Unaudited)**	December 31, 2014 US$'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	11	**32,222**	32,222
Other reserves		**271,766**	318,114
Retained earnings		**429,909**	333,283
		733,897	683,619
Non-controlling interests		**25,893**	24,400
Total equity		**759,790**	708,019
LIABILITIES			
Non-current liabilities			
Borrowings	12	**597,507**	634,012
Retirement benefits and compensations		**29,894**	29,960
Deferred income tax liabilities		**55,094**	42,696
Derivative financial instruments	8	**1,311**	543
Provisions	13	**59,403**	54,458
Deferred revenue	14	**88,302**	82,452
Other payables and accruals	16	**6,603**	7,908
		838,114	852,029
Current liabilities			
Trade payables	15	**433,220**	438,975
Other payables and accruals	16	**86,686**	77,341
Current income tax liabilities		**15,687**	14,072
Retirement benefits and compensations		**3,493**	2,757
Derivative financial instruments	8	**4,495**	3,484
Provisions	13	**23,768**	26,013
Deferred revenue	14	**22,211**	22,253
Borrowings	12	**76,411**	96,970
		665,971	681,865
Total liabilities		**1,504,085**	1,533,894
Total equity and liabilities		**2,263,875**	2,241,913

The notes on pages 30 to 54 are an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information on pages 24 to 54 were approved by the Board of Directors on August 27, 2015 and were signed on its behalf.

Fan, Yi	**Richardson, Michael Paul**
Director	*Director*

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2015

	Notes	For the six months ended June 30, 2015 US$'000 (Unaudited)	2014 US$'000 (Unaudited)
Revenue	6	**1,642,321**	1,434,372
Cost of sales	18	**(1,387,480)**	(1,230,011)
Gross profit		**254,841**	204,361
Engineering and product development costs	18	**(42,258)**	(37,009)
Selling and distribution expenses	18	**(5,701)**	(4,060)
Administrative expenses	18	**(50,206)**	(40,405)
Other losses, net	17	**(7,406)**	(706)
Operating profit		**149,270**	122,181
Finance income	20	**1,362**	978
Finance costs	20	**(16,675)**	(11,211)
Finance costs, net		**(15,313)**	(10,233)
Share of income/(loss) of a joint venture	25(b)	**457**	(198)
Profit before income tax		**134,414**	111,750
Income tax expense	21	**(35,349)**	(30,149)
Profit for the period		**99,065**	81,601
Attributable to:			
Equity holders of the Company		**96,519**	80,900
Non-controlling interests		**2,546**	701
		99,065	81,601
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
Basic and diluted	22	**0.04**	0.03
Dividend	23	**–**	–

The notes on pages 30 to 54 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2015

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

The notes on pages 30 to 54 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2015

	Attributable to equity holders of the Company								Non-controlling interests	
	Share capital US$'000 (Note 11)	Share premium US$'000	Merger reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Sub-total US$'000	US$'000	Total US$'000
For the six months ended June 30, 2014 (unaudited)										
Balance at January 1, 2014	32,222	252,643	113,000	–	(3,844)	–	173,682	567,703	23,043	590,746
Comprehensive income										
Profit for the period	–	–	–	–	–	–	80,900	80,900	701	81,601
Other comprehensive (loss)/income										
Exchange differences	–	–	–	–	(2,976)	–	–	(2,976)	(708)	(3,684)
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	–	(652)	(652)	–	(652)
Cash flow hedge	–	–	–	–	–	(110)	–	(110)	–	(110)
Total comprehensive (loss)/income	–	–	–	–	(2,976)	(110)	80,248	77,162	(7)	77,155
Transactions with owners										
Value of employee services provided under share option scheme (Note 19)	–	–	–	124	–	–	–	124	–	124
Dividends paid to shareholders (Note 23)	–	(21,654)	–	–	–	–	–	(21,654)	–	(21,654)
Balance at June 30, 2014	32,222	230,989	113,000	124	(6,820)	(110)	253,930	623,335	23,036	646,371
For the six months ended June 30, 2015 (unaudited)										
Balance at January 1, 2015	**32,222**	**230,989**	**113,000**	**1,240**	**(27,059)**	**(56)**	**333,283**	**683,619**	**24,400**	**708,019**
Comprehensive income										
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**96,519**	**96,519**	**2,546**	**99,065**
Other comprehensive (loss)/income										
Exchange Differences	**–**	**–**	**–**	**–**	**(15,082)**	**–**	**–**	**(15,082)**	**(22)**	**(15,104)**
Actuarial gains defined benefit plans, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**107**	**107**	**–**	**107**
Cash flow hedge	**–**	**–**	**–**	**–**	**–**	**11**	**–**	**11**	**–**	**11**
Total comprehensive (loss)/income	**–**	**–**	**–**	**–**	**(15,082)**	**11**	**96,626**	**81,555**	**2,524**	**84,079**
Transactions with owners										
Value of employee services provided under share option scheme (Note 19)	**–**	**–**	**–**	**1,118**	**–**	**–**	**–**	**1,118**	**–**	**1,118**
Dividends paid to shareholders (Note 23)	**–**	**(32,395)**	**–**	**–**	**–**	**–**	**–**	**(32,395)**	**–**	**(32,395)**
Dividends to non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,031)**	**(1,031)**
Balance at June 30, 2015	**32,222**	**198,594**	**113,000**	**2,358**	**(42,141)**	**(45)**	**429,909**	**733,897**	**25,893**	**759,790**

The notes on pages 30 to 54 are an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2015

	For the six months ended June 30,	
	2015 US$'000 (Unaudited)	2014 US$'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	**213,556**	101,596
Income tax paid	**(25,439)**	(25,417)
Net cash generated from operating activities	**188,117**	76,179
Cash flows from investing activities		
Purchase of property, plant and equipment	**(80,438)**	(87,132)
Addition of intangible assets	**(54,380)**	(52,933)
Proceeds from sale of property, plant and equipment	**3,705**	1,818
Changes in restricted bank deposits	**634**	(403)
Investment in a joint venture	**(1,624)**	(1,981)
Net cash used in investing activities	**(132,103)**	(140,631)
Cash flows from financing activities		
Proceeds from borrowings	**49,146**	31,752
Repayments of borrowings	**(106,966)**	(61,055)
Finance costs paid	**(19,708)**	(13,754)
Dividends paid to equity holders of the Company	**(32,395)**	(21,654)
Net cash used in financing activities	**(109,923)**	(64,711)
Net decrease in cash and cash equivalents	**(53,909)**	(129,163)
Cash and cash equivalents at January 1	**380,173**	314,120
Exchange gains on cash and cash equivalents	**689**	560
Cash and cash equivalents at June 30	**326,953**	185,517

The notes on pages 30 to 54 are an integral part of this interim condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2015

1 GENERAL INFORMATION

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

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

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

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

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

This Condensed Financial Information has not been audited.

2 BASIS OF PREPARATION

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

3 ACCOUNTING POLICIES

In addition to those described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2014, as described in those annual financial statements.

3 ACCOUNTING POLICIES (Continued)

(a) New/revised standards, amendments to standards and interpretations

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

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

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

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

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

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

4 ESTIMATES

The preparation of Condensed Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Condensed Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2014.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 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.

This Condensed Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2014.

(a) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing 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 period end, if US dollar strengthened by 10% against Euro/RMB with all other variables held constant, the equity and post-tax result for each period 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 period ended June 30, 2015 (unaudited)		
Euro	**33,074**	**256**
RMB	**22,263**	**2,783**
As at and for the period ended June 30, 2014 (unaudited)		
Euro	35,911	1,963
RMB	16,573	1,619

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. The Group has entered into forward exchange contracts to hedge currency exposure between the Mexican peso and the US dollar and the Polish zloty and the US dollar.

There have been no other changes in risk management policies since December 31, 2014.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 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)

The following table presents the Group's net liabilities that are measured at fair value at June 30, 2015 and December 31, 2014:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at June 30, 2015 (unaudited)				
Forward foreign exchange contracts	**–**	**(5,541)**	**–**	**(5,541)**
Interest rate swaps	**–**	**(45)**	**–**	**(45)**
As at December 31, 2014 (audited)				
Forward foreign exchange contracts	–	(3,971)	–	(3,971)
Interest rate swaps	–	(56)	–	(56)

There were no transfers of financial assets between fair value hierarchy classifications. There were no changes in valuation techniques during the period.

5.3 Valuation techniques used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts and an interest rate swap. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

6 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

6 SEGMENT INFORMATION (Continued)

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

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

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

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

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

6 SEGMENT INFORMATION (Continued)

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

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

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

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

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

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

6 SEGMENT INFORMATION (Continued)

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

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

7 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INTANGIBLE ASSETS

	Property, plant and equipment US$'000	Land use rights US$'000	Intangible assets US$'000
Six months ended June 30, 2015 (unaudited)			
Net book amount at January 1, 2015	**625,924**	**689**	**343,827**
Additions	**64,555**	**–**	**57,060**
Disposals	**(4,487)**	**–**	**–**
Depreciation and amortisation	**(43,446)**	**(13)**	**(25,092)**
Exchange differences	**(7,835)**	**(1)**	**(4)**
Net book amount at June 30, 2015	**634,711**	**675**	**375,791**
Six months ended June 30, 2014 (unaudited)			
Net book amount at January 1, 2014	562,540	732	271,358
Additions	63,933	–	55,529
Disposals	(2,075)	–	–
Depreciation and amortisation	(33,923)	(13)	(14,951)
Exchange differences	(5,018)	(19)	(168)
Net book amount at June 30, 2014	585,457	700	311,768

Intangible asset additions include additions for product development. Product development cost additions, including capitalised interest for the period ended June 30, 2015 were US$53,924,000 (June 30, 2014: US$51,545,000).

7 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INTANGIBLE ASSETS (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$488,108,000 as at June 30, 2015 (December 31, 2014: US$479,406,000).

8 DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2015		December 31, 2014	
	Assets US$'000 (Unaudited)	**Liabilities US$'000 (Unaudited)**	Assets US$'000 (Audited)	Liabilities US$'000 (Audited)
Forward foreign exchange contracts	**220**	**5,761**	–	3,971
Interest rate swaps – cash flow hedge	**–**	**45**	–	56
	220	**5,806**	–	4,027
Less: non-current portion				
Forward foreign exchange contracts	**(64)**	**(1,311)**	–	(487)
Interest rate swaps – cash flow hedge	**–**	**–**	–	(56)
Current portion	**156**	**4,495**	–	3,484

The notional principal amounts of the outstanding forward foreign exchange contracts as at June 30, 2015 were US$107,261,000 (December 31, 2014: US$64,800,000).

The notional principal amounts of the outstanding interest rate swap contracts as at June 30, 2015 were US$39,370,000 (December 31, 2014: US$48,615,000).

At June 30, 2015, the fixed interest rate is 0.45%, and the floating rate is 1-Month LIBOR. Gains and losses recognized in the hedging reserve in equity on the interest rate swap contract as at June 30, 2015 will be continuously released to the income statement until February 2016.

9 TRADE RECEIVABLES

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

9 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:

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

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

10 OTHER RECEIVABLES AND PREPAYMENTS

	June 30, 2015 US$'000 (Unaudited)	December 31, 2014 US$'000 (Audited)
Amounts reimbursable from customers on tools	**38,519**	45,195
Other taxes recoverable[1]	**21,267**	25,762
Prepaid assets	**16,647**	21,225
Deposits to vendors	**3,336**	2,433
Reimbursable engineering expenses	**2,979**	8,683
Others	**393**	403
	83,141	103,701
Less: non-current portion	**(7,108)**	(10,410)
Current portion	**76,033**	93,291

(1) 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.

11 SHARE CAPITAL

	Number of ordinary shares	Amount
Authorised at HK$0.10 each:		
At June 30, 2015 and December 31, 2014	4,000,000,000	HK$400,000,000
Issued and fully paid at HK$0.10 each:		
At June 30, 2015 and December 31, 2014	2,497,804,000	HK$249,780,000

12 BORROWINGS

	June 30, 2015 US$'000 (Unaudited)	December 31, 2014 US$'000 (Audited)
Non-current		
Borrowings from banks		
– secured (note (1.a))	**79,351**	71,275
– unsecured (note (1.b))	**272,379**	317,374
Notes (note (1.e))	**245,380**	245,051
Finance lease obligations (note (1.f))	**397**	312
	597,507	634,012
Current		
Borrowings from banks		
– secured, others (note (1.c))	**134**	7,284
– unsecured (note (1.d))	**1,009**	13,575
Add: current portion of		
– non-current secured borrowings from banks (note (1.a))	**14,856**	11,002
– non-current unsecured borrowings from banks (note (1.b))	**59,849**	64,725
– finance lease obligations (note (1.f))	**563**	384
	76,411	96,970
Total borrowings	**673,918**	730,982

12 BORROWINGS (Continued)

(1) Notes:

(a) This primarily includes:

(i) borrowings of US$71,429,000 as at June 30, 2015 (December 31, 2014: US$54,779,000) which bear interest at LIBOR plus 1.75% – 2.25% per annum and matures in 2019.

(ii) borrowings of US$22,778,000 as at June 30, 2015 (December 31, 2014: US$26,885,000) which bear interests at EURIBOR plus 3.1% and matures in 2020.

(b) This primarily includes bank loans totaling US$334,500,000 as at June 30, 2015 (December 31, 2014: US$365,000,000), which are guaranteed by AVIC and Beijing E-Town International Investment & Development Co., Ltd. (shareholder of Pacific Century Motors, Inc., the intermediate holding company of the Company), bear interest at LIBOR+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.

(c) This primarily includes a revolving line of credit of US$134,000 as at June 30, 2015 (December 31, 2014: US$6,377,000) borrowed by a subsidiary of the Group which bears interest at a range of LIBOR plus 1.50% to prime plus 1.75% per annum, and is secured by property, plant and equipment, trade receivables and inventories.

(d) As at June 30, 2015, this primarily includes bank loans of US$1,009,000 (December 31, 2014: US$13,575,000) borrowed by a subsidiary of the Group which bear interest at a fixed rate of 3.5%.

(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:

	June 30, 2015 **US$'000** **(Unaudited)**	December 31, 2014 US$'000 (Audited)
Within 1 year	**611**	415
Between 1 and 2 years	**301**	287
Between 2 and 5 years	**116**	30
	1,028	732
Less: future finance charges	**(68)**	(36)
	960	696

12 BORROWINGS (Continued)

(1) Notes: (Continued)

(f) Finance lease obligations (Continued)

(ii) Present value of finance lease obligations:

	June 30, 2015 US$'000 (Unaudited)	December 31, 2014 US$'000 (Audited)
Within 1 year	**563**	384
Between 1 and 2 years	**279**	283
Between 2 and 5 years	**118**	29
	960	696

(2) Maturity of borrowings

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

12 BORROWINGS (Continued)

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

	Carrying amount		Fair value	
	June 30, 2015 US$'000 (Unaudited)	December 31, 2014 US$'000 (Audited)	**June 30, 2015 US$'000 (Unaudited)**	December 31, 2014 US$'000 (Audited)
Bank borrowings	**351,730**	388,649	**360,019**	392,923
Other borrowings	**245,380**	245,051	**252,406**	245,051
Finance lease obligations	**397**	312	**397**	312
	597,507	634,012	**612,822**	638,286

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 characteristics as at the balance sheet dates. Such discount rates ranged from 1.71% – 5.38% as at June 30, 2015 (December 31, 2014: 1.71% – 3.17%), 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**

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Bank borrowings	**4.8%**	4.3%
Notes	**5.9%**	5.9%

(5) **Currency denomination**

	June 30, 2015 US$'000 (Unaudited)	December 31, 2014 US$'000 (Audited)
US$	**651,138**	704,094
Euro	**22,779**	26,885
Others	**1**	3
	673,918	730,982

13 PROVISIONS

	As at June 30, 2015 (unaudited)			As at December 31, 2014 (audited)		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Restructuring	**727**	**–**	**727**	791	–	791
Litigation (note (a))	**780**	**–**	**780**	642	–	642
Environmental liabilities (note (b))	**230**	**12,064**	**12,294**	244	12,096	12,340
Warranties (note (c))	**22,031**	**40,122**	**62,153**	24,336	35,268	59,604
Decommissioning (note (d))	**–**	**7,217**	**7,217**	–	7,094	7,094
	23,768	**59,403**	**83,171**	26,013	54,458	80,471

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
Six months ended June 30, 2015 (unaudited)						
At January 1, 2015	**791**	**642**	**12,340**	**59,604**	**7,094**	**80,471**
(Reversals)/additions	**(64)**	**281**	**–**	**13,742**	**152**	**14,111**
Payments	**–**	**(136)**	**(49)**	**(10,544)**	**–**	**(10,729)**
Exchange differences	**–**	**(7)**	**3**	**(649)**	**(29)**	**(682)**
At June 30, 2015	**727**	**780**	**12,294**	**62,153**	**7,217**	**83,171**
Six months ended June 30, 2014 (unaudited)						
At January 1, 2014	1,089	824	12,408	40,403	6,193	60,917
(Reversals)/additions	(11)	59	–	23,482	241	23,771
Payments	(45)	(214)	(143)	(2,824)	–	(3,226)
Exchange differences	–	20	–	60	(2)	78
At June 30, 2014	1,033	689	12,265	61,121	6,432	81,540

13 PROVISIONS (Continued)

Notes:

(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 the present value of remediation costs to be incurred for the restoration of the manufacturing sites upon the initial recognition of the related assets.

(c) Warranties

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.

The Group recognised US$4,100,000 in the six months ended June 30, 2015 related to a potential customer product recall event that was previously disclosed in the annual financial statements for the year ended December 31, 2014 as a subsequent event.

(d) Decommissioning

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

14 DEFERRED REVENUE

	June 30, 2015 (unaudited)			December 31, 2014 (audited)		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Pre-production activity	22,211	88,302	110,513	22,253	82,452	104,705

14 DEFERRED REVENUE (Continued)

Movement of deferred revenue is as follows:

	US$'000
Six months ended June 30, 2015 (unaudited)	
At January 1, 2015	**104,705**
Additions	**16,779**
Amortisation	**(10,969)**
Exchange differences	**(2)**
At June 30, 2015	**110,513**
Six months ended June 30, 2014 (unaudited)	
At January 1, 2014	78,662
Additions	9,310
Amortisation	(5,577)
Exchange differences	(76)
At June 30, 2014	82,319

15 TRADE PAYABLES

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

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

16 OTHER PAYABLES AND ACCRUALS

	June 30, 2015 US$'000 (Unaudited)	December 31, 2014 US$'000 (Audited)
Accrued expenses	**83,707**	75,101
Deposits from customers	**5,696**	5,837
Other taxes payable	**2,202**	3,880
Dividends payable to non-controlling shareholders of subsidiaries	**1,031**	–
Others	**653**	431
	93,289	85,249
Less: non-current portion	**(6,603)**	(7,908)
Current portion	**86,686**	77,341

17 OTHER LOSSES, NET

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

18 EXPENSE BY NATURE

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

19 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 and the period within which the option may be exercised must expire no later than 10 years from the relevant date of grant.

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 daily quotations sheet issued by The Stock Exchange of Hong Kong Limited on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares of the Company.

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

19 SHARE-BASED PAYMENTS (Continued)

On June 11, 2014, the Board 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 as at the date of grant, were granted to 15 selected participants at the exercise price of HK$5.15 per share.

On June 10, 2015, the Board approved a second grant of share options under the Scheme, pursuant to which options to subscribe for 10,358,990 shares, representing approximately 0.415% of the issued share capital of the Company as at the date of grant, were granted to 13 selected participants at the exercise price of HK$8.61 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 June 30, 2014 (unaudited)	5.15	10,535
Exercisable as at June 30, 2014	–	–
At January 1, 2015	**5.15**	**10,535**
Granted	**8.61**	**10,359**
Forfeited	**5.15**	**(234)**
At June 30, 2015 (unaudited)	**6.88**	**20,660**
Exercisable as at June 30, 2015	**5.15**	**3,512**

Share options outstanding and not yet exercisable at the end of the period have the following vesting dates and exercise prices:

	Average exercise price (per share) HK$	Outstanding options (thousands)
June 10, 2016	8.61	3,453
June 11, 2016	5.15	3,395
June 10, 2017	8.61	3,453
June 11, 2017	5.15	3,394
June 10, 2018	8.61	3,453

19 SHARE-BASED PAYMENTS (Continued)

The weighted average fair value of options granted during the period determined using a binomial valuation model was HK$4.52 per option. The significant inputs into the model were share price at the measurement date of HK$8.61, exercise price of HK$8.61, volatility of 50%, dividend yield of nil, an expected term of 8.08 years, and an annual risk-free interest rate of 1.70%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of 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 interim condensed consolidated income statement was US$1,118,000 during the six months ended June 30, 2015 (six months ended June 30, 2014: US$124,000).

20 FINANCE COSTS, NET

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

21 INCOME TAX EXPENSE

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

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

For interim income tax reporting, the Group estimates its annual effective tax rate and applies it to its ordinary income/(loss) for the six months ended June 30, 2015. The tax effects of certain unusual or infrequently occurring items, including changes in judgement about the realisability of deferred tax assets and effects of changes in tax laws or rates are recognised in the interim period in which they occur.

The effective income tax rates of 26.3% and 27.0% for the six months ended June 30, 2015 and 2014, respectively, vary from the statutory rates primarily due to tax credits, tax holidays, and foreign rate differentials in certain jurisdictions.

22 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 period.

	For the six months ended June 30,	
	2015 (Unaudited)	2014 (Unaudited)
Profit attributable to the equity holders of the Company (US$'000)	**96,519**	80,900
Weighted average number of ordinary shares in issue (thousands)	**2,497,804**	2,497,804
Basic earnings per share (in US$)	**0.04**	0.03

22 EARNINGS PER SHARE (Continued)

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

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

23 DIVIDEND

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

24 COMMITMENTS

(a) Capital commitments

The Group has capital commitments of US$106,209,000 as at June 30, 2015 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2014: US$92,476,000).

(b) Operating lease commitments

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

	June 30, 2015 US$'000 (Unaudited)	December 31, 2014 US$'000 (Audited)
Up to 1 year	**11,637**	10,798
1 to 5 years	**26,870**	29,385
Over 5 years	**10,755**	8,811
	49,262	48,994

(c) Investment commitments to joint ventures

The Group has investment commitments of US$1,692,000 as June 30, 2015 to invest in the operations of its joint venture (December 31, 2014: US$3,316,000).

25 RELATED PARTY TRANSACTIONS

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

	For the six months ended June 30,	
	2015 US$'000 (Unaudited)	2014 US$'000 (Unaudited)
Purchase of goods	**12,195**	2,571

(b) Transactions with a joint venture

On August 20, 2013, Nexteer Automotive (Suzhou) Co., Ltd. (a wholly-owned indirect 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 Chongqing Nexteer Steering Systems Co., Ltd. in China to manufacture and sell steering products. On January 22, 2014, the entity was established and legally registered as a joint venture in Chongqing. On September 12, 2014, Nexteer Automotive (Suzhou) Co., Ltd. (a wholly-owned indirect subsidiary of the Company) transferred its 50% ownership interest to Nexteer (China) Holding Co., Ltd. (a wholly-owned subsidiary of the Company).

25 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with a joint venture (Continued)

As at June 30, 2015 the Group has invested US$7,986,000 into the joint venture (December 31, 2014: US$6,362,000). For the six months ended June 30, 2015, the Group's share of gains from the joint venture amount to US$457,000 (six months ended June 30, 2014: share of losses US$198,000).

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

	For the six months ended June 30,	
	2015 US$'000 (Unaudited)	2014 US$'000 (Unaudited)
Sale of services[(i)]	**423**	–
Purchase of services	**3,360**	–

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

(c) Key management compensation

The remunerations of the CEO, directors and other key management members were as follows:

	For the six months ended June 30,	
	2015 US$'000 (Unaudited)	2014 US$'000 (Unaudited)
Basic salaries, other allowances and benefits	**3,289**	3,068
Bonuses	**3,797**	1,949
Purchase of services	**7,086**	5,017

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