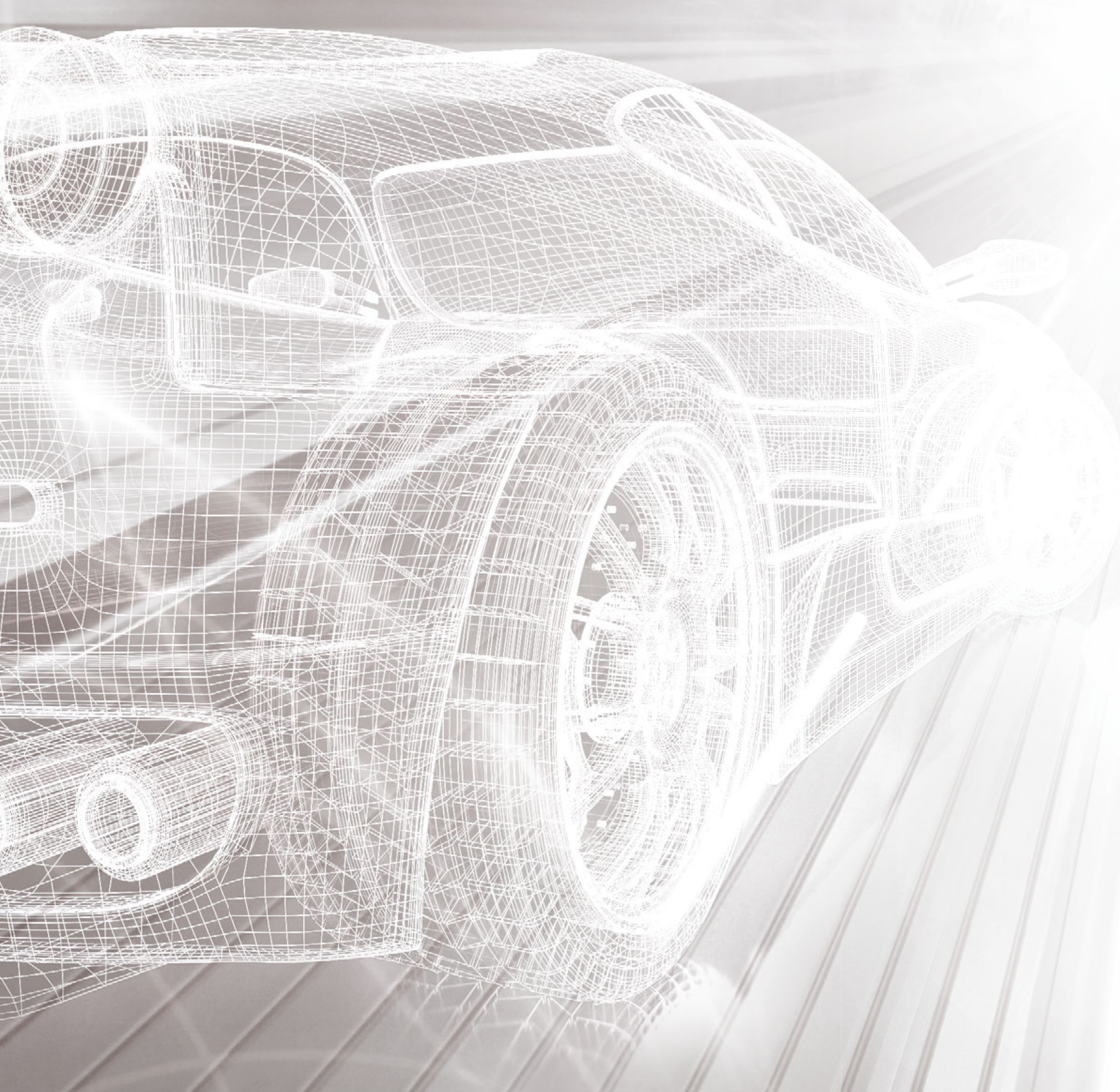
NEXTEER AUTOMOTIVE GROUP LIMITED
耐世特汽車系統集團有限公司

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

(Stock Code : 01316)

INTERIM REPORT 2016



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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, Advanced Driver Assist Systems (**ADAS**) and autonomous vehicle technologies. 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, a socially responsible technology that offers automakers increased fuel economy and reduced emissions. Nexteer Automotive has put more than 30 million Electric Power Steering (**EPS**) units on the road since 1999, saving more than 3 billion gallons of fuel.

Our ability to integrate our systems seamlessly into Original Equipment Manufacturer (**OEM**) vehicles speaks to our 110-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 sustainable growth.

We seek to be the partner of choice for our customers and suppliers by delivering dependable safety-critical products 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:	Auburn Hills, Michigan, United States of America
Manufacturing Plants:	21
Application Engineering Centers:	5
Customer Service Centers:	11
Full-Time Equivalent Global Workforce:	13,000+
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:	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)

AUTHORISED 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

1272 Doris Road
Auburn Hills, MI 48326 USA

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Wells Fargo Capital Finance
Bank of China
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
The Stock Exchange of Hong Kong Limited
(Stock code: 05826)

COMPANY WEBSITE

http://www.nexteer.com/

BUSINESS OVERVIEW

STRATEGY FOR PROFITABLE GROWTH:

- Strengthen technology leadership
- Expand and diversify revenue base
- Capitalise on EPS as enabler for ADAS
- Target China and emerging market growth
- Optimise cost structure
- Pursue select acquisitions and alliances

FIRST HALF OF 2016 BUSINESS HIGHLIGHTS

The following are some business highlights for the first half of 2016 which demonstrate Nexteer's focus on delivering profitable growth:

- Successfully launched 17 new customer programs across multiple product lines, regions and customers
- Expanded backlog to US$10.8 billion, from US$10.3 billion as at March 31, 2016, following substantial program launches
  - Transitioning to "order to delivery" backlog totalling US$24.0 billion
- Solidified engagement with key global customers to jointly develop ADAS functionality
- Increased production capacity by 25% in premium Magnasteer with Torque Overlay
- Received industry recognition for multiple accomplishments

NEW PRODUCTION LAUNCHES

With the launch of 17 major customer programs during the first six months of 2016, inclusive of 2 programs from our non-consolidated joint venture, we introduced new or improved product applications in steering columns, drivelines, HPS and EPS. 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, 2016 included:

OEMs	Vehicle Nameplate	Our Products
North America		
Ford	F250/F350 Super Duty Truck	Columns
General Motors (GM)	Cadillac XT5, GMC Acadia, Chevrolet Cruze	Rack-assist EPS (REPS), Driveline, Driveline
FIAT Chrysler Automobiles (FCA)	Chysler Pacifica	REPS, Columns
Asia Pacific		
*Chang'an	CS15, CX70	Brush motor column-assist EPS (BEPS)
Dongfeng Liuzhou (DFLZ)	Fengxing SX6, S500	Column-assist EPS (CEPS)
GM	Opel Mokka, Chevrolet Trax, Buick Encore	CEPS
Haitec	Luxgen S3	CEPS
SGM	Cadillac XT5	REPS, Driveline
Tata	Indigo	Driveline

* Related to a non-consolidated joint venture

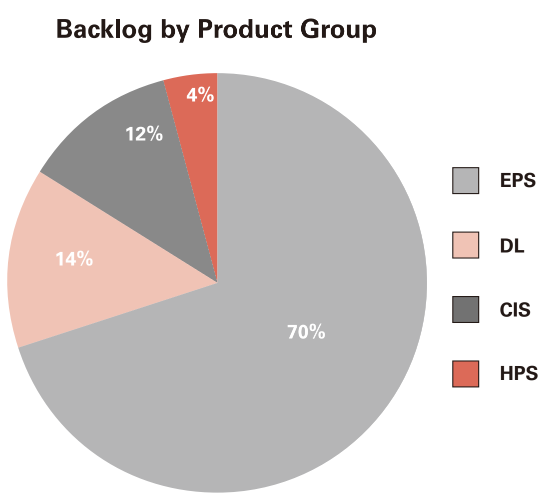
BACKLOG OF BOOKED BUSINESS

We begin to realise revenue under a new business contract at the start of production as steering systems and driveline products are first shipped to vehicle manufacturers at the time of product launch. Product launches have historically lagged the date of contract award by an average period of 24 to 30 months. We have historically presented the value of our backlog of booked business as the aggregate value of vehicle manufacturer awarded business for which we have not yet launched product (an "order to launch" backlog valuation model). At the time of a product launch pursuant to the "order to launch" backlog valuation model, we remove the total value of the booked business from the backlog presented.

Consistent with our "order to launch" backlog valuation model, as of June 30, 2016, 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$10.8 billion (the **Booked Business Amount**), compared to US$11.0 billion as of December 31, 2015. Since the time of the initial public offering, the presentation of an "order to launch" backlog most reasonably represented the growth of our EPS market share as vehicles converted from hydraulic to electric reflecting the conversion driven expansion of the EPS market. However, the "order to launch" model fails to reflect the value of revenue associated with product delivered during the period between production launch and platform end of life. Consequently in this interim reporting period, we have calculated a booked business backlog value which includes the value of awarded business for as yet undelivered product generating revenue between the time of launch through the end of the life of the respective award ("order to delivery" backlog valuation model). We believe this to be a more prevalent method used by automotive suppliers in corresponding industry disclosures. We estimate the value of all booked business under contracts that have been award, but for which we have undelivered product, amounts to approximately US$24.0 billion.

The value of booked business is not a measure defined by International Financial Reporting Standards, 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. Assumptions relative to estimated lifetime program volumes and contract performance remain unchanged from our disclosures in prior periods. 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. While we believe that our current Booked Business Amount is a relevant financial metric, we must emphasise that the information set out in this section in relation to the booked business and the Booked Business Amount shall not constitute any forecast or prediction of the revenue and 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:



PRODUCT RESEARCH & DEVELOPMENT

We have accumulated extensive technical knowledge and developed a high degree of expertise through our 110-year history as a steering and driveline systems supplier. During this time the Company has maintained a consistent focus on research and development. We have expanded the scope of innovation activities to embrace adjacent markets.

As of June 30, 2016, we had approximately 490 United States (**US**) patents and 218 non-US patents. In addition, we have nearly 400 patent applications pending.

As the automotive industry continues to redefine the future of mobility, the Company has identified a number of opportunities to pursue the development of ADAS, autonomous driving and vehicle connectivity.

ADAS and Autonomous Vehicles: Our historical focus has been on the delivery of intuitive motion control. Steering is the dominant system that provides vehicle character in terms of driver feedback and lateral directional control. As we continue to expand into adjacent markets, ADAS represents a strategic opportunity for market growth through customer-driven content added to our existing product portfolio.

The migration to higher levels of ADAS functionality requires a robust and dependable architecture. As vehicle system capabilities increase in autonomy, system automation must be fault tolerant to deliver steering functionality with high reliability.

We initiated the development of ADAS focused modules ten years ago and began system integration with global OEMs two years ago. This advanced development has yielded a range of strategic building blocks that should build fungible scale in our manufacturing operations yet deliver customer-specific functionality when applied to commercial opportunities.

Nexteer is working with three customer categories on ADAS technology development:

- Traditional OEMs
- New market entrants
- Collaborating industry peers

We have been selected to collaborate with industry leaders in all three categories. This effort requires our delivery of carefully-defined modules on customer production implementation timelines. While initial volumes are low, we view this body of work as strategic and important to our long-term financial health.

CHINA TECHNICAL CENTER

During the first half of 2016, our Suzhou China-based technical center operations were expanded to increase regional autonomy in product design, development and release of customer programs. Now hosting 150 engineers, this site has been uniquely designated as technical homeroom for brush motor-based Column EPS products.

The Company continues to expand competencies in laboratory validation, testing, Noise/Vibration/Harshness (**NVH**), prototype and materials engineering. China now serves as the template for similar expansion underway in our Poland site.

POLAND TECHNICAL CENTER

The Group has had a technical presence in Poland since 2000. During the first half of 2016, we began to expand core engineering capabilities in our Tychy, Poland site, which now hosts 50 engineers. We also continue to expand competencies in laboratory validation, testing, NVH, prototype and materials engineering.

ORGANISATIONAL CHANGES AND APPOINTMENT OF CHIEF FINANCIAL OFFICER

The Company has consolidated management responsibilities for Europe and South America under a single divisional Chief Operating Officer (**COO**). Hervé Boyer, former President North America Faurecia Interior Systems, who joined the Nexteer team on March 1, 2016 and will lead growth efforts focused in these two regions.

The board of directors of the Company (the **Board**), appointed Mr. William Quigley as a senior vice president and chief financial officer of the Company effective from June 6, 2016.

FOCUS ON OPERATIONAL EFFICIENCY AND COST COMPETITIVENESS

The Nexteer Production System (**NPS**) remains the foundation of our manufacturing operations. Originally based upon the Toyota Production System, we have been refining this world-class mindset for more than 20 years.

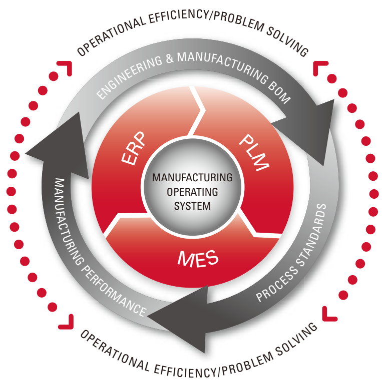
- Recent activities have been centered on the digital thread of information that begins with product design and flows through the manufacturing process. The basic tenants of NPS include work standardisation, product traceability and operator accountability. We seek a single source of truth for design and process details.

- **PLM**: The Nexteer Product Life Management (**PLM**) system was launched in 2014. Since that time, we have launched upgrades and additional modules to increase system functionality and efficiency. PLM is a key input to our new Enterprise Resource Planning (**ERP**) system and will be an enabler for process specifications and documents in our new Manufacturing Execution System (**MES**).

- **ERP**: During the first half of 2016, we launched a new ERP system across North American operations and upgraded the balance of global sites to the latest release level. This ERP upgrade brings greater visibility and opportunities for cost reduction and other efficiencies.

- **MES**: Our MES connects the digital thread from design to manufacture across the global value streams. MES provides critical data to improve production counts and process uptime. We are currently launching a pilot for our MES system in Mexico that will debut in the fourth quarter of 2016. This pilot will become the global template for all of our global manufacturing plants in the future. Benefits of system data and linkage to enterprise data include:

  - Improved capacity utilisation
  - Lower manufacturing costs
  - Improved inventory control to improve cash flow



- **Traceability**: During the first half of 2016, we launched upgrades to our product traceability system to improve the proactive analysis of systems and components. This offers our employees the ability to visualise trends in manufacturing processes. We seek to address areas of concern before they can impact our operations and potentially reach customers, reducing our cost of quality.

- **Automation**: We are expanding the use of automation in both current and new processes to increase capacity utilisation and reduce operating costs. Initial planned projects target our US operations where the highest cost per standard hour exists. Project scope comprehends extensive redesign of operator and machine interfaces. Collaborative robots will integrate with existing assembly equipment to reduce labor content. Our remaining global operations are evaluating the use of automation to improve operational efficiency and product quality. New systems will be applied where we find economic value.

REGIONAL MARKET GROWTH

China

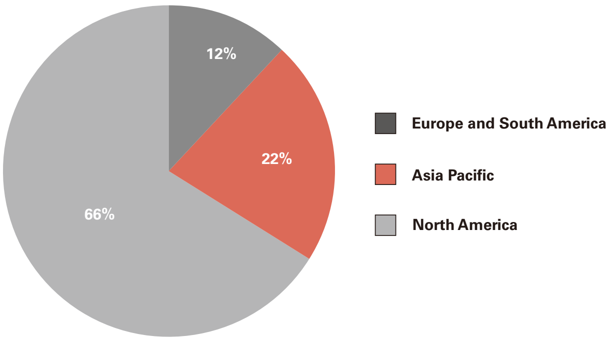
The China market continues to grow in importance to the Group. We operate as both a global tier 1 automotive supplier and as a Chinese enterprise to relate effectively with all customers and to maximise market opportunities.

The Chongqing-based joint venture with Chongqing Jianshe Industry (Group) Co., Ltd. remains focused on production launches for a range of Chang'an brand vehicles. Our product application range now includes both brush and brushless motor powered CEPS.

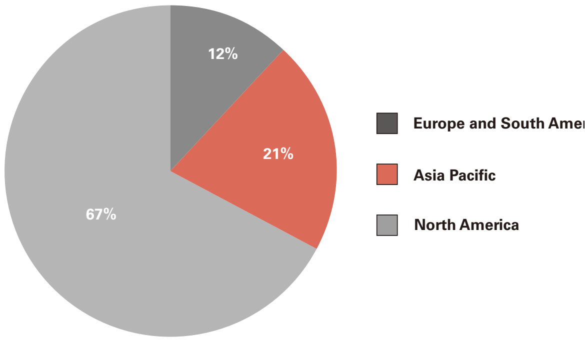
During the first half of 2016, we launched next generation brushless Modular Power Pack (**MPP**) products for both DFLZ Fengxing SX6 and S500 and Luxgen S3 from our wholly-owned Suzhou production complex. Concurrently, we are now in serial production of REPS for the Cadillac XT5 program from this site.

During the same period, the Suzhou site completed phase 2 of its prototype factory capability expansion. Achievement of this milestone added global-standard prototype process equipment to increase productive capacity.

Revenue growth for the first half of 2016 was 25.0% compared to the same period in 2015. This compares to overall China market light vehicle growth of 5.9% according to IHS Markit.



Regional revenue as a % of total revenue for the six months ended June 30, 2016



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

Indonesia

During the first half of 2016, the Company started to construct a new manufacturing site in Indonesia. This Jakarta-based operation will support customers in the strategic Association of Southeast Asian Nations (**ASEAN**) region with SAIC-GM-Wuling Automotive Co. Ltd. as our cornerstone customer. The planned product will be brush-motor based CEPS with production launch scheduled in mid-2017.

INDUSTRY RECOGNITION

Nexteer has received recognition of its manufacturing facilities during the first half of 2016.

In May 2016, Nexteer Brazil operations received the PSA Latin America Supplier Award for Logistics excellence in support of their plants.

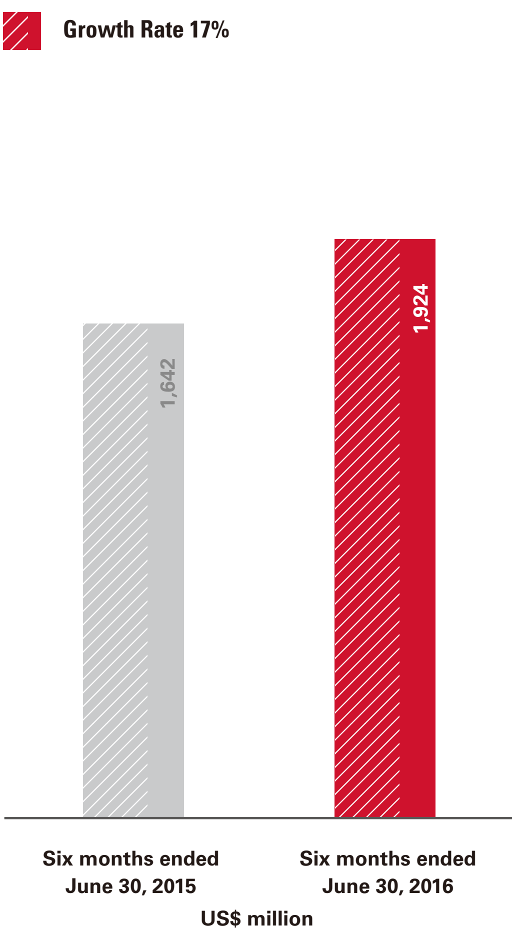
In June 2016, the Company received the GM Best Supplier Award for our plants in Mexico and Australia. This was awarded to our plants for their ability to meet or exceed the stringent quality performance criteria and achieving cross-functional support of the entire GM organisation.

The Company also received multiple awards for achieving perfect quality performance in 2015. One award was presented to our China plant from FAW-Volkswagen Automobile Co., Ltd. and Volkswagen Group for products supplied to global VW facilities. The other was received by our India operations from GM India.

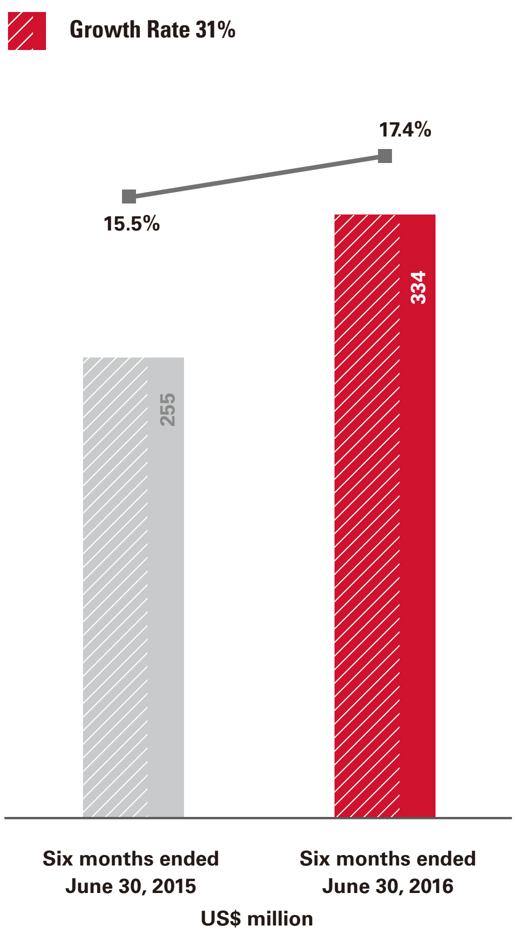
FINANCIAL HIGHLIGHTS

Results (US'$000)	Six months ended June 30, 2016 (Unaudited)	Six months ended June 30, 2015 (Unaudited)	Growth rate %
Revenue	**1,923,800**	1,642,321	17.1
Gross profit	**334,397**	254,841	31.2
Profit before income tax	**201,111**	134,414	49.6
Income tax expense	**(48,189)**	(35,349)	36.3
Profit attributable to equity holders	**148,869**	96,519	54.2
Profit for the period	**152,922**	99,065	54.4
Adjusted EBITDA	**292,282**	217,821	34.2

REVENUE



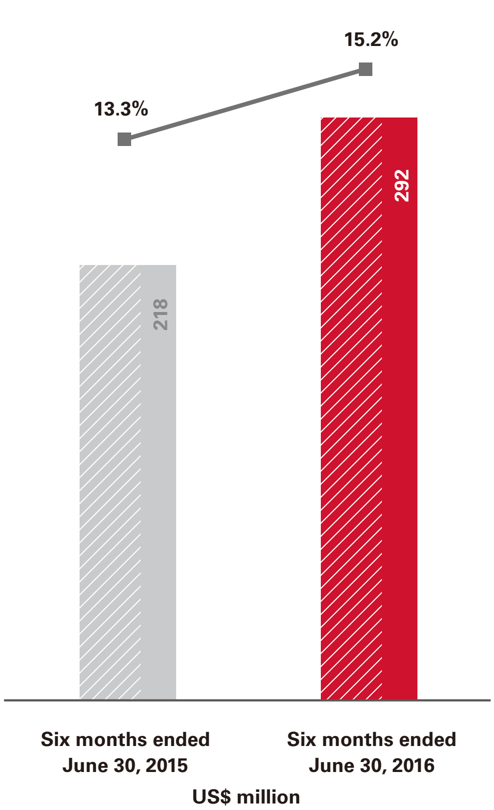
GROSS PROFIT



Financial Highlights

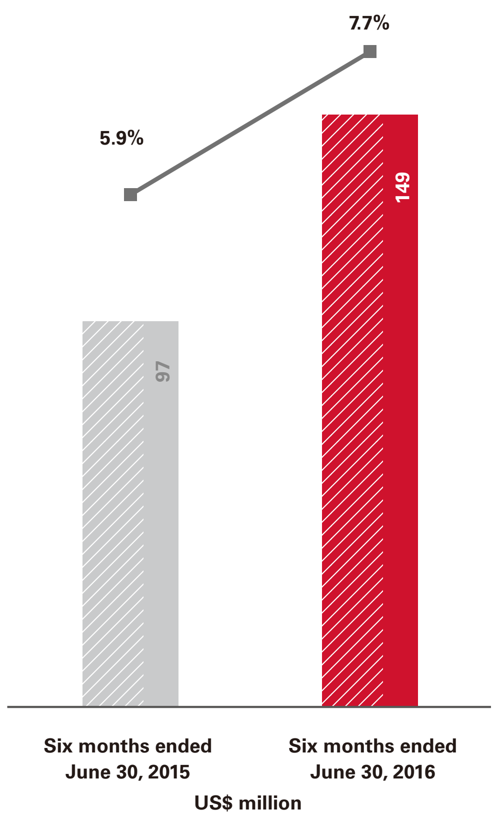
Adjusted EBITDA

Growth Rate 34%



Profit Attributable to Equity Holders

Growth Rate 54%



Assets and Liabilities (US'$000)	As at June 30, 2016 (Unaudited)	As at December 31, 2015 (Audited)	Change %
Non-current assets	**1,150,724**	1,120,672	2.7
Current assets	**1,373,112**	1,336,150	2.8
Non-current liabilities	**760,261**	795,131	(4.4)
Current liabilities	**800,779**	807,326	(0.8)
Equity attributable to the Group's equity holders	**932,423**	827,422	12.7

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis should be read in conjunction with the unaudited Condensed Consolidated Interim Financial Information, 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 2016. 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 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 macro-economic factors such as consumer confidence, fluctuations in commodity, currency, fuel prices, and regulatory environments. The Group operates primarily in North America, China, Europe, India and Brazil. Automotive industry production levels increased in the first half of 2016 over the first half of 2015 despite stable, yet lackluster, growth in the global economy. Improvements were seen in North America where global light vehicle production increased 3.8% from the six months ended June 30, 2015 to the six months ended June 30, 2016. In China, the automotive market continues to expand and thus provide a benefit to the Group. Global light vehicle production for the Asia Pacific segment in total increased 2.6% from the six months ended June 30, 2015 to the six months ended June 30, 2016, while the China market light vehicle growth alone increased 5.9% for the same period. Additionally, the Group has benefitted from strong mix with Sport Utility Vehicle's (**SUV**) in China. Global light vehicle production for the Europe and South America segment in total increased 1.1% related to an increase in the Europe market of 4.2%, offset by a decline in the South America market.

The Group's profit attributable to equity holders of the Company for the six months ended June 30, 2016 was US$148.9 million or 7.7% of total revenue, an increase of 54.2% compared to the six months ended June 30, 2015 of US$96.5 million or 5.9% 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 penetration in China through new program launches and strength of SUV, MPV and minivan related sales
- Focus 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, 2016 was US$1,923.8 million, an increase of US$281.5 million or a 17.1% increase from the six months ended June 30, 2015 of US$1,642.3 million. The Group's revenue was negatively impacted by approximately US$18.6 million of foreign exchange. The Group's revenue would have increased an additional 1.1% from the six months ended June 30, 2015 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, 2016, the Group realised an increase in revenue in each of its geographical segments.

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

	Six months ended June 30, 2016		Six months ended June 30, 2015	
	US$'000	**%**	US$'000	%
			(Restated)	
	(Unaudited)		(Unaudited)	
North America	**1,262,516**	**65.6**	1,096,924	66.8
Asia Pacific	**431,989**	**22.5**	352,957	21.5
Europe and South America	**229,295**	**11.9**	192,440	11.7
Total	**1,923,800**	**100.0**	1,642,321	100.0

(i) The change to the segment structure is discussed further in note 6 to the unaudited Condensed Consolidated Interim Financial Information.

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

- The North America segment experienced a 15.1% increase from the six months ended June 30, 2015 to the six months ended June 30, 2016, 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, combined with increased North American truck production. The North America segment launched 11 new customer programs in 2015 and 7 in the first half of 2016. The increased volume is primarily attributed to DL, EPS and CIS programs.

- The Asia Pacific segment experienced a 22.4% increase in revenue from the six months ended June 30, 2015 to the six months ended June 30, 2016. The increase is directly attributable to our increased exposure in the China market, which resulted in 25.0% revenue growth in China. The Asia Pacific segment launched 13 new customer programs in 2015 and 10 new customer programs in the first half of 2016. Additionally, main model sales to key customers were strong, providing for sales above the overall market.

- The Europe and South America segment experienced a 19.2% increase in revenue from the six months ended June 30, 2015 to the six months ended June 30, 2016. This increase is attributable to improved customer schedules offset by US$4.0 million negative foreign exchange impact. Europe and South America segment revenue would have increased 21.2% from the six months ended June 30, 2015 to the six months ended June 30, 2016, excluding the negative foreign exchange impact.

Revenue by Products

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

	Six months ended June 30, 2016		Six months ended June 30, 2015	
	US$'000 (Unaudited)	**%**	US$'000 (Unaudited)	%
Steering				
EPS	**1,189,846**	**61.8**	973,100	59.3
CIS	**318,891**	**16.6**	301,135	18.3
HPS	**96,752**	**5.0**	80,971	4.9
DL	**318,311**	**16.6**	287,115	17.5
Total	**1,923,800**	**100.0**	1,642,321	100.0

The increase in steering revenue resulted primarily from the growth of EPS products sold as the Group continues to transition 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, 2016 was US$1,589.4 million, an increase of US$201.9 million from the six months ended June 30, 2015. The Group's cost of sales for the six months ended June 30, 2016 primarily included raw material costs of US$1,111.5 million (six months ended June 30, 2015: US$936.2 million), manufacturing expense of US$442.6 million (six months ended June 30, 2015: US$416.8 million), as well as other costs of sales of US$35.3 million (six months ended June 30, 2015: US$34.5 million).

The Group's cost of sales increased as a result of increased sales volume, partially offset by cost efficiencies in raw material. The Group experienced increased depreciation on property, plant and equipment, and increased amortisation of capitalised product development costs in the six months ended June 30, 2016 when compared to the first six months of 2015. The increase in depreciation and amortisation is consistent with an increase in programs launched. Depreciation and amortisation charged to cost of sales for the six months ended June 30, 2016 was US$73.7 million, an increase of US$8.4 million from the six months ended June 30, 2015.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$31.7 million for the six months ended June 30, 2016, representing 1.6% of revenue, an increase of US$6.9 million from US$24.8 million or 1.5% of revenue for the six months ended June 30, 2015. We expect amortisation expense to continue to increase in future years with the launch of new programs that are currently in development.

Engineering and Product Development Costs

For the six months ended June 30, 2016, the Group's engineering and product development costs charged to the income statement was US$64.4 million, representing 3.3% of revenue, an increase of US$22.1 million from US$42.3 million or 2.6% of revenue for the six months ended June 30, 2015. 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 in support of current and future business.

Engineering development costs capitalised as intangible assets, including capitalised interest, for the six months ended June 30, 2016 were US$57.4 million (six months ended June 30, 2015: US$53.9 million).

The Group recorded a product development intangible asset impairment of US$12.2 million related to further declines in the Brazilian economy. The impairment is recorded in the condensed consolidated income statement as engineering and product development costs in the North American segment. The intangible asset impairment associated with the Brazil operations is recorded in the North American segment due to the Company's US domiciled intellectual property holdings.

Other Gains (Losses), net

Other gains (losses), net represents gains attributable to foreign exchange transactions, loss on disposal of property, plant and equipment, and fair value losses on derivative financial instruments. Other gains for the six months ended June 30, 2016 were US$7.7 million, an increase of US$15.1 million compared to the six months ended June 30, 2015. The increase is driven by favorable foreign exchange transaction gain offset by losses on disposal of property, plant and equipment, and derivative financial instruments associated with foreign exchange contracts.

Administrative Expenses

The Group's administrative expenses for the six months ended June 30, 2016 were US$55.0 million, an increase of US$4.8 million compared to the six months ended June 30, 2015 reflecting increased support aligned to our strategy of continued growth.

Finance Costs, net

Finance costs, net, consist of interest income and expense reduced by interest capitalised on qualifying assets and product development. The Group's net finance costs for the six months ended June 30, 2016 were US$15.8 million which is consistent with US$15.3 million for the six months ended June 30, 2015.

Income Tax Expense

The Group's income tax expense was US$48.2 million for the six months ended June 30, 2016, representing 24.0% of the Group's profit before income tax, an increase of US$12.9 million from US$35.3 million, or 26.3% of profit before tax for the six months ended June 30, 2015.

The US$12.9 million increase in income tax expense is primarily the result of additional income tax expense incurred on the incremental US$66.7 million of profit before tax for the six months ended June 30, 2016. The change in the mix of income generated by US and non-US operations favorably impacted the effective tax rate for the six months ended June 30, 2016.

Gross Profit

The Group's gross profit for the six months ended June 30, 2016 was US$334.4 million, an increase of US$79.6 million or 31.2% from US$254.8 million for the six months ended June 30, 2015. Gross profit percentage for the six months ended June 30, 2016 was 17.4%, a 1.9% increase from 15.5% for the six months ended June 30, 2015. The increase in both gross profit and gross profit percentage was attributable to increased market growth, continued rotation to EPS and the effect of cost improvement initiatives. Their benefits were partially offset by depreciation on property, plant and equipment, and amortisation of capitalised product development costs.

Provisions

As at June 30, 2016, the Group has provisions of US$96.6 million for legal disputes, environmental liabilities, warranties and decommissioning, an increase of US$6.9 million from US$89.7 million as at December 31, 2015. 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 generated from 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, 2016, the Group invested US$88.1 million and US$57.1 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 certain of its borrowings.

The Company was free cash flow positive for the period ended June 30, 2016. 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 consolidated statement of cash flows for the Group for the periods indicated:

	Six months ended June 30, 2016 US$'000 (Unaudited)	Six months ended June 30, 2015 US$'000 (Unaudited)
Cash generated from (used in):		
Operating Activities	**168,572**	188,117
Investing Activities	**(144,372)**	(132,103)
Financing Activities	**(96,564)**	(109,923)
Net decrease in cash and cash equivalents	**(72,364)**	(53,909)

Cash Flows Generated from Operating Activities

For the six months ended June 30, 2016, the Group's net cash generated from operating activities was US$168.6 million, a decrease of US$19.5 million compared to US$188.1 million for the six months ended June 30, 2015. The decrease in cash flows from operating activities is primarily due to increased working capital to support higher income and increased taxes related to our earnings growth.

Cash Flows Used in Investing Activities

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

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

	Six months ended June 30, 2016 US$'000 (Unaudited)	Six months ended June 30, 2015 US$'000 (Unaudited)
Purchase of property, plant and equipment	**(88,056)**	(80,438)
Addition of intangible assets	**(57,134)**	(54,380)
Proceeds from sale of property, plant and equipment	**839**	3,705
Changes in restricted bank deposits	**(21)**	634
Investment in a joint venture	**–**	(1,624)
Net cash used in investing activities	**(144,372)**	(132,103)

Cash Flows Used in Financing Activities

The Group's net cash used in financing activities was US$96.6 million for the six months June 30, 2016, which was mainly attributable to the net repayment of borrowings of US$36.8 million, finance costs paid of US$19.8 million, and dividends paid of US$39.9 million.

Indebtedness

As at June 30, 2016, the Group's total borrowings were US$605.5 million which is a US$36.2 million decrease from December 31, 2015. This decrease is primarily due to the utilisation of cash generated from 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:

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
Current borrowings	**81,116**	80,483
Non-current borrowings	**522,296**	559,349
Finance lease obligations	**2,102**	1,891
Total borrowings	**605,514**	641,723

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

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
Within 1 year	**81,774**	81,184
Between 1 and 2 years	**75,227**	75,115
Between 2 and 5 years	**198,782**	236,051
Over 5 years	**249,731**	249,373
Total borrowings	**605,514**	641,723

Details of the borrowings of the Group during the period are set out in note 12 to the unaudited Condensed Consolidated Interim 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, inventories, property, plant and equipment, equity interests of certain subsidiaries, and intellectual property. As at June 30, 2016, the Group had approximately US$1,072.6 million total assets pledged as collateral, an increase of US$103.7 million from US$968.9 million as of December 31, 2015.

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. Historically, the Group hedged its USD exposure risk to the Mexican Peso, Polish Zloty and European Euro by participating in a hedging program that included forward exchange contracts. During June 2016, the Company settled all outstanding foreign currency forward contracts for US$5.9 million.

Gearing Ratio

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

The gearing ratio as of June 30, 2016 was 62.9%, a decrease of 12.2% from December 31, 2015 which was 75.1%. The ratio decreased compared to 2015 due to improved profits and lower total borrowings.

OTHER INFORMATION

Future Prospects

The Group strives to be a leader in global advanced steering and driveline systems, ADAS and autonomous vehicle technologies by leveraging technology leadership. Our global footprint allows us to capitalise 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, 2016, the Group had over 13,000 full-time equivalents. The Group's remuneration policies are formulated based on the performance of individual employees and the Group's performance and are reviewed on a regular basis. Our full time employees participate in various employee benefit plans including retirement benefits, extended disability benefits and workers' compensation. In addition, we have adopted employee incentive plans designed to attract, retain, 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 and Corporate Governance Report (the **Hong Kong CG Code**) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**).

Except as expressly described below, in the opinion of the directors of the Company (the **Directors**), the Company has complied with all applicable code provisions set out in the Hong Kong CG Code throughout the six months ended June 30, 2016.

Chairman and Chief Executive Officer

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

COMPLIANCE WITH CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the **Model Code**) as set out in Appendix 10 to 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, all Directors have confirmed that they complied with the required standards set out in the Model Code for the six months ended June 30, 2016.

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.

RISK MANAGEMENT

The Company has adopted an internal control system and risk management system and associated procedures and shall conduct reviews of the effectiveness of the risk management and internal control system of the Group.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directors' biographical details of the Company since the date of the 2015 annual report of the Company are as follows:

Mr. TSANG, Hing Lun (曾慶麟), an independent non-executive Director, was appointed as an independent non-executive director, the chairman of the audit committee and the member of nomination committee of China Shipping Container Lines Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 2866) and on the Shanghai Stock Exchange (stock code: 601866), on June 30, 2016.

Mr. LU, Daen (錄大恩), a non-executive Director, resigned as the general manager of AVIC Automobile Systems Holding Co., Ltd. on August 11, 2016 and was appointed as the general manager of AVIC Capital Holdings Co., Ltd. (中航資本控股股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600705), on August 12, 2016.

Except as disclosed above, there is no other change in the Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of 2015 annual report of the Company.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2016.

AUDIT AND COMPLIANCE COMMITTEE AND REVIEW OF CONDENSED CONSOLIDATED INTERIM 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, 2016. 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 OF LISTED SECURITIES 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, 2016.

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 and still outstanding as of June 30, 2016 are as follows:

	Grant date	Options granted	Options held at January 1, 2016	Options granted during the interim period	Options exercised during the interim period	Options cancelled/ lapsed during the interim period	Options held at June 30, 2016	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	5.150	5.150	N/A
	June 10, 2015	1,667,970	1,667,970	–	–	–	1,667,970	June 10, 2015 – June 9, 2025	8.610	8.480	N/A
	June 10, 2016	1,667,970	–	1,667,970	–	–	1,667,970	June 10, 2016 – June 9, 2026	7.584	7.340	N/A
FAN, Yi	June 11, 2014	526,730	526,730	–	–	–	526,730	June 11, 2014 – June 10, 2024	5.150	5.150	N/A
	June 10, 2015	526,730	526,730	–	–	–	526,730	June 10, 2015 – June 9, 2025	8.610	8.480	N/A
	June 10, 2016	526,730	–	526,730	–	–	526,730	June 10, 2016 – June 9, 2026	7.584	7.340	N/A
LU, Daen	June 11, 2014	351,150	351,150	–	–	–	351,150	June 11, 2014 – June 10, 2024	5.150	5.150	N/A
	June 10, 2015	351,150	351,150	–	–	–	351,150	June 10, 2015 – June 9, 2025	8.610	8.480	N/A
	June 10, 2016	351,150	–	351,150	–	–	351,150	June 10, 2016 – June 9, 2026	7.584	7.340	N/A
WANG, Xiaobo	June 11, 2014	351,150	351,150	–	–	–	351,150	June 11, 2014 – June 10, 2024	5.150	5.150	N/A
	June 10, 2015	351,150	351,150	–	–	–	351,150	June 10, 2015 – June 9, 2025	8.610	8.480	N/A
	June 10, 2016	351,150	–	351,150	–	–	351,150	June 10, 2016 – June 9, 2026	7.584	7.340	N/A
Sub-total		**8,691,000**	**5,794,000**	**2,897,000**	**–**	**–**	**8,691,000**				
Senior Management											
BRESSON, Laurent Robert[4]	June 11, 2014	2,633,650	2,633,650	–	–	–	2,633,650	June 11, 2014 – June 10, 2024	5.150	5.150	N/A
	June 10, 2015	2,633,650	2,633,650	–	–	–	2,633,650	June 10, 2015 – June 9, 2025	8.610	8.480	N/A
	June 10, 2016	2,633,650	–	2,633,650	–	–	2,633,650	June 10, 2016 – June 9, 2026	7.584	7.340	N/A
Senior Management (in aggregate)	June 11, 2014	5,706,210	2,633,640	–	–	–	2,633,640	June 11, 2014 – June 10, 2024	5.150	5.150	N/A
	June 10, 2015	4,828,340	2,809,220	–	–	–	2,809,220	June 10, 2015 – June 9, 2025	8.610	8.480	N/A
	June 10, 2016	5,071,840	–	5,071,840	–	–	5,071,840	June 10, 2016 – June 9, 2026	7.584	7.340	N/A
Sub-total		**23,507,340**	**10,710,160**	**7,705,490**	**–**	**–**	**18,415,650**				
Total		**32,198,340**	**16,504,160**	**10,602,490**	**–**	**–**	**27,106,650**				

Notes:

(1) The options granted in 2014, 2015 and 2016 must be held for one year from June 11, 2014, June 10, 2015 and June 10, 2016 respectively. The options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third at each anniversary of the date of grant of share options.

(2) The exercise price for the options granted on June 11, 2014 was the closing price of the shares quoted on The Stock Exchange of Hong Kong Limited (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. The exercise price for the options granted on June 10, 2016 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 8, 2016) was HK$7.15.

(3) No options were exercised during the six month period ended June 30, 2016.

(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 six month period ended June 30, 2016, please refer to note 19 to the unaudited Condensed Consolidated Interim Financial Information for details.

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

As at June 30, 2016, the interests or short positions of the Directors or chief executives of the Company in the shares of the Company (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 % (2)
ZHAO Guibin	Director	Beneficial owner	5,003,910(L)	0.20
WANG Xiao Bo	Director	Beneficial owner	1,053,450(L)	0.04
LU Daen	Director	Beneficial owner	1,053,450(L)	0.04
FAN Yi	Director	Beneficial owner	1,580,190(L)	0.06
BRESSON Laurent Robert	President and Global Chief Operating Officer	Beneficial owner	7,900,950(L)	0.32

Notes:

(L) Denotes a long position in the Shares.

(1) These represent the interests in underlying Shares in respect of the options granted by the Company.

(2) The calculation is based on the total number of 2,498,477,040 shares in issue as at June 30, 2016.

Except as disclosed above, as at June 30, 2016, 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, 2016.

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

As at June 30, 2016, 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 % (1)
Nexteer Automotive (Hong Kong) Holdings Limited (**Nexteer Hong Kong**)(2)	Beneficial owner	1,680,000,000(L)	67.24
Pacific Century Motors, Inc. (**PCM China**)(2)	Interest of controlled corporation	1,680,000,000(L)	67.24
AVIC Automobile Systems Holding Co., Ltd. (formerly known as AVIC Automobile Industry Holding Co., Ltd.) (**AVIC Auto**)(3)	Interest of controlled corporation	1,680,000,000(L)	67.24
Aviation Industry Corporation of China (**AVIC**)(3)	Interest of controlled corporation	1,680,000,000(L)	67.24
Mondrian Investment Partners Limited	Investment manager	174,584,000(L)	6.99

Notes:

(L) Denotes a long position in the Shares.

(1) The calculation is based on the total number of 2,498,477,040 shares in issue as at June 30, 2016.

(2) Nexteer Hong Kong is wholly-owned by PCM China, which is in turn owned as to 51% by AVIC Auto and as to 49% by Beijing E-Town International Automotive Investment & Management Co. Ltd. (北京亦庄國際汽車投資管理有限公司) (a direct wholly-owned subsidiary of 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.

(3) AVIC Auto is owned as to 70.11% by AVIC, 22.47% by China National Guizhou Aviation Industry Group Co. Ltd (中國貴州航空工業(集團)有限責任公司) and 7.42% by Beijing E-Town International Automotive Investment & Management Co. Ltd. (北京亦庄國際汽車投資管理有限公司) AVIC is deemed to be interested in the 1,680,000,000 Shares held by Nexteer Hong Kong.

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 26 to 58, 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, 2016 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.

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

羅兵咸永道

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 17, 2016

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2016

	Notes	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**699,015**	685,275
Land use rights	7	**608**	634
Intangible assets	7	**422,719**	407,671
Deferred income tax assets		**9,284**	11,083
Other receivables and prepayments	10	**7,702**	6,107
Investment in a joint venture	25(b)	**11,396**	9,902
		1,150,724	1,120,672
Current assets			
Inventories		**258,104**	253,942
Trade receivables	9	**673,021**	569,978
Other receivables and prepayments	10	**93,244**	94,523
Derivative financial instruments	8	**–**	659
Restricted bank deposits		**177**	148
Cash and cash equivalents		**348,566**	416,900
		1,373,112	1,336,150
Total assets		**2,523,836**	2,456,822

The notes on pages 32 to 58 are an integral part of this condensed consolidated interim financial information.

Interim Condensed Consolidated Balance Sheet (Continued)

As at June 30, 2016

	Notes	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	**32,231**	32,231
Other reserves		**211,673**	255,575
Retained earnings		**688,519**	539,616
		932,423	827,422
Non-controlling interests		**30,373**	26,943
Total equity		**962,796**	854,365
LIABILITIES			
Non-current liabilities			
Borrowings	12	**523,740**	560,539
Retirement benefits and compensations		**18,843**	17,544
Deferred income tax liabilities		**46,947**	51,503
Provisions	13	**75,307**	65,955
Deferred revenue	14	**89,656**	92,416
Other payables and accruals	16	**5,768**	7,174
		760,261	795,131
Current liabilities			
Trade payables	15	**552,068**	558,769
Other payables and accruals	16	**92,321**	97,562
Current income tax liabilities		**26,207**	12,503
Retirement benefits and compensations		**3,688**	2,949
Derivative financial instruments	8	**–**	5,878
Provisions	13	**21,325**	23,771
Deferred revenue	14	**23,396**	24,710
Borrowings	12	**81,774**	81,184
		800,779	807,326
Total liabilities		**1,561,040**	1,602,457
Total equity and liabilities		**2,523,836**	2,456,822

The notes on pages 32 to 58 are an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 26 to 58 were approved by the Board of Directors on August 17, 2016 and were signed on its behalf.

Fan, Yi
Director

Richardson, Michael Paul
Director

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2016

	Notes	For the six months ended June 30, 2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Revenue	6	**1,923,800**	1,642,321
Cost of sales	18	**(1,589,403)**	(1,387,480)
Gross profit		**334,397**	254,841
Engineering and product development costs	18	**(64,413)**	(42,258)
Selling and distribution expenses	18	**(7,226)**	(5,701)
Administrative expenses	18	**(55,049)**	(50,206)
Other gains (losses), net	17	**7,739**	(7,406)
Operating profit		**215,448**	149,270
Finance income	20	**611**	1,362
Finance costs	20	**(16,442)**	(16,675)
Finance costs, net		**(15,831)**	(15,313)
Share of income of a joint venture	25(b)	**1,494**	457
Profit before income tax		**201,111**	134,414
Income tax expense	21	**(48,189)**	(35,349)
Profit for the period		**152,922**	99,065
Attributable to:			
Equity holders of the Company		**148,869**	96,519
Non-controlling interests		**4,053**	2,546
		152,922	99,065
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
Basic and diluted	22	**0.06**	0.04

The notes on pages 32 to 58 are an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2016

	For the six months ended June 30,	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit for the period	**152,922**	99,065
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit plans, net of tax of US$34,000 (six months ended June 30, 2015: US$47,000)	**34**	107
Items that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**(6,806)**	(15,104)
Cash flow hedges	**890**	11
	(5,882)	(14,986)
Total comprehensive income for the period	**147,040**	84,079
Attributable to:		
Equity holders of the Company	**143,610**	81,555
Non-controlling interests	**3,430**	2,524
	147,040	84,079

The notes on pages 32 to 58 are an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2016

	Attributable to equity holders of the Company								Non–controlling interests	
	Share capita 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, 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 on 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
For the six months ended June 30, 2016 (Unaudited)										
Balance at January 1, 2016	**32,231**	**198,851**	**113,000**	**3,965**	**(59,351)**	**(890)**	**539,616**	**827,422**	**26,943**	**854,365**
Comprehensive income										
Profit for the period	–	–	–	–	–	–	**148,869**	**148,869**	**4,053**	**152,922**
Other comprehensive (loss) income										
Exchange Differences	–	–	–	–	**(6,183)**	–	–	**(6,183)**	**(623)**	**(6,806)**
Actuarial gains on defined benefit plans, net of tax	–	–	–	–	–	–	**34**	**34**	–	**34**
Cash flow hedge	–	–	–	–	–	**890**	–	**890**	–	**890**
Total comprehensive (loss) income	–	–	–	–	**(6,183)**	**890**	**148,903**	**143,610**	**3,430**	**147,040**
Transactions with owners										
Value of employee services provided under share option scheme (Note 19)	–	–	–	**1,304**	–	–	–	**1,304**	–	**1,304**
Dividends paid to shareholders (Note 23)	–	**(39,913)**	–	–	–	–	–	**(39,913)**	–	**(39,913)**
Balance at June 30, 2016	**32,231**	**158,938**	**113,000**	**5,269**	**(65,534)**	–	**688,519**	**932,423**	**30,373**	**962,796**

The notes on pages 32 to 58 are an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2016

	For the six months ended June 30,	
	2016 **US$'000** **(Unaudited)**	2015 US$'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	**199,142**	213,556
Income tax paid	**(30,570)**	(25,439)
Net cash generated from operating activities	**168,572**	188,117
Cash flows from investing activities		
Purchase of property, plant and equipment	**(88,056)**	(80,438)
Addition of intangible assets	**(57,134)**	(54,380)
Proceeds from sale of property, plant and equipment	**839**	3,705
Changes in restricted bank deposits	**(21)**	634
Investment in a joint venture	**–**	(1,624)
Net cash used in investing activities	**(144,372)**	(132,103)
Cash flows from financing activities		
Proceeds from borrowings	**2,321**	49,146
Repayments of borrowings	**(39,157)**	(106,966)
Finance costs paid	**(19,815)**	(19,708)
Dividends paid to equity holders of the Company	**(39,913)**	(32,395)
Net cash used in financing activities	**(96,564)**	(109,923)
Net decrease in cash and cash equivalents	**(72,364)**	(53,909)
Cash and cash equivalents at January 1	**416,900**	380,173
Exchange gains on cash and cash equivalents	**4,030**	689
Cash and cash equivalents at June 30	**348,566**	326,953

The notes on pages 32 to 58 are an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2016

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, advanced driver assist systems (**ADAS**) and autonomous vehicle technologies. 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 South America and Asia Pacific.

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 17, 2016.

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, 2015, which have been prepared in accordance with all applicable 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, 2015, 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 relevant to the Group and mandatory for the accounting period beginning on January 1, 2016:

IAS 1 (Amendment)	Disclosure Initiative
Annual Improvements 2014	Annual Improvements 2012-2014 cycle

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 relevant to the Group have been issued but are not yet effective for the financial year beginning January 1, 2016 and have not been early adopted:

		Effective for accounting periods beginning on or after
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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, 2015.

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. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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, 2015.

(a) Market risk

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

(i) Foreign exchange risk

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

As at each period end, excluding transactional foreign exchange differences, 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, 2016 (Unaudited)		
Euro	**34,785**	**1,348**
RMB	**29,303**	**4,510**
As at and for the period ended June 30, 2015 (Unaudited)		
Euro	33,074	256
RMB	22,263	2,783

A weakening of the US dollar by 10% 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.

There have been no other changes in risk management policies since December 31, 2015.

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 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 Group had no assets or liabilities measured at fair value at June 30, 2016. As at December 31, 2015, the Group had forward foreign exchange contracts in the amount of US$5,213,000 and interest rate swaps of US$6,000 which were carried at fair value and were all classified within level 2.

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

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Fair value estimation (Continued)

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

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

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

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.

In January 2016, the Company restructured its internal organisation and management structure which resulted in a change in reportable segments. Brazil operations previously reported within the Rest of World segment were combined with the previously reported Europe segment, the result of which is the Europe and South America segment. The operations for all other entities within the Rest of World segment were combined with the previously reported China segment, the result of which is the Asia Pacific segment. Comparative information for the 2015 reporting periods has been restated under the new segment structure.

Under the segment structure implemented in 2016, the Group classifies its businesses into three reportable segments: North America, Europe and South America, and Asia Pacific. 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 amortisation and share of results 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

6 SEGMENT INFORMATION (Continued)

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

	North America US$'000	Asia Pacific US$'000	Europe and South America US$'000	Others US$'000	Total US$'000
For the six months ended June 30, 2016 (Unaudited)					
Total revenue	**1,284,070**	**450,656**	**229,893**	**–**	**1,964,619**
Inter-segment revenue	**(21,554)**	**(18,667)**	**(598)**	**–**	**(40,819)**
Revenue from external customers	**1,262,516**	**431,989**	**229,295**	**–**	**1,923,800**
Adjusted EBITDA	**205,297**	**75,201**	**13,775**	**(1,991)**	**292,282**
For the six months ended June 30, 2015 (Restated) (Unaudited)					
Total revenue	1,122,083	364,730	192,857	–	1,679,670
Inter-segment revenue	(25,159)	(11,773)	(417)	–	(37,349)
Revenue from external customers	1,096,924	352,957	192,440	–	1,642,321
Adjusted EBITDA	162,801	54,048	4,104	(3,132)	217,821

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 interim condensed consolidated income statement.

6 SEGMENT INFORMATION (Continued)

	North America US$'000	Asia Pacific US$'000	Europe and South America US$'000	Others US$'000	Total US$'000
As at June 30, 2016 (Unaudited)					
Total assets	**1,589,872**	**643,737**	**346,786**	**(56,559)**	**2,523,836**
Total liabilities	**(810,202)**	**(318,220)**	**(147,214)**	**(285,404)**	**(1,561,040)**
As at December 31, 2015 (Restated) (Audited)					
Total assets	1,546,181	663,484	330,524	(83,367)	2,456,822
Total liabilities	(842,635)	(384,473)	(122,340)	(253,009)	(1,602,457)

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

	For the six months ended June 30,	
	2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Adjusted EBITDA from reportable segments	**292,282**	217,821
Depreciation and amortisation expenses	**(76,834)**	(68,551)
Finance costs, net	**(15,831)**	(15,313)
Share of income of a joint venture	**1,494**	457
Profit before income tax	**201,111**	134,414

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, 2016, the North America segment and Asia Pacific segment recognised US$12,353,000 (six months ended June 30, 2015: US$10,052,000) and US$1,159,000 (six months ended June 30, 2015: US$917,000) respectively.

6 SEGMENT INFORMATION (Continued)

The geographic distribution of revenue for the six months ended June 30, 2016 and 2015 respectively is as follows:

	For the six months ended June 30,	
	2016 **US$'000** **(Unaudited)**	2015 US$'000 (Restated) (Unaudited)
North America:		
US	**872,016**	762,347
Mexico	**390,500**	334,577
Asia Pacific:		
China	**412,137**	329,822
Rest of Asia Pacific	**19,852**	23,135
Europe and South America:		
Poland	**207,950**	174,648
Rest of Europe and South America	**21,345**	17,792
	1,923,800	1,642,321

The geographic distribution of non-current assets excluding deferred income tax assets as at June 30, 2016 and December 31, 2015 respectively is as follows:

	As at June 30, 2016 **US$'000** **(Unaudited)**	As at December 31, 2015 US$'000 (Restated) (Audited)
North America:		
US	**714,236**	708,403
Mexico	**118,674**	111,833
Asia Pacific:		
China	**177,136**	174,103
Rest of Asia Pacific	**7,174**	6,791
Europe and South America:		
Poland	**105,526**	99,384
Rest of Europe and South America	**18,694**	9,075
	1,141,440	1,109,589

6 SEGMENT INFORMATION (Continued)

Distribution of revenue between product lines for the six months ended June 30, 2016 and 2015 respectively is as follows:

	For the six months ended June 30,			
	2016 US$'000 (Unaudited)	**% of Revenue**	2015 US$'000 (Unaudited)	% of Revenue
Steering				
EPS	**1,189,846**	**61.8**	973,100	59.3
CIS	**318,891**	**16.6**	301,135	18.3
HPS	**96,752**	**5.0**	80,971	4.9
DL	**318,311**	**16.6**	287,115	17.5
Total	**1,923,800**	**100.0**	1,642,321	100.0

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,	
	2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
General Motors Group and its affiliates	**844,799**	799,749
Customer A	**404,748**	306,638
Customer B	**264,163**	204,369
	1,513,710	1,310,756

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, 2016 (Unaudited)			
Net book amount at January 1, 2016	**685,275**	**634**	**407,671**
Additions	**59,146**	**–**	**59,685**
Disposals	**(1,251)**	**–**	**–**
Impairments	**–**	**–**	**(12,249)**
Depreciation and amortisation	**(44,884)**	**(13)**	**(31,937)**
Exchange differences	**729**	**(13)**	**(451)**
Net book amount at June 30, 2016	**699,015**	**608**	**422,719**
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

Intangible asset additions include additions for product development. Product development cost additions, including capitalised interest for the period ended June 30, 2016 were US$57,424,000 (six months ended June 30, 2015: US$53,924,000).

The Group recorded a product development intangible asset impairment of US$12,249,000 related to further declines in the Brazilian economy. The impairment is recorded in the condensed consolidated income statement as engineering and product development costs in the North American Segment. The intangible asset impairment associated with the Brazil operations is recorded in the North American Segment due to the Company's US domiciled intellectual property holdings.

The recoverable amount for the intangible asset was determined based upon value in use from the most recent detailed calculations using the discounted cash flow approach. The pretax discount rate used to estimate future cash flows was the 16% weighted average cost of capital, which is consistent with the fiscal 2015 evaluation.

At June 30, 2016, the recoverable amount of the Company's property, plant and equipment in Brazil was US$15.2 million based upon its fair value less costs of disposal. The recoverable amount was determined using the cost approach valuation method, which is a Level 2 fair value input (see Note 5). The cost approach valuation method determines the current cost of reproducing a new replica of the property with the same or closely similar materials as the fair value less cost of disposal adjusted for the remaining useful life of the asset.

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$529,522,000 as at June 30, 2016 (December 31, 2015: US$524,485,000).

8 DERIVATIVE FINANCIAL INSTRUMENTS

	As at June 30, 2016		As at December 31, 2015	
	Assets US$'000 (Unaudited)	**Liabilities US$'000 (Unaudited)**	Assets US$'000 (Audited)	Liabilities US$'000 (Audited)
Forward foreign exchange contracts (a)	–	–	659	5,872
Interest rate swaps – cash flow hedge (b)	–	–	–	6
Current portion	–	–	659	5,878

(a) Forward foreign exchange contracts

During June 2016, the Group settled all of its Mexican Peso, Polish Zloty and European Euro forward contracts which had been set to be settled monthly through December 2016. The cash settlement of the remaining contracts was US$5,900,000. The total notional principal amount of the contracts settled in June 2016 was US$74,600,000. The total notional principal amount of the outstanding contracts at December 31, 2015 was US$127,872,000. The settlement of the forward contracts resulted in US$5,300,000 of expense recorded in the interim condensed consolidated income statement as cost of sales for the six months ended June 30, 2016.

(b) Interest rate swaps

The Group had interest rate swaps that matured during February 2016. The notional principal amount of the outstanding interest rate swap contracts at December 31, 2015 was US$30,125,000. At December 31, 2015, the fixed interest rate was 0.45% and the floating rate was 1-Month LIBOR.

9 TRADE RECEIVABLES

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
Trade receivables, gross	**674,291**	571,379
Less: provision for impairment	**(1,270)**	(1,401)
	673,021	569,978

9 TRADE RECEIVABLES (Continued)

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

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
0 to 30 days	**417,077**	261,526
31 to 60 days	**192,252**	220,182
61 to 90 days	**37,189**	51,467
Over 90 days	**27,773**	38,204
	674,291	571,379

Trade receivables of US$89,111,000 were past due but not impaired as at June 30, 2016 (December 31, 2015: US$34,831,000). These relate mainly to a number of customers for whom there is no history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
Overdue up to 30 days	**54,477**	21,872
Overdue 30 to 60 days	**11,398**	9,010
Overdue 60 to 90 days	**11,482**	2,425
Overdue over 90 days	**11,754**	1,524
	89,111	34,831

The carrying amounts of trade receivables pledged as collateral were US$383,586,000 as at June 30, 2016 (December 31, 2015: US$294,981,000).

10 OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
Amounts reimbursable from customers on tools	**35,274**	42,451
Other taxes recoverable[(i)]	**34,562**	30,597
Prepaid assets	**15,452**	21,425
Reimbursable engineering expenses	**9,849**	2,932
Deposits to vendors	**4,132**	3,164
Others	**1,677**	61
	100,946	100,630
Less: non-current portion	**(7,702)**	(6,107)
Current portion	**93,244**	94,523

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

11 SHARE CAPITAL

	Number of ordinary shares	**Amount**
Issued and fully paid at HK$0.10 each:		
At June 30, 2016 and December 31, 2015	2,498,477,040	HK$249,847,704

12 BORROWINGS

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
Non-current		
Borrowings from banks		
– secured (note (1.a))	**64,351**	71,475
– unsecured (note (1.b))	**211,080**	241,367
Notes (note (1.e))	**246,865**	246,507
Finance lease obligations (note (1.f))	**1,444**	1,190
	523,740	560,539
Current		
Borrowings from banks		
– secured, others (note (1.c))	**1,924**	1,260
– unsecured (note (1.d))	**4,520**	4,622
Add: current portion of		
– non-current secured borrowings from banks (note (1.a))	**14,815**	14,744
– non-current unsecured borrowings from banks (note (1.b))	**59,857**	59,857
– finance lease obligations (note (1.f))	**658**	701
	81,774	81,184
Total borrowings	**605,514**	641,723

1. Notes:

(a) This primarily includes:

(i) Long-term borrowings of US$60,714,000 as at June 30, 2016 (December 31, 2015: US$66,072,000) which bear interest at LIBOR plus 1.75% – 2.25% per annum and matures in 2019. Secured by property, plant and equipment, trade receivables, and inventories.

(ii) Long-term borrowings of US$18,452,000 as at June 30, 2016 (December 31, 2015: US$20,147,000) which bear interests at EURIBOR plus 3.1% and matures in 2020. Secured by property, plant and equipment, and inventories.

(b) This primarily includes bank loans totaling US$273,500,000 as at June 30, 2016 (December 31, 2015: US$304,000,000), 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 plus 3.5% per annum and due in semi-annual installments of US$30,500,000 which commenced in June 2014 and mature in October 2020 with the last repayment to be made then.

(c) This primarily includes a revolving line of credit of US$1,924,000 as at June 30, 2016 (December 31, 2015: US$1,260,000) borrowed by a subsidiary of the Group which bears interest at the Reserve Bank of India Base Rate +2.4% per annum, and is secured by property, plant and equipment, trade receivables, and inventories.

12 BORROWINGS (Continued)

1. Notes: (Continued)

(d) This includes a short-term bank loan of US$4,520,000 as at June 30, 2016 (December 31, 2015: US$4,622,000) borrowed by a subsidiary of the Group which bears interest at PBOC Benchmark Rate.

(e) This primarily includes notes of 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 lease liabilities – minimum lease payments:

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
Within 1 year	**800**	879
Between 1 and 2 years	**647**	610
Between 2 and 5 years	**952**	749
	2,399	2,238
Less: future finance charges	**(297)**	(347)
	2,102	1,891

(ii) Present value of finance lease obligations:

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
Within 1 year	**658**	701
Between 1 and 2 years	**555**	514
Between 2 and 5 years	**889**	676
	2,102	1,891

2. Maturity of borrowings

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
Within 1 year	**81,774**	81,184
Between 1 and 2 years	**75,227**	75,115
Between 2 and 5 years	**198,782**	236,051
Over 5 years	**249,731**	249,373
	605,514	641,723

12 BORROWINGS (Continued)

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

	Carrying amount		Fair value	
	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)	**As at June 30, 2016 US$'000 (Unaudited)**	As at December 31, 2015 US$'000 (Audited)
Bank borrowings	**275,431**	312,842	**269,206**	307,720
Other borrowings	**246,865**	246,507	**254,365**	251,014
Finance lease obligations	**1,444**	1,190	**1,444**	1,190
	523,740	560,539	**525,015**	559,924

The fair values of bank borrowings are based on discounted cash flows using applicable discount rates based upon the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristic as at the balance sheet dates. Such discount rates ranged from 4.54% to 4.73% as at June 30, 2016 (December 31, 2015: 3.04% to 3.37%), depending on the type of the debt, and were within level 2 of the fair value hierarchy.

The fair values of other borrowings are based on quoted prices in active markets, and were within level 1 of the fair value hierarchy.

The carrying amounts of current borrowings approximate their fair value.

4. Weighted average annual interest rates

	As at June 30, 2016 (Unaudited)	As at December 31, 2015 (Audited)
Bank borrowings	**4.8%**	4.4%
Notes	**5.9%**	5.9%

5. Currency denomination

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
US$	**580,618**	615,694
Euro	**18,452**	20,147
RMB	**4,520**	4,622
Others	**1,924**	1,260
	605,514	641,723

13 PROVISIONS

	As at June 30, 2016 (Unaudited)			As at December 31, 2015 (Audited)		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Restructuring	–	–	–	727	–	727
Litigation (note (a))	**32**	**469**	**501**	62	215	277
Environmental liabilities (note (b))	**150**	**12,075**	**12,225**	150	12,081	12,231
Warranties (note (c))	**21,143**	**54,215**	**75,358**	22,832	45,071	67,903
Decommissioning (note (d))	–	**7,443**	**7,443**	–	7,318	7,318
Other	–	**1,105**	**1,105**	–	1,270	1,270
	21,325	**75,307**	**96,632**	23,771	65,955	89,726

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$'000	Other US$'000	Total US$'000
Six months ended June 30, 2016 (Unaudited)							
At January 1, 2016	**727**	**277**	**12,231**	**67,903**	**7,318**	**1,270**	**89,726**
(Reversals)/additions	**(727)**	**403**	**(2)**	**14,395**	**127**	**(396)**	**13,800**
Payments	–	**(249)**	**(19)**	**(6,700)**	–	–	**(6,968)**
Exchange differences	–	**70**	**15**	**(240)**	**(2)**	**231**	**74**
At June 30, 2016	–	**501**	**12,225**	**75,358**	**7,443**	**1,105**	**96,632**
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

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 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.

d. Decommissioning

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

14 DEFERRED REVENUE

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

	As at June 30, 2016 (Unaudited)			As at December 31, 2015 (Audited)		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Pre-production activity	**23,396**	**89,656**	**113,052**	24,710	92,416	117,126

14 DEFERRED REVENUE (Continued)

Movement of deferred revenue is as follows:

	US$'000
Six months ended June 30, 2016 (Unaudited)	
At January 1, 2016	**117,126**
Additions	**9,501**
Amortisation	**(13,512)**
Exchange differences	**(63)**
At June 30, 2016	**113,052**
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

15 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
0 to 30 days	**314,632**	313,247
31 to 60 days	**177,007**	193,339
61 to 90 days	**41,357**	32,328
91 to 120 days	**11,583**	13,532
Over 121 days	**7,489**	6,323
	552,068	558,769

16 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
Accrued expenses	**82,913**	92,746
Deposits from customers	**3,913**	6,157
Other taxes payable	**2,539**	5,221
Others	**8,724**	612
	98,089	104,736
Less: non-current portion	**(5,768)**	(7,174)
Current portion	**92,321**	97,562

17 OTHER (GAINS) LOSSES, NET

	For the six months ended June 30,	
	2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Foreign exchange (gains) losses	**(9,181)**	2,616
Loss on disposal of property, plant and equipment	**412**	782
Fair value losses on derivative financial instruments	**1,542**	4,054
Others	**(512)**	(46)
	(7,739)	7,406

18 EXPENSE BY NATURE

	For the six months ended June 30,	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Raw materials used	**1,111,537**	936,162
Changes in inventories of finished goods and work-in-progress	**1,556**	7,525
Employee labour benefit costs	**249,839**	238,618
Temporary labour costs	**36,890**	40,034
Restructuring costs (Note 13)	**(727)**	(64)
Supplies and tools	**91,242**	92,303
Depreciation on property, plant and equipment (Note 7)	**44,884**	43,446
Amortisation on		
– land use rights (Note 7)	**13**	13
– intangible assets (Note 7)	**31,937**	25,092
Impairment charges (reversal of provisions) on		
– inventories	**731**	3,920
– receivables	**(132)**	(789)
– intangible assets	**12,249**	–
Utilities	**17,411**	19,455
Transportation expenses	**7,633**	5,733
Operating lease expenses	**7,010**	6,212
Warranty expenses (Note 13)	**14,395**	13,742
Auditors' remuneration		
– Audit services	**538**	424
Others	**89,085**	53,819
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**1,716,091**	1,485,645

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 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.

On June 10, 2016, the Board approved a third grant of share options under the Scheme, pursuant to which options to subscribe for 10,602,490 shares, representing approximately 0.424% 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$7.584 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, 2015	5.150	10,535
Granted	8.610	10,359
Forfeited	5.150	(234)
At June 30, 2015 (Unaudited)	6.880	20,660
Exercisable as at June 30, 2015	5.150	3,512
At January 1, 2016	**6.900**	**16,505**
Granted	**7.584**	**10,602**
Forfeited	–	–
At June 30, 2016 (Unaudited)	**7.170**	**27,107**
Exercisable as at June 30, 2016	**6.320**	**8,223**

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, 2017	8.610	2,780
June 11, 2017	5.150	2,722
June 10, 2018	8.610	2,780
June 10, 2017	7.584	3,534
June 10, 2018	7.584	3,534
June 10, 2019	7.584	3,534

19 SHARE-BASED PAYMENTS (Continued)

The weighted average fair value of options granted during the period determined using a binomial valuation model was HK$3.32 per option. The significant inputs into the model were share price at the measurement date of HK$7.34, exercise price of HK$7.584, volatility of 40%, dividend yield of nil, an expected term of 8.58 years, and an annual risk-free interest rate of 1.02%. 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$1,304,000 during the six months ended June 30, 2016 (six months ended June 30, 2015: US$1,118,000).

20 FINANCE COSTS, NET

	For the six months ended June 30,	
	2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Finance income		
Interest on bank deposits	**611**	1,362
Finance costs		
Interest expense on bank borrowings	**8,431**	9,195
Interest on notes	**7,344**	7,425
	15,775	16,620
Interest on finance leases	**85**	35
Realised losses on interest rate swap	**–**	406
Other finance costs	**3,769**	2,380
	19,629	19,441
Less: amount capitalised in qualifying assets	**(3,187)**	(2,766)
	16,442	16,675
Finance costs, net	**15,831**	15,313

21 INCOME TAX EXPENSE

	For the six months ended June 30,	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Current income tax	**46,242**	27,054
Deferred income tax charges	**1,947**	8,295
	48,189	35,349

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, 2016. 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 24.0% and 26.3% for the six months ended June 30, 2016 and 2015, 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,	
	2016	2015
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company (US$'000)	**148,869**	96,519
Weighted average number of ordinary shares in issue (thousands)	**2,498,477**	2,497,804
Basic earnings per share (in US$)	**0.06**	0.04

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, 2016. 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, 2016 and 2015, the details are within the table below.

	For the six months ended June 30,	
	2016 (Unaudited)	2015 (Unaudited)
Profit attributable to equity holders of the Company, used to determine diluted earnings per share (US$'000)	**148,869**	96,519
Weighted average number of ordinary shares in issue (thousands)	**2,498,477**	2,497,804
Adjustment for share options (thousands)	**1,869**	1,298
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**2,500,346**	2,499,102
Diluted earnings per share (in US$)	**0.06**	0.04

23 DIVIDEND

A dividend of approximately US$39,913,000 relating to the Group's year ended December 31, 2015 earnings was paid in the six months ended June 30, 2016 (six months ended June 30, 2015: US$32,395,000). The Board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended June 30, 2016 (six months ended June 30, 2015: Nil).

24 COMMITMENTS

a. Capital commitments

The Group has capital commitments of US$200,994,000 as at June 30, 2016 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2015: US$101,508,000).

b. Operating lease commitments

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

	As at June 30, 2016 US$'000 (Unaudited)	As at December 31, 2015 US$'000 (Audited)
Up to 1 year	15,996	11,953
1 to 5 years	21,792	26,657
Over 5 years	9,810	11,781
	47,598	50,391

25 RELATED PARTY TRANSACTIONS

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

	For the six months ended June 30,	
	2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Purchase of goods	8,367	12,195

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). On September 10, 2015, Chongqing Changfeng Machine Company., Ltd. (a subsidiary controlled by China South Industries Group Corporation, a China state-owned enterprise) transferred its 50% ownership interest to Chongqing Jianshe Industry (Group) Co., Ltd.

25 RELATED PARTY TRANSACTIONS (Continued)

b. Transactions with a joint venture (Continued)

As at June 30, 2016 the Group has invested US$7,940,000 into the joint venture (December 31, 2015: US$9,434,000). For the six months ended June 30, 2016, the Group's share of gains from the joint venture amount to US$1,494,000 (six months ended June 30, 2015: share of gain US$457,000).

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

	For the six months ended June 30,	
	2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Sale of services[i]	**16,962**	423
Purchase of services	**23,680**	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,	
	2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Basic salaries, other allowances and benefits	**2,104**	3,289
Bonuses	**3,698**	3,797
Others	**555**	–
Purchase of services	**6,357**	7,086

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