INTERIM REPORT 2021

A LEADER IN INTUITIVE MOTION CONTROL

NEXTEER AUTOMOTIVE GROUP LIMITED
耐世特汽車系統集團有限公司
STOCK CODE: 1316
Incorporated under the laws of the Cayman Islands with limited liability

OUR STRATEGY FOR PROFITABLE GROWTH

- Expand & Diversify Revenue Base
- Strengthen Technology Leadership
- Capitalise on EPS as Enabler for ADAS
- Optimise Cost Structure
- Pursue Select Acquisitions & Alliances
- Target China & Emerging Markets

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Corporate Profile

CORPORATE PROFILE

Nexteer Automotive Group Limited (the **Company**) together with its subsidiaries are collectively referred to as **we, us, our, Nexteer, Nexteer Automotive** or the **Group**. Nexteer Automotive is a global leader in advanced steering and driveline systems, as well as advanced driver assistance systems (**ADAS**) and automated driving (**AD**) enabling technologies. In-house development and full system integration of hardware, software and electronics provides Nexteer a competitive advantage as a full-service supplier to automotive original equipment manufacturers (**OEM**) around the world.

As a leader in intuitive motion control, our continued focus and drive is to leverage our design, development and manufacturing strengths in advanced steering and driveline systems to provide differentiated and value-added solutions to our customers. We develop innovative solutions that enable a new era of safety and performance for all levels of ADAS/AD, as well as supporting all modes of vehicle propulsion, be it traditional internal combustion, hybrid or pure electric systems. Overall, we are making driving safer, greener and more fun for today's world and an increasingly electrified and automated future.

Our ability to seamlessly integrate our systems into OEM vehicles is a testament to our more than 110-year heritage of vehicle integration expertise and product craftsmanship. Our "One Nexteer" culture inspires employees to achieve personal and corporate growth by focusing on our core values across all aspects of the Company: people first, operational excellence and enterprise growth.

We strive to be the partner of choice for our customers and suppliers by delivering highly engineered, safety-critical products and building enduring relationships.

Nexteer provides real-world, vehicle-level solutions by being:

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

GLOBAL FOOTPRINT, PRODUCTS & CUSTOMERS

World Headquarters:	Auburn Hills, Michigan, United States of America (**USA** or **US**)
Manufacturing Plants:	27, including 2 non-consolidated joint ventures (**JV**)
Technical & Software Centres:	4
Customer Service Centres:	13
Products:	Electric Power Steering (**EPS**), Steering Columns and Intermediate Shafts (**CIS**), Driveline Systems (**DL**), Hydraulic Power Steering (**HPS**), Assisted and Automated Driving Enabling Technologies
Global Customers:	60+, including BMW Group (**BMW**), Changan Automotive (Group) Co., Ltd. (**Changan**), Dongfeng Peugeot Citroën Automobile Co., Ltd. (**DPCA**), Ford Motor Company (**Ford**), General Motors Company and Subsidiaries (**GM**), Maruti Suzuki India Limited, Renault-Nissan-Mitsubishi Alliance (**RNM**), SAIC General Motors Co., Ltd., SAIC-GM-Wuling Automobile Co., Ltd. (**SGMW**), Stellantis N.V. (formerly Fiat Chrysler Automobiles (**FCA**) and Groupe PSA), Toyota Motor Corporation (**Toyota**) and Volkswagen Group (**VW**) as well as domestic automakers in China, India and South America

Corporate Information

BOARD OF DIRECTORS

Executive Directors
ZHAO, Guibin (趙桂斌)
(Chief Executive Officer and Vice Chairman)
MILAVEC, Robin Zane
FAN, Yi (樊毅)

Non-Executive Directors
WANG, Jian (王堅) *(Chairman)*
LIU, Ping (劉平)
(retired with effect from June 8, 2021)
ZHANG, Wendong (張文冬)
LEI, Zili (雷自力)
(appointed with effect from June 8, 2021)

Independent Non-Executive Directors
LIU, Jianjun (劉健君)
WEI, Kevin Cheng (蔚成)
YICK, Wing Fat Simon (易永發)

COMPANY SECRETARY

FAN, Yi (樊毅)

AUTHORISED REPRESENTATIVES

ZHAO, Guibin (趙桂斌)
FAN, Yi (樊毅)

LEGAL ADVISERS

As to Hong Kong Law
DLA Piper Hong Kong

As to Cayman Islands Law
Maples and Calder

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants and Registered PIE Auditors

AUDIT AND COMPLIANCE COMMITTEE

WEI, Kevin Cheng (蔚成) *(Chairman)*
YICK, Wing Fat Simon (易永發)
LIU, Ping (劉平)
(retired with effect from June 8, 2021)
LEI, Zili (雷自力)
(appointed with effect from June 8, 2021)

REMUNERATION AND NOMINATION COMMITTEE

YICK, Wing Fat Simon (易永發) *(Chairman)*
LIU, Jianjun (劉健君)
ZHANG, Wendong (張文冬)

HEADQUARTERS

1272 Doris Road
Auburn Hills, Michigan 48326, USA

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/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

Bank of America Merrill Lynch
Bank of China
Bank Pekao SA
China CITIC Bank
China Construction Bank
Comerica Bank
JPMorgan Chase & Co.
PKO Bank Polski
Shanghai Pudong Development Bank
Wells Fargo Capital Finance

STOCK CODES

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

Senior Notes Listing
US$250,000,000 5.875%
Senior Notes due 2021
Redeemed early in April 2021
The Stock Exchange of Hong Kong Limited
(Stock code: 5826) (withdrawal of listing became effective upon the close of business on April 14, 2021)

COMPANY WEBSITE

http://www.nexteer.com/

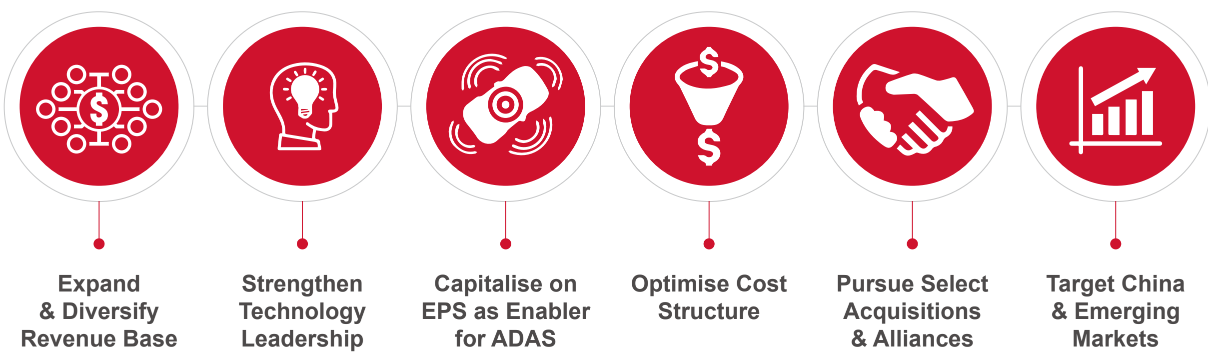
Business Overview

STRATEGY FOR PROFITABLE GROWTH

We are committed to our six-point strategy for profitable growth to drive shareholder value. Our strategy for profitable growth served as our guidepost through the unprecedented environment we navigated through in 2020 as a result of the global COVID-19 pandemic and continues to guide our daily decision-making as we move forward by defining and adjusting our business to align with the changing landscape and new challenges within the global automotive industry.

a leader in intuitive motion control

Strategy for Profitable Growth



FIRST HALF 2021 BUSINESS HIGHLIGHTS

The following highlights demonstrate Nexteer's focus on delivering long-term profitable growth:

- Successfully launched 16 new customer programmes across all product lines and regions – marking the third consecutive year of strong programme launches. Of these customer programmes, 14 represented conquest business
- Customer programme Bookings totalling US$1.3 billion, of which 89% represented conquests from competitors, including a breakthrough REPS win with a Japanese OEM. Successfully defended 100% of our incumbent business
- Recorded Order-to-Delivery Backlog of Booked Business of US$24.5 billion
- Continued commitment to technology leadership and megatrend alignment for future growth – including Software and Electrification megatrends
- Continued to position Nexteer as an employer-of-choice
- Honoured for innovation, quality and excellence – as well as for exceptional customer relationships

NEW PRODUCTION LAUNCHES

With the launch of 16 customer programmes in first half of 2021, we introduced new or enhanced product applications in steering and DL across all regions and vehicle segments. These programmes represented both global and local vehicle nameplates and included incumbent and conquest business. Customer programmes that began production in first half of 2021 included:

OEMs	Vehicle Nameplate	Our Products
North America		
Stellantis	Jeep Grand Cherokee	Rack-assist EPS (**REPS**)
Ford	Ford Bronco	Columns, REPS
GM	Chevrolet Bolt EUV	Halfshafts
Sheppard	HD94-Class 8	Integral Gears
EMEASA		
RNPO	Renault Kangoo	Halfshafts
	Dacia Express	Halfshafts
Asia Pacific		
Mahindra	Mahindra XUV500	Halfshafts
Daimler	Mercedes-Benz C-Class	Halfshafts
GAC	Guangzhou Auto Aion Y	Column-assist EPS (**CEPS**)
GM	Chevrolet Bolt EUV	CEPS, Halfshafts
RNM	Samsung Arkana	Halfshafts
	Nissan Pathfinder	Halfshafts
	Infiniti QX60	Halfshafts
Tata Motors	Tata Limber EV	Halfshafts

1ST HALF 2021 BOOKINGS: ALIGNED FOR CONTINUED GROWTH

In the first half of 2021, we continued to focus on expanding and diversifying our revenue base – expanding our sights beyond our current foundational customers by targeting growth with additional global OEMs to expand our market position and revenue growth with our core products.

Most notably in the first half of 2021, Nexteer secured our first REPS conquest Booking with a Japanese OEM. This award further strengthens our technology and global market leadership for REPS broadly, and specifically opens opportunities for cross-selling our other product line offerings to this Japanese OEM.

While targeting new growth customers and conquesting new business from our competitors are critical to our continued growth, we also remained focused on defending our incumbent business. In the last three years, Nexteer has retained 100% of our incumbent business. During this time, about half of our new Bookings were from conquest business wins – demonstrating a balanced mix between incumbent and new conquest business. Going forward, Nexteer will continue to leverage our deep technical competencies in developing innovative products and value propositions to drive future growth and customer diversification.

BACKLOG OF BOOKED BUSINESS

We begin to realise revenue under a new business contract as steering systems and DL 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 calculated a booked business backlog value (the **Backlog of Booked Business, Booked Business** or **Backlog**) 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. A significant factor and input into the calculation of Nexteer's Backlog of Booked Business is forward year OEM production forecasts for awarded customer programmes. In determining forward year OEM production expectations, Nexteer considers reputable third-party automotive production forecasts, customer expectations and internal industry knowledge given past and current trends.

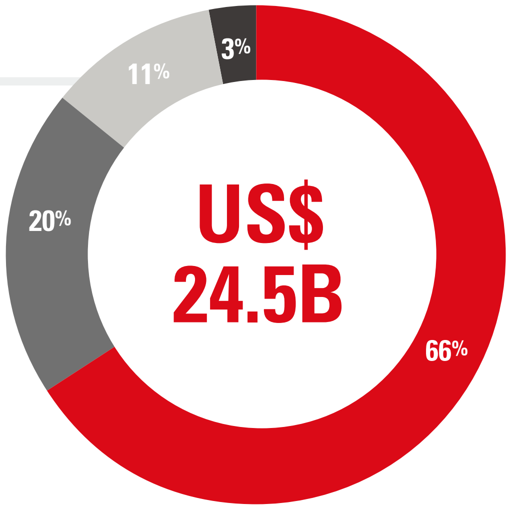
We estimate the value of all Booked Business under customer contracts that have been awarded, but for which we have undelivered products, was US$24.5 billion as at June 30, 2021 compared with US$24.6 billion as at December 31, 2020.

The value of Booked Business is not a measure defined by International Financial Reporting Standards (**IFRS**), and our methodology for determining the Backlog may not be comparable to the methodology used by other companies in determining the value of their booked business. Assumptions relative to estimated lifetime programme volumes and contract performance remain unchanged from our disclosures in prior periods. Any modification, suspension or cancellation 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 Backlog. While we believe that our current Backlog is a relevant financial metric, we must emphasise that the information set out in this section in relation to the Backlog shall not constitute any forecast or prediction of the revenue and profits of the Group and the actual future value may differ from the estimated Backlog due to various factors beyond the Group's control.

Backlog of Booked Business

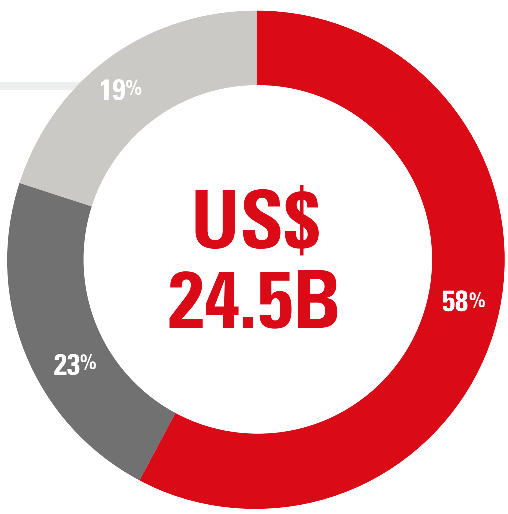
Backlog by Product Group

- EPS
- DL
- CIS
- HPS



Backlog by Geographical Segments

- North America
- Asia Pacific
- Europe, Middle East, Africa and South America



INDUSTRY-LEADING STEERING TECHNOLOGIES: ALIGNED FOR CONTINUED GROWTH

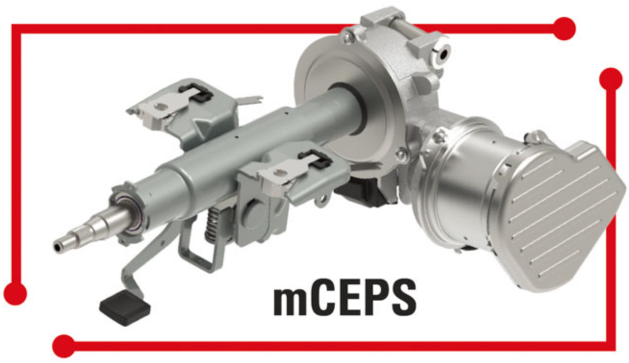
Nexteer continues to leverage our deep technical competencies in developing innovative products and value propositions to drive future growth and customer diversification.

We leverage our in-house competencies to extend our suite of technologies and product offerings – including extension of our core products into technologies such as Steer-by-Wire (**SbW**), Dual Pinion-Assist EPS (**DPEPS**), High-Output EPS (**HO EPS**), Modular Column-Assist EPS (**mCEPS**), Stowable Columns and more. We continue to expand our capabilities in software development and leverage our expertise in electronics and motors and bring this accumulated expertise to the benefit of our customers in providing unique and innovative solutions.

In this report, we highlight three of these industry-leading steering technologies – mCEPS, HO EPS and SbW – and how they position Nexteer for continued growth.

Introduction of Modular Column-Assist EPS

Nexteer's mCEPS is an innovation in cost-effectiveness and flexible packaging. Our cost-effective approach is based on platform designs which enables Nexteer to have a standardised and scalable process and product approach yet still addresses required diversity in OEMs' features (such as vehicle interface connectors, etc.). Beyond cost-efficiencies, mCEPS offers compact and flexible packaging – allowing Nexteer to expand our market reach and leverage additional scale. Nexteer's Technical Centre in Suzhou, China leads mCEPS architecture development and is another example of how we are continuing to expand localised technical expertise and capability across our global footprint.



Our new mCEPS, along with other new steering technologies such as HO EPS and DPEPS, positions Nexteer to provide a full spectrum of EPS product offerings – allowing us to steer all vehicle types and sizes.

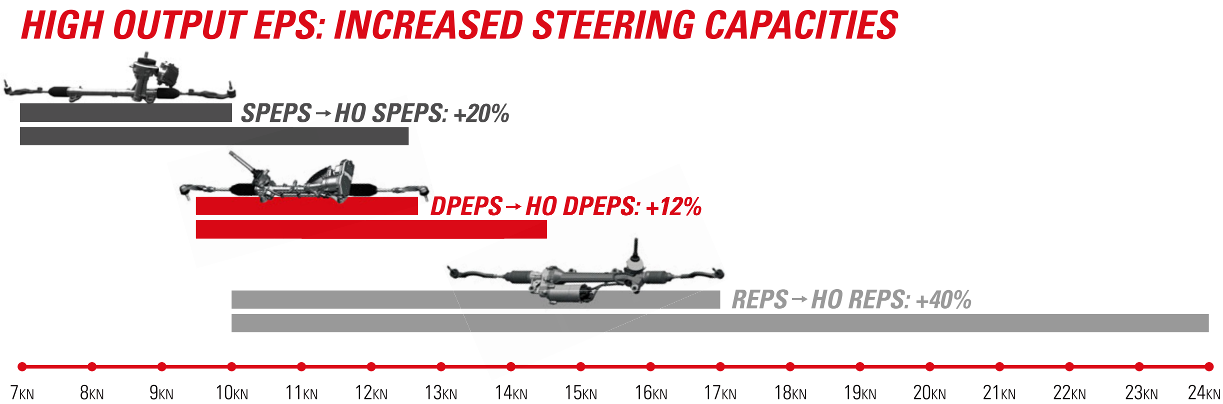
Expansion of High-Output EPS Solutions: Spans B-D Vehicle Segments, Plus LCVs & HD Trucks (in the 3.5–6T Segment)

As electric vehicles (**EV**s) drive higher tie rod loads in all vehicle segments, Nexteer has expanded the output capabilities of our pinion EPS systems to meet these higher EV loads for B through D vehicle segments.

New high-output options for our DPEPS and Single Pinion-Assist EPS (**SPEPS**) systems increase the steering capability by 12 to 20% – up to 14.5 kilonewtons (**kN**) for DPEPS and up to 12.5kN for SPEPS. These high-output solutions benefit OEM customers by enabling them to steer heavier EV loads in B through D vehicle segments without the need to utilise more premium EPS technologies traditionally employed for larger segment vehicles.

In addition to our new HO DPEPS and HO SPEPS systems, Nexteer's HO REPS increases the steering capacity of Nexteer's industry-leading REPS – steering up to 24kN of load compared with 10-17kN for a typical REPS system. In addition to EVs, which are in many cases heavier than comparable ICE platforms, HO REPS can also convert heavy-duty (**HD**) trucks and light commercial vehicles (**LCV**) from hydraulic to electric power steering. For example, the BrightDrop EV and GMC Hummer EV will be utilising our HO REPS systems. Now with the ability to steer these vehicle types electrically, drivers of HD trucks and LCVs can benefit from enhanced fuel efficiency, advanced safety and comfort features such as lane keep assist, crosswind compensation, trailer assist and more.

Business Overview

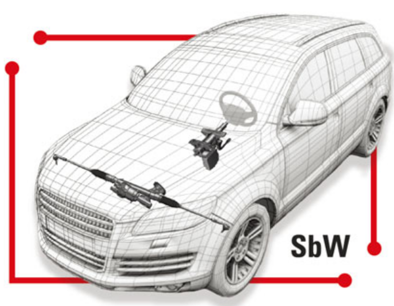


Now with high-output options for all underhood steering systems (SPEPS, DPEPS and REPS), Nexteer's expanded product portfolio spans B-D vehicle segments, as well as LCVs and HD trucks (in the 3.5–6T segment). This product expansion further enhances the Company's position within the growing electrification trend – as well as capitalises on our global market leadership in REPS and market leadership with SPEPS in Europe. We believe our expanded product portfolio further strengthens our incumbent customer positions and offers opportunities to continue to expand our customer base and market diversification.

Readiness of Steer-by-Wire (SbW)

As the industry's interest in SbW increases, Nexteer views this as an opportunity for technology leadership, while also helping OEMs' production timelines become a reality. In this competitive industry, OEMs are looking for supplier partners that can deliver the highest level of technology, quality and safety. With our motion control expertise and industry recognition as an advanced "steering specialist," we are uniquely positioned to lead the technology trend and deliver the performance, safety and value enhancements that SbW enables.

Global OEMs have proactively sought Nexteer for our SbW technical competency. As of the first half of 2021, Nexteer continues to work with two large global OEMs for future SbW programmes based on our development partnerships and involvement in creating SbW architectural requirements.



Nexteer is proactively developing SbW with modular building blocks that can be efficiently applied and tailored to meet the specific requirements of multiple OEMs. We also believe we have a lead in steering feel and production readiness based on feedback from multiple OEMs at our SbW demonstrations.

Overall, Nexteer is prepared to be a SbW leader based on our:

- Global, technology leading OEM development partnerships with high volume production plans
- Industrialisation readiness
- SbW with Stowable Column solution that is engineered by a "steering specialist" focused on safety, steering feel and performance

Note: At the time of this report, Nexteer SbW with Stowable Column is an *Automotive News* PACEPilot finalist. *Automotive News* PACEpilot is a relatively new programme recognising innovations that have reached a working pilot demonstration phase but are not yet commercialised with a contracted sale. Award winners will be announced in October 2021.

TECHNOLOGY LEADERSHIP & PORTFOLIO-TO-TREND ALIGNMENT: ALIGNED FOR CONTINUED GROWTH

Megatrends influencing the automotive market and adjacent sectors represent new and unique channels for Nexteer's continued growth. We are well-positioned to support OEMs' future priorities in these areas.

For example, Nexteer has a robust, proven technology and product portfolio to support industry megatrends like Electrification, Software, Connectivity, ADAS – Advanced Safety and Performance and Mobility-as-a-Service (**MaaS**). Being focused on where the industry is heading, through a strategic alignment on megatrends, contributes to our relevance and will help accelerate our growth.

	ADAS L2/3 *Advanced Safety, Driver Assist*	**Electrification**	**Software**	**ADAS L4/5** *Advanced Safety, High/Full Automation*	**MaaS**	**Connectivity**
DL		✓			✓	
CIS	✓	✓	✓	✓		
EPS	✓	✓	✓	✓	✓	✓
SbW	✓	✓	✓	✓	✓	✓
R&D	✓	✓	✓	✓	✓	✓
CNXMotion JV	✓	✓	✓	✓	✓	✓

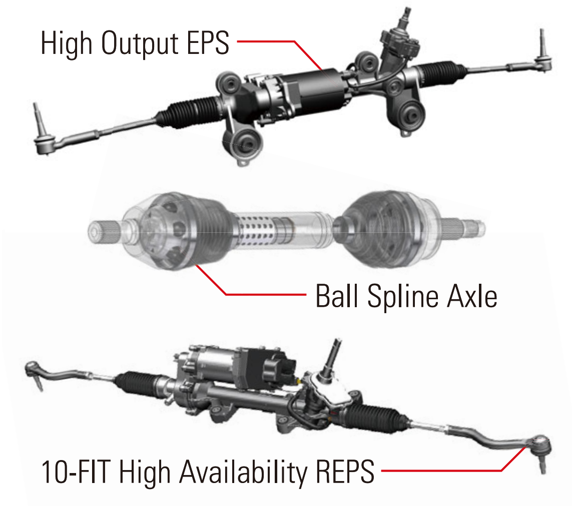
Following are examples that demonstrate how these megatrends are evolving and intersecting and how Nexteer is well aligned to these trends and positioned to capitalise on in-house technology efficiencies to support OEMs' shifting priorities. Additional details about Nexteer's portfolio-to-megatrend alignment are available in our 2020 Annual Report.

Beyond these examples and our current product portfolio, Nexteer's global research and development (**R&D**) team also continues to explore new ways to further capitalise on megatrends and offer innovative solutions to OEMs' evolving product challenges.

Electrification

Nexteer technologies across all product lines continue to participate very successfully in the electrification trend. We also continue to make strategic product expansions across our product lines to protect and grow market share within this trend, particularly in the electric pickup truck segment.

Our HO REPS and Ball Spline Axle Halfshaft are two examples of how well Nexteer is positioned in the convergence of electrification and the truck segment. Both technologies will be featured on the upcoming GMC Hummer EV launch later in 2021. In April 2021, GM announced that a new EV pickup truck, the electric Chevrolet Silverado, will launch in 2022 – also featuring all of Nexteer's product lines, including our HO REPS, Ball Spline Axle Halfshaft and steering column. Similarly, the EV version of the Ford F150 pickup truck, which is planned to launch in early 2022, will utilise our REPS system with 10-FIT High Availability technology, as well as our power steering column. These industry-leading technologies further strengthen our leadership position in the critical North American truck market.



Software & Connectivity Trends

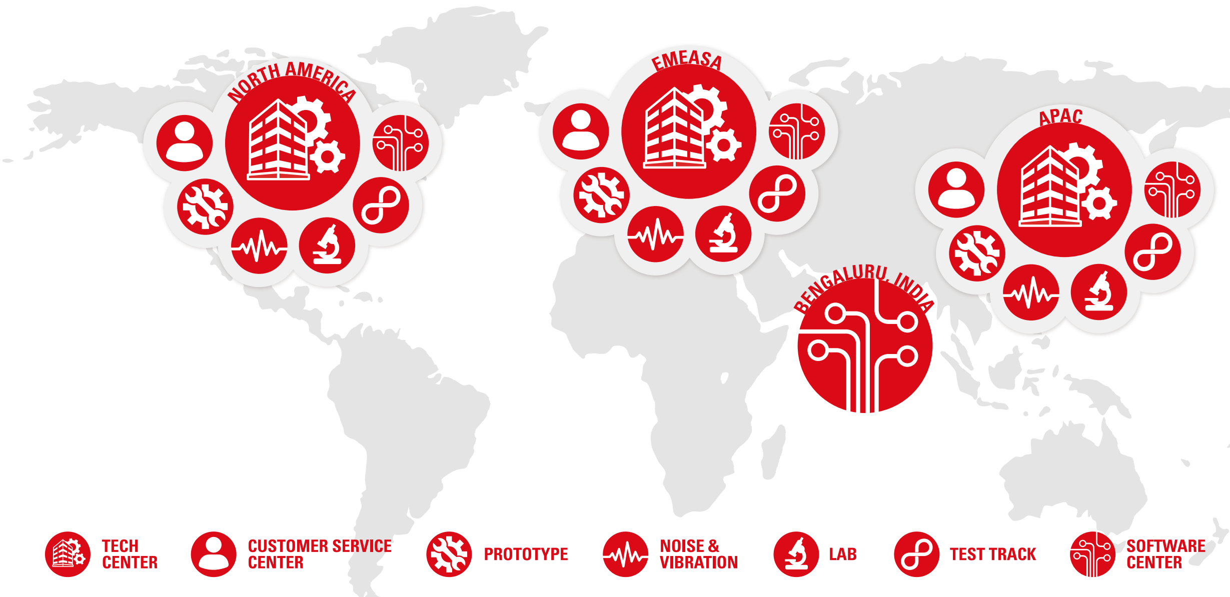
As vehicles are fast becoming more software-enabled, cloud-connected devices, global OEMs' needs are growing exponentially in software-enabled steering features and other software-centric motion control applications.

Software plays an important role in today's vehicles related to advanced safety and performance. For example, steering software plays a crucial role in optimising steering assist and feel, as well as enabling ADAS features such as park assist, lane keeping, lane departure warning, traffic jam assist and more.

In addition to software-enabled driver assist features, over-the-air (**OTA**) software updates – including steering applications – will continue to expand. Longer-term, automotive software will also play a key role in enabling motion control of autonomous vehicles, as well as offering stand-alone software "purchases" for new advanced safety and performance features. This trend is critically important as today's hardware-defined vehicles are rapidly transforming into software-defined transportation platforms.

Software Organisational Enhancement

To meet the ever-expanding software needs of our global OEM customer base, Nexteer announced that we elevated our global Software Engineering organisation in April 2021. Our new organisational enhancement creates a single strategic software team across four global locations within Nexteer, including our Global Technical Centre in Saginaw, USA; Regional Technical Centres in Tychy, Poland and Suzhou, China, as well as our Software Centre in Bengaluru, India. Previously, software engineering expertise was dispersed among various teams throughout the Company and reported separately through product lines and R&D. The newly formed team reports directly to the Company's Chief Technology Officer.



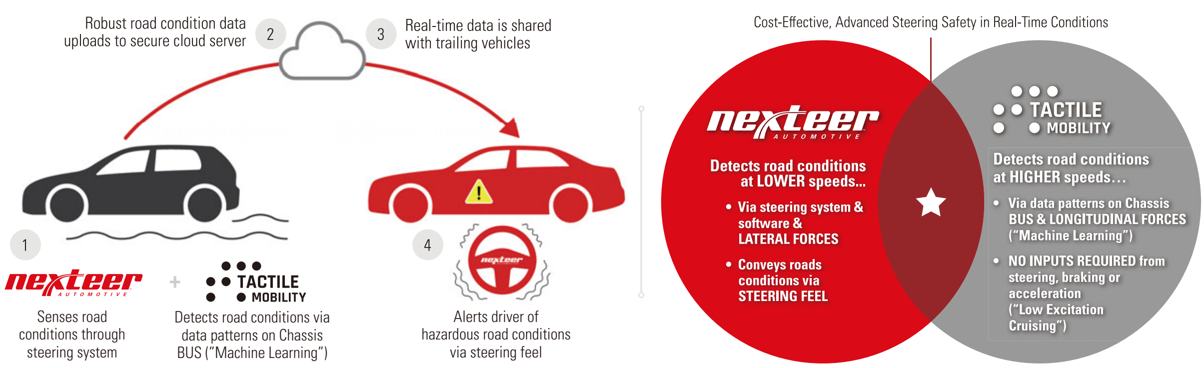
Nexteer's centralised software team will support EPS systems and advanced steering feature development. In addition, the new structure will also support software-related R&D projects including software solutions that could be cloud-based or reside within a centralised chassis domain controller.

Software Partnership: Tactile Mobility

In January 2021, Nexteer announced expansion of our growing software capabilities with an investment in Tactile Mobility, a leading tactile virtual sensing and data company based in Israel. Nexteer's collaboration with Tactile Mobility complements the Company's existing global software business model and focus on motion control software by helping build-out even more of Nexteer's software offerings that maximise OTA updates and connectivity for even safer, more reliable driving.

Tactile Mobility's software collects data using vehicles' built in, non-visual sensors including wheel speed, wheel angle, revolutions per minute (**RPM**), paddles position, gear position and then analyses it to yield actionable insights in real-time. These insights provide a clear-cut, highly accurate description and analysis of the continually evolving state of vehicles, roads and vehicle-road dynamics.

Nexteer + Tactile Mobility = Winder Range of Intelligent, Virtual Road Condition Detection

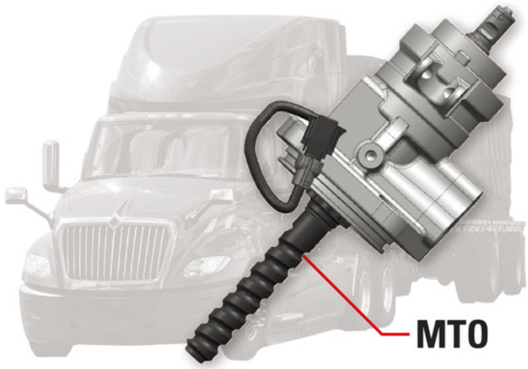


Already a leader in software-tuning for steering feel, Nexteer expects to elevate our expertise via Tactile Mobility's real-time data feeds on vehicle environments. Steering is one of the most important vehicle interfaces to the driver – whether human or computer. The collaboration with Tactile Mobility will enable Nexteer to enhance safety with new software applications for a situationally aware vehicle (e.g., road conditions) by helping the driver to proactively manage hazards.

ADAS – Advanced Safety & Performance

Nexteer is enhancing the future of mobility through intuitive motion control solutions that enable a new era of safety and performance. In addition to steering technologies like SbW, Brake-to-Steer and stowable steering columns, our magnetic torque overlay (**MTO**) technology also supports the ADAS megatrend.

Nexteer has a partnership with R.H. Sheppard to provide our MTO and advanced driver assist steering technology on commercial trucks. From an industry standpoint, Class 7/8 and coach bus vehicle regulations are adding requirements for autonomous safety content such as lane keeping assist to help reduce driver fatigue. The Nexteer and R.H. Sheppard MTO system has received very positive reviews from both commercial truck OEMs and end users. To date, R.H. Sheppard testing has logged approximately one million miles of driving.



While Nexteer has been in production with our MTO technology for heavy-duty passenger truck applications since 2015, this partnership represents business expansion because it is our first programme within the commercial vehicle market segment. Production began on this product in January 2021, and we are currently in the launch phase, following a four-year development contract.

ORGANISATIONAL EXCELLENCE & EFFECTIVENESS: ALIGNED FOR CONTINUED GROWTH

In addition to our industry-leading steering technologies and portfolio-to-megatrend alignment, Nexteer is also aligned for continued growth based on our corporate processes, policies, operational structure, supplier partnerships and more. The following sections highlight organisational areas that position Nexteer for continued growth – including managing our global supply chain during the industry's electronics supply shortage, continuing to position Nexteer as an employer-of-choice and advancing our environmental, social and governance (**ESG**)/sustainability journey.

New Collective Bargaining Agreement in Saginaw, USA

In May 2021, Nexteer and our United Auto Workers Local #699 union (**UAW**) partners successfully achieved a new collective bargaining agreement (**Agreement**), following a membership vote that ratified the Agreement. This new mutually competitive Agreement will be in effect through March 2026 and will build a strong, sustainable future for our employees and Nexteer.

Managing Operational, Supply Chain, Commodity and Logistics Challenges

As economies around the world began to reopen during the second half of 2020 from the depths of the COVID-19 pandemic with a strong recovery extending through the first half of 2021, the automotive industry is experiencing new challenges to meet the increasing demand environment. Global electronics supply shortages emerged in the first quarter of 2021 and accelerated through the first half of the year, adversely impacting many of our customers' vehicle production schedules due to components shortages across the supply chain. While vaccination and other health treatments continue to be aggressively rolled-out around the world, many countries continue to be impacted by the spread of new virus variants which has hampered many industry participants in meeting demand. The current supply/demand imbalance has resulted in rising input costs for certain commodities and significant increases in both time and cost for logistics reflecting sea freight capacity, container availability and on-going port congestion.

While the elevated cost environment, and the impact of volatile customer vehicle assembly production requirements, proved to be a headwind to our first half 2021 financial results, Nexteer proactively and diligently worked with both our OEM customers and supplier partners to minimise the impact of these environmental challenges on our ability to meet our customers' vehicle production requirements. We continue to closely collaborate, monitor and, as possible, reallocate supply to where needed.

Advancing our Environmental, Social and Governance (ESG)/Sustainability Journey

In addition to product and technology expertise, Nexteer continues to demonstrate industry leadership as a business partner and employer of choice through our commitment to corporate social responsibility.

Through these unprecedented times, Nexteer has adapted quickly by strengthening our focus on employee health and safety and acting with a deeper sense of corporate social responsibility – while also learning new ways to operate and move the business forward. We continue to identify opportunities to leverage sustainability as a Nexteer differentiator – such as by aligning our innovation and technology with industry megatrends like electrification and by maintaining our commitment to conduct our business ethically and with transparency.

We believe that through sustainable practices, we can continue to improve our performance and provide greater value to all our stakeholders, including shareholders, employees, customers, suppliers, local communities and society. By incorporating our five key focus areas of sustainability, we have achieved various recognitions, for example, on *Newsweek's* list of America's Most Responsible Companies for a second consecutive year, as well as best employer awards and Great Place to Work certifications in multiple regions. As we advance our ESG journey, we continue to integrate a sustainability mindset into our global business strategies and culture.

SUSTAINABILITY HIGHLIGHTS
FIVE KEY FOCUS AREAS

- BUSINESS ETHICS
- SUPPLY CHAIN
- COMMUNITY
- VALUE CREATION
- HEALTH, SAFETY and ENVIRONMENT

We publish an annual ESG/Sustainability Report in accordance with the Environmental, Social and Governance Reporting Guide, as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**). We invite you to learn more about our culture and the strides we are making to improve our sustainable performance by referencing our 2020 ESG/Sustainability Report, available on Nexteer.com.

CUSTOMER & INDUSTRY RECOGNITION

In the first half of 2021, Nexteer was honoured for innovation, quality and excellence – as well as for exceptional customer relationships. Here is a summary of achievements:

- General Motors' Supplier of the Year Award – Second Consecutive Year
- 2021 *Automotive News* PACEpilot Finalists for Steer-by-Wire with Stowable Steering Column & CNXMotion, LLC's (**CNXMotion**) Brake-to-Steer

- 2020 GM Supplier Quality Excellence Award for Nexteer Juarez, Mexico; Nexteer Queretaro, Mexico; Nexteer Wuhu, China and Nexteer Chongqing, China
- GM Customer Care & Aftersales' Platinum Status Certificate for Nexteer Suzhou, China
- SAIC GM Aftermarket's Excellent Supplier Award for Nexteer Suzhou, China
- SAIC GM Wuhan's Enterprising Award for Nexteer Wuhu, China
- ChangAn's Excellent Supplier Award for Nexteer Chongqing, China
- National Association of Manufacturers' 2021 Manufacturing Leadership Award for Enterprise Integration Technology Leadership
- Top 20 Fastest Development Industrial Company in Jiangjin District for Nexteer Chongqing, China
- One of the 2020 Outstanding Economic Contribution Enterprises in Suzhou for Nexteer Suzhou, China
- International Team Excellence Award (ITEA)'s Bronze Prize at the American Society of Quality's 2021 World Conference of Quality and Improvement for Nexteer Suzhou, China's Reducing BEV Back Drive Test Scrap Project
- Nexteer Mexico Recognised by *Expansion* Magazine's "Super Empresas 2021" as One of the Best Places to Work in Mexico
- Manpower Group's Friendly Place to Work for Nexteer Poland
- Top Human Resources Management Award from 51job.com for Nexteer China's excellent work in human resource management
- *Forbes* 10 Best Automotive Industry Workplaces in Poland for Nexteer Poland
- Most Responsible Company in Suzhou Industrial Park Award for Nexteer China
- 2021 CSO50 Award from IDG'S CSO for Innovative Cybersecurity Framework

ORGANISATIONAL CHANGES

With effect from March 17, 2021, Mr. ORSINI, Salvatore Dino, was appointed as Vice President, Global Chief Supply Chain Management Officer.

With effect from March 17, 2021, Mr. BYERS, David Michael, was appointed as Vice President, Global Electric Power Steering Product Line.

With effect from March 17, 2021, Ms. DRALLE, Jill Annette, was appointed as Vice President, Chief Operating Officer, USA.

With effect from March 17, 2021, Mr. GONZALEZ, Luis Ricardo, was appointed as Vice President, Chief Operating Officer, Mexico.

With effect from July 1, 2021, Mr. HOEG, Dennis Steven was appointed as Vice President, Global Manufacturing Operations.

With effect from August 15, 2021, Mr. LIU, Tao retired as President and Global Chief Operating Officer due to his decision to retire.

With effect from August 17, 2021, Mr. BOYER, Hervé Paul Gino was appointed as Senior Vice President and Global Chief Operating Officer.

With effect from September 1, 2021, Mr. BENSON, OT was appointed as Vice President and Divisional President – EMEA&SA Division.

With effect from September 1, 2021, Mr. QUIGLEY, William Gerald III retired as Senior Vice President and Global Chief Financial Officer due to his decision to retire.

With effect from September 1, 2021, Mr. BIERLEIN, Michael John was appointed as Senior Vice President and Global Chief Financial Officer.

With effect from September 1, 2021, Mr. HARRIS, Steven Robert was appointed as Vice President, Global Engineering.

Financial Highlights

Results (US'$000)	**For the six months ended June 30, 2021 (Unaudited)**	For the six months ended June 30, 2020 (Unaudited)	Change
Revenue	**1,734,394**	1,210,720	43.3%
Gross profit	**226,472**	122,029	85.6%
Profit (loss) before income tax	**93,027**	(31,089)	399.2%
Income tax expense (benefit)	**5,695**	(34,186)	(116.7)%
Profit attributable to equity holders of the Company	**83,143**	1,301	6,290.7%
Profit for the period	**87,332**	3,097	2,719.9%
Adjusted EBITDA	**212,890**	115,666	84.1%

Assets and Liabilities (US'$000)	**As at June 30, 2021 (Unaudited)**	As at December 31, 2020 (Audited)	Change
Non-current assets	**1,830,011**	1,809,734	1.1%
Current assets	**1,331,880**	1,496,007	(11.0)%
Non-current liabilities	**267,701**	277,218	(3.4)%
Current liabilities	**917,107**	1,107,538	(17.2)%
Capital and reserves attributable to the Group's equity holders	**1,933,520**	1,882,002	2.7%

These financial highlights should be read in conjunction with the Group's unaudited Condensed Consolidated Interim Financial Information for the six months ended June 30, 2021 (the **Condensed Financial Information**).

Management Discussion and Analysis

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

FINANCIAL REVIEW

Financial Summary

Following the unprecedented operating environment of 2020 as a result of the COVID-19 pandemic, the Group experienced both tailwinds and headwinds during the first half of 2021. The Group's financial performance during the first half of 2021 significantly improved when compared with the same period in 2020. The Group's revenue increased by 43.3% in the first half of 2021 compared with the first half of 2020, with all three geographical segments positively impacted as the automotive industry recovered from the significant adverse operating environment resulting from the COVID-19 pandemic during the first half of 2020. Global automotive original equipment manufacturer (**OEM**) production increased significantly during the first half of 2021, rising by 29% compared with the same period in 2020. All of the Group's earnings metrics significantly improved as well compared with 2020, fueled by the sharp rebound in OEM production during the first half of 2021, coming off the low point experienced in the second quarter of 2020 as a result of government mandated production shutdowns in many regions of the world. Compared with the first half of 2020, gross profit of US$226.5 million improved by 85.6%; profit before income tax of US$93.0 million improved by 399.2%; profit attributable to equity holders of the Company of US$83.1 million improved by 62.9 times and adjusted EBITDA of US$212.9 million improved by 84.1%.

Although the Group's first half 2021 financial performance significantly improved compared with the same period last year as highlighted above, our financial performance was tempered by industry wide headwinds that began to emerge in early 2021 and which accelerated through the second quarter of the year. These headwinds included, among other factors, global shortages in the supply of various sub-components of raw materials, principally semi-conductors, rising commodity costs, dramatic increases in transportation and logistics costs, and continued impacts from the health crisis in various countries in which the Group operates in or is served by its established supply chain partners. These headwinds resulted in many OEM's needing to quickly and significantly adjust or suspend vehicle production during the first half of 2021, with the second quarter being the most impacted. Through the first half of 2021, the Group's North America, Europe and South America OEM customers were the most impacted by these factors which adversely impacted the financial performance of the North America and EMEASA segments.

As a result of the Group's significantly improved pre-tax earnings in the first of half of 2021, in particular its US operations, the Group recorded an income tax expense in the first half of 2021, compared with a significant non-recurring income tax benefit in the first half of 2020 reflecting the carryback of a US pre-tax loss generated during the period to prior tax years as provided for under the provisions of the US Coronavirus Aid, Relief and Economic Security (**CARES**) Act, which was enacted in March 2020 to provide economic support to enterprises as result of the COVID-19 pandemic.

Cash generated from operating activities in the first half of 2021 rose to US$94.7 million compared with a use of (US$28.1 million) in the same period of 2020; cash from operating activities less cash used in investing activities was a use of (US$43.9 million) which compared favourably to a use of (US$190.2 million) in the same period of 2020. Given the strong cash position as at December 31, 2020 and favourable interest rates under existing borrowing facilities, the Group elected to early redeem the US$250.0 million 5.875% senior notes due 2021 (**Notes**) in April 2021, funded by a combination of cash on hand and borrowings on the Company's US revolving credit facility.

Operating Environment

The global automotive market has a direct impact on our business and operating results. Factors affecting the industry include macro-economic influences such as consumer confidence, fluctuations in commodity prices, currency, fuel prices and regulatory environments. The ability to secure material and components from our supply base is also critical, as evidenced by the semiconductor chip shortage, which provided a significant industry-wide challenge in the first half of 2021. The Company operates primarily in the US, Mexico, China, Poland, India, Morocco and Brazil.

Global OEM light vehicle production rebounded significantly during the first half of 2021 when compared to the same period in 2020 as a result of the COVID-19 pandemic's impact on the first half of 2020. OEM light vehicle production was most heavily impacted in the second quarter of 2020 resulting from the government mandated shut-down of the Group's North America and EMEASA operations from mid-March through the latter part of May of 2020.

According to IHS Markit Ltd. (July 2021), global OEM light vehicle production for the six months ended June 30, 2021 rebounded strongly compared to the six months ended June 30, 2020, increasing by 29%, with the second quarter of 2021 experiencing an increase of 49%, coming off the low point in the first half of 2020 reflecting the adverse impact of industry-wide production shut-downs in North America, Europe, South America and India. The following table highlights the percentage increases in OEM light vehicle production for the six months ended June 30, 2021 compared with the same period in 2020 for key markets served by the Group:

	Q1 2021	Q2 2021	First Half 2021
North America	(4%)	132%	32%
China	80%	(4%)	25%
India	26%	408%	83%
Europe	1%	86%	28%
South America	3%	301%	62%

The Group conducts its business from a global operating footprint to service its broad customer base and, accordingly, the financial results of the business are impacted by changes in foreign currencies measured against the US dollar, principally the European euro (**Euro**) and Chinese renminbi (**RMB**). The Group's financial results were also favourably impacted by foreign currency translation as the US dollar weakened against both the Euro and RMB during the first six months of 2021 compared with the same period a year ago.

During the first six months of 2021, the Group successfully launched 16 new customer programmes – 5 programmes in North America, 2 programmes in EMEASA and 9 programmes in Asia Pacific. Of these programme launches, 14 represented conquest business wins from competitors.

Revenue

The Group's revenue for the six months ended June 30, 2021 was US$1,734.4 million, an increase of US$523.7 million or 43.3%, compared with US$1,210.7 million for the six months ended June 30, 2020. As highlighted in the preceding narrative, the strong recovery in OEM light vehicle production across all geographic markets served by the Group was the principal factor driving significantly higher revenue in the first half of 2021 when compared with the same period in 2020. Favourable foreign currency translation further improved the Group's revenue by approximately US$44.6 million, principally impacting the Asia Pacific and EMEASA segments, given the weakening of the US dollar against the RMB and Euro during the first half of 2021 compared with the same period a year ago. Customer recoveries, principally resulting from the pass through of raw material commodity increases, further increased revenue in the first half of 2021 by about US$13.5 million. Adjusting for favourable foreign currency translation and commodity and other recoveries, Nexteer's revenue rose by 38.4% in the first half of 2021 compared with the same period a year ago, outpacing the revenue weighted increase in OEM production for served markets for the comparative period by 730 basis points.

We measure the results of our operations by geographic segment regions. The change in revenue is analysed by volume, mix, price and foreign currency translation impact. Volume measure changes are driven by the volume of products sold and mix changes are driven by the type of products sold. Price measures the impact of changes within the pricing structure of each product sold. Foreign currency translation impact is measured by the changes in foreign currencies measured against the US dollar.

Revenue by Geographical Segments

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

	For the six months ended June 30, 2021		For the six months ended June 30, 2020	
	US$'000 (Unaudited)	**%**	US$'000 (Unaudited)	%
North America	**1,032,468**	**59.5**	794,229	65.6
Asia Pacific	**386,479**	**22.3**	230,662	19.1
EMEASA	**315,447**	**18.2**	185,829	15.3
Total	**1,734,394**	**100.0**	1,210,720	100.0

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

- North America segment – Revenue increased by US$238.2 million, or 30.0%, for the six months ended June 30, 2021 compared with the same period in 2020. The most significant factor contributing to the increase in revenue was a significantly improved demand environment, with North America OEM light vehicle production for the first half of 2021 increasing by 32% compared with the same period in 2020, which was slightly offset by customer pricing. Customer recoveries, principally raw material commodities inflation, further increased revenue by about US$10.9 million in the first half of 2021 compared to the same period in 2020.

- Asia Pacific segment – Revenue increased by US$155.8 million, or 67.6%, for the six months ended June 30, 2021 compared with the same period in 2020. The most significant factor contributing to the revenue increase was higher OEM light vehicle production, with total Asia Pacific OEM production volumes higher by 27% and China and India OEM production volumes higher by 25% and 83%, respectively, for the first half of 2021 compared with the same period in 2020. In addition to the significant improvement in the demand environment, the segment continued to benefit from new and carry-over revenue from conquest customer programme launches. Favourable foreign currency translation provided a benefit of US$26.5 million as the US dollar weakened against the RMB during the first half of 2021 compared with the same period in 2020.

- EMEASA segment – Revenue increased US$129.6 million, or 69.8%, for the six months ended June 30, 2021 compared with the same period in 2020, largely a result of an increase in Europe and South America OEM light vehicle production of 28% and 62%, respectively, during the first half of 2021 compared with the same period in 2020. The segment also benefited from on-going customer programme launches in the segment's new Morocco manufacturing facility which commenced serial production in the latter part of 2019, and increased revenue by US$32.7 million compared with a year ago. Favourable foreign currency translation provided a benefit of US$18.1 million as the US dollar weakened against the Euro during the first half of 2021 compared with the same period in 2020.

Revenue by Products

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

	For the six months ended June 30, 2021 US$'000 (Unaudited)	%	For the six months ended June 30, 2020 US$'000 (Unaudited)	%
EPS	**1,206,721**	**69.6**	823,813	68.1
CIS	**158,996**	**9.2**	145,544	12.0
HPS	**72,003**	**4.1**	45,130	3.7
DL	**296,674**	**17.1**	196,233	16.2
Total	**1,734,394**	**100.0**	1,210,720	100.0

The Group experienced an increase in EPS revenue of US$382.9 million, or 46.5%, for the six months ended June 30, 2021 compared with the same period in 2020, largely reflecting the impact of production suspensions and lower OEM light vehicle production during the first half of 2020 as a result of the COVID-19 pandemic, most notably impacting the North America segment. EPS revenue in the first half of 2021 was further bolstered by higher volumes from several key customers in the North America and EMEASA segments, including the current and carry-over impact from customer programme launches. CIS revenue increased by US$13.5 million, or 9.2%, for the six months ended June 30, 2021 compared with the same period a year ago. Higher OEM light vehicle production during the first half of 2021 was partially offset by a customer programme transition which was completed in the first half of 2020 which impacted the comparison by about US$21.0 million. HPS revenue increased by US$26.9 million, or 59.5%, for the six months ended June 30, 2021 compared with the same period of 2020. DL revenue increased by US$100.4 million, or 51.2%, for the six months ended June 30, 2021 compared with the same period last year, as a result of higher OEM light vehicle production and significant revenue from new and carry-over customer programme launches in China, India and Morocco.

Net Profit Attributable to Equity Holders

The Group's net profit attributable to equity holders of the Company for the six months ended June 30, 2021 was US$83.1 million or 4.8% of total revenue, an increase of US$81.8 million, compared to the six months ended June 30, 2020 of US$1.3 million, or 0.1%, of total revenue. The increase was principally attributable to the following factors:

- The significant recovery of OEM light vehicle production across all regions served by the Group for the first half of 2021, as a result of the significantly adverse impact of the COVID-19 pandemic in the same period of 2020.

- The favourable earnings impact from the strong rebound in OEM light vehicle production, was tempered by several factors which impacted the automotive industry broadly including raw material commodity inflation, net of customer recoveries, significant increases in transportation and logistics costs, operating inefficiencies arising from increasing supply chain constraints, most notably semiconductor chip shortages, and other factors that accelerated during the first half of 2021 when compared with the same period a year ago.

- Profit before income taxes for the first half of 2021 also benefitted from the non-recurrence of a product development intangible asset impairment of US$31.5 million related to customer programme cancellations and lower volume production expectations for specific programmes which was recognised in the first half of 2020.

- The Group recorded income tax expense in the first half of 2021 compared to a significant income tax benefit in the first half of 2020 reflecting the ability to carry back a US pre-tax loss generated during the first half of 2020 to prior tax years.

Cost of Sales

The Group's cost of sales for the six months ended June 30, 2021 was US$1,507.9 million, an increase of US$419.2 million, or 38.5%, from US$1,088.7 million for the six months ended June 30, 2020.

Raw material costs represent a significant portion of the Group's total cost of sales and for the six months ended June 30, 2021 totalled US$1,068.1 million, or 61.6% of revenue, compared with US$711.5 million, or 58.8% of revenue, for the same period last year, reflecting an increase of US$356.6 million, or 50.1%. The increase in raw material costs is directly attributable to the increase in revenue for the period when compared with a year ago. Other factors contributing to the increase in raw materials include raw material commodity inflation, net of customer recoveries and lower annual supplier productivity gains resulting from increasing supply chain pressures experienced in the first half of 2021 compared with the same period last year.

Depreciation and amortisation, including amortisation of capitalised product development costs, charged to cost of sales for the six months ended June 30, 2021 was US$112.3 million, an increase of US$9.1 million, or 8.8% from US$103.2 million for the six months ended June 30, 2020.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$49.7 million for the six months ended June 30, 2021, or 2.9% of revenue, an increase of US$4.4 million, or 9.8%, as compared with US$45.3 million, or 3.7% of revenue for the six months ended June 30, 2020. We expect amortisation to continue to increase in future years with the launch of new customer programmes that are currently in development.

Excluding raw material costs and depreciation and amortisation, remaining manufacturing costs of US$327.5 million for the first half of 2021 were higher by US$53.5 million, or 19.5%, when compared with US$274.0 million, or 22.6% of revenue, for the same period a year ago, which was directly attributable to the increase in production in the first half of 2021. The Group also experienced significant increases in transportation and logistics In the first half of 2021 of US$21.1 million related to both demand pressures and increased expedition of raw materials as result of supply chain constraints.

As a percent of revenue, cost of sales decreased to 86.9% for the first half of 2021 compared with 89.9% for the same period a year ago.

Gross Profit

The Group's gross profit for the six months ended June 30, 2021 was US$226.5 million, an increase of US$104.5 million, or 85.7%, when compared with US$122.0 million for the six months ended June 30, 2020. Gross profit margin for the six months ended June 30, 2021 was 13.1% compared with 10.1% for the six months ended June 30, 2020. The increase in gross profit was a direct result of the sharp rebound in OEM light vehicle production during the first half of 2021 compared with the same period in 2020.

Engineering and Product Development Costs

For the six months ended June 30, 2021, the Group's engineering and product development costs charged to the income statement were US$57.0 million, representing 3.3% of revenue, a decrease of US$30.7 million, or 35.0%, as compared to US$87.7 million, or 7.2% of revenue for the six months ended June 30, 2020. The Group recognised a net reversal of product development intangible asset impairment of US$4.4 million. The Group recorded customer recovery from a previously impaired programme of US$5.3 million in the North America segment, partially offset by the Group recording impairments of US$0.8 million related to programme cancellations and declining volumes on specific customer programmes. The impairment was recorded as engineering and product development costs in the Asia Pacific segment and the North America segment in the amount of US$0.2 million and US$0.6 million, respectively. For the six months ended June 30, 2020, the Group recognised a product development intangible asset impairment of US$31.5 million related to customer programme cancellations and lower volume production expectations for specific programmes. The impairment was recorded as engineering and product development costs in the Asia Pacific segment and the North America segment in the amount of US$5.1 million and US$26.4 million, respectively. For the first half of 2021 and 2020, the intangible asset impairment recorded in the North America segment is a result of the Group's US domiciled intellectual property holdings arrangement.

Capitalised interest related to engineering development costs totalled US$8.7 million for the six months ended June 30, 2021 and US$8.4 million for the six months ended June 30, 2020. Depreciation and amortisation charged to engineering and product development costs for the six months ended June 30, 2021 was US$6.0 million, an increase of US$0.6 million, or 12.0%, from US$5.4 million for the six months ended June 30, 2020.

The Group's aggregate investment in engineering and product development costs is defined as the sum of costs charged to the condensed consolidated interim income statement (excluding impairment charges associated with costs capitalised in previous periods) and total costs capitalised as intangible assets during the current period which will be amortised in future periods upon launch and start of production of related customer programmes currently in development. For the six months ended June 30, 2021, the Group incurred an aggregate investment in engineering and product development costs of US$135.4 million, an increase of US$1.4 million, or 1.0%, compared with US$134.1 million for the six months ended June 30, 2020.

Selling, Distribution and General and Administrative Expenses

The Group's selling, distribution and general and administrative expenses for the six months ended June 30, 2021 were US$82.0 million, representing 4.7% of revenue, an increase of US$19.9 million, or 32.1%, as compared to US$62.1 million, or 5.1% of revenue for the six months ended June 30, 2020. The increase in selling, distribution and general and administrative expense is attributable to several factors, including the lapse of a major US employment tax credit, increasing costs related to employee health and welfare benefit and compensation plans and general corporate insurance coverages which accounted for approximately US$17.7 million of the increase. Depreciation and amortisation charged to administrative expenses for the six months ended June 30, 2021 was US$5.3 million, an increase of US$0.8 million, or 18.5% from US$4.5 million for the six months ended June 30, 2020.

Other Gains (Losses), net

Other gains (losses), net represents gains attributable to foreign exchange transactions, losses on disposal of property, plant and equipment and others. Other gains (losses), net for the six months ended June 30, 2021 was a gain of US$6.3 million, an increase of US$7.4 million compared to a loss of (US$1.1 million) for the six months ended June 30, 2020. The increase was principally attributable to favourable foreign exchange and lower losses related to the disposal of property, plant and equipment, particularly in the Group's US DL business.

Finance Income/Finance Costs

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, 2021 were US$1.1 million, a decrease of US$0.6 million, or 37.8%, as compared to US$1.7 million for the six months ended June 30, 2020. The early redemption of the Group's outstanding Notes in the amount of $250.0 million, partially offset by borrowings on the Company's US revolving credit facility, led to a significant reduction in finance costs during the six months ended June 30, 2021, when compared with the same period of 2020.

Share of Income (Loss) of Joint Ventures, net

Share of income (loss) of joint ventures, net relates to the Group's investments in Chongqing Nexteer Steering Systems Co., Ltd. (**Chongqing Nexteer**), CNXMotion and Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd. (**Dongfeng Nexteer**). For the six months ended June 30, 2021, the Group's share of income (loss) in joint ventures amounted to US$1.6 million, (US$1.2 million) and US$nil related to Chongqing Nexteer, CNXMotion, and Dongfeng Nexteer, respectively (six months ended June 30, 2020: US$0.7 million, (US$0.8 million), and (US$0.4 million)). Chongqing Nexteer's profitability increased during the six months ended June 30, 2021 compared with the same period in 2020 as a result of increased customer demand. CNXMotion is a R&D entity focused on integrating lateral and longitudinal controls for mixed mode and AD applications. As a R&D entity, CNXMotion is not anticipated to generate direct revenue for the foreseeable future, but rather benefit the Group from the development and transfer of R&D that may be commercialised and used in the manufacture of future products. Dongfeng Nexteer was formed during 2017 and while production began during 2019, the joint venture has yet to achieve a level of customer production to offset the current cost structure and investment for the six months ended June 30, 2021.

Income Tax (Expense) Benefit

The Group's income tax (expense) benefit was (US$5.7 million) for the six months ended June 30, 2021, representing 6.1% of the Group's profit before tax, an increase of US$39.9 million from US$34.2 million, or 110.0% of loss before income tax, for the six months ended June 30, 2020. This was primarily due to the result of changes in the mix of income generated by US and non-US operations, along with the June 30, 2020 benefit of an anticipated US taxable loss which is available for carryback to prior years at a tax rate of 35% compared to the current statutory rate of 21%. In addition, during the six months ended June 30, 2021, the Group reached final agreement with a taxing authority that certain dividends declared and paid by a subsidiary of the Group were subject to withholding tax under the tax law at the time of such dividend payments in the amount of US$2.4 million.

The US CARES Act was passed by US Congress and signed into law on March 27, 2020. The CARES Act provided for a carryback of any net operating loss (**NOL**) arising in a taxable year beginning after December 31, 2017, and before January 1, 2021, to each of the five taxable years preceding the taxable year in which the loss arises (**Carryback Period**). As a result of this provision, taxpayers take into account such NOLs in the earliest taxable year in the Carryback Period, carrying forward unused amounts to each succeeding taxable year. The Company has applied this provision to its tax calculation for the expected US tax NOL in year 2020 and recognised a benefit for the NOL carryback.

Provisions

As at June 30, 2021, the Group has provisions for litigation, environmental liabilities, warranties and decommissioning of US$73.9 million, a decrease of US$4.2 million as compared to US$78.1 million as at December 31, 2020. The decrease in provisions was principally due to the net change in warranty reserves reflecting US$8.1 million in cash payments on historical warranty provisions and net additions of US$3.6 million during the first half of 2021.

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 programmes and engineering and product development costs. We have historically met our working capital and other capital requirements principally from cash generated from operations and borrowings from third-party financial institutions. We utilise a combination of strategies, including intercompany dividends, intercompany loan structures and other distributions and advances to provide the funds necessary to meet our global liquidity needs. The Company utilises a global cash pooling arrangement to consolidate and manage our global cash balances, which improves cash management efficiency. We believe that cash on hand and availability of borrowings under the Group's credit facilities will be adequate to fund our operations.

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

	For the six months ended June 30, 2021 US$'000 (Unaudited)	For the six months ended June 30, 2020 US$'000 (Unaudited)
Cash generated from (used in):		
Operating activities	**94,659**	(28,105)
Investing activities	**(138,553)**	(162,102)
Financing activities	**(175,364)**	(28,438)
Net decrease in cash and cash equivalents	**(219,258)**	(218,645)

Cash Flows Generated from (Used in) Operating Activities

For the six months ended June 30, 2021, the Group's net cash generated from (used in) operating activities was US$94.7 million, an increase of US$122.8 million compared with (US$28.1 million) for the six months ended June 30, 2020. The increase in cash flows from operating activities was primarily attributable to significantly greater net earnings during the first half of 2021 compared with the same period in 2020 and net unfavourable working capital in the first half of 2021 resulting from the sharp recovery in the Group's revenue.

Cash Flows Used in Investing Activities

The Group's cash flows used in investing activities primarily reflect capital spending for purchases of machinery, equipment and tooling and capitalised engineering and product development costs as intangible assets to support customer programmes.

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

	For the six months ended June 30, 2021 US$'000 (Unaudited)	For the six months ended June 30, 2020 US$'000 (Unaudited)
Purchase of property, plant and equipment	**(72,734)**	(92,245)
Addition of intangible assets	**(65,208)**	(69,426)
Investment in joint ventures	**(1,178)**	(803)
Other	**567**	372
Net cash used in investing activities	**(138,553)**	(162,102)

Cash Flows Used in Financing Activities

For the six months ended June 30, 2021, the Group's net cash used in financing activities was US$175.4 million, an increase of US$147.0 million compared with US$28.4 million for the same period in 2020. The principal driver of the increase in net cash used in financing activities was the early redemption of the Group's outstanding Notes of US$250.0 million, partially offset by net borrowings on the Company's US revolving credit facility. Additionally, the timing of dividend payments to shareholders contributed to the comparison as the US$23.6 million dividend related to 2020 earnings was paid prior to June 30, 2021, while the US$81.5 million dividend related to 2019 earnings was not paid to shareholders until July 2020. The cash flows used in financing activities were mainly attributable to the net repayment of borrowings of US$135.0 million, dividends paid to shareholders of US$23.6 million, repayments of lease liabilities of US$7.1 million, finance costs paid of US$11.0 million and proceeds from exercise of share options of US$1.3 million.

Indebtedness

As at June 30, 2021, the Group's total borrowings was US$114.3 million, a decrease of US$134.3 million from US$248.6 million as at December 31, 2020. This decrease was primarily due to the early redemption of the Group's outstanding Notes of US$250.0 million, partially offset by net borrowings on the Company's US revolving credit facility.

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, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
Current borrowings	**114,256**	248,636
Total borrowings	**114,256**	248,636

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

	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
Within 1 year	**114,256**	248,636
Total borrowings	**114,256**	248,636

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

Pledge of Assets

The Group has several secured borrowings at certain subsidiaries. Assets securing the borrowings differ by site and include accounts receivable, inventories and property, plant and equipment. As at June 30, 2021, the Group had approximately US$857.7 million total assets pledged as collateral, a decrease of US$8.5 million as compared with US$866.2 million as at December 31, 2020. The decrease in collateral pledged was directly related to decreases in the balances of the underlying assets pledged. No significant changes in collateral arrangements have occurred from December 31, 2020 to June 30, 2021.

Exposure to Currency Rate Fluctuations and Related Hedges

The Group seeks to limit its foreign currency exposure through matching its purchase of materials and sale of finished goods in the same currencies subject to sourcing constraints. The Group monitors its remaining foreign currency exposure regularly to reduce the risk of foreign currency fluctuations in its operations.

Gearing Ratio

The Group monitors its 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 at June 30, 2021 was 5.8%, a decrease of 710 basis points as compared to 12.9% as at December 31, 2020. The gearing ratio improved as a result of significantly improved earnings during the six months ended June 30, 2021 and lower borrowings as at June 30, 2021.

COVID-19 and related factors impacting Operations and Financial Performance

Throughout 2020, the COVID-19 pandemic materially impacted the Group's business and results of operations. During the first quarter of 2020, the impact of COVID-19 was initially experienced primarily by operations in China. Following the declaration of COVID-19 as a global pandemic on March 11, 2020, government authorities around the world began to impose shelter-in-place orders and other restrictions. As a result, many OEMs began suspending manufacturing operations, particularly in North America and Europe. This led to various temporary closures of, or reduced operations at, the Group's manufacturing facilities, late in the first quarter of 2020 and throughout the second quarter of 2020. During the second half of 2020, as the global management of COVID-19 evolved and government restrictions were removed or lessened, production levels improved, and substantially all of the Group's production facilities resumed closer to normal operations by the third quarter of 2020.

The global automotive industry continued to be impacted by the COVID-19 pandemic throughout the first half of 2021, particularly a result of supply shortages as OEM production demand continued to recover. The most significant supply shortage relates to semiconductor chips, which is impacting global industry production, and resulting in significant cancellations of planned OEM production. Supply shortages and the on-going volatility in OEM production schedules adversely impacted our manufacturing and material efficiencies in the first half of 2021. In addition, increases in certain commodity and logistics costs had an adverse impact on our operating results for the first half of 2021. It is possible a resurgence of the COVID-19 pandemic could result in adverse impacts in the future. Management cannot reasonably estimate the full impact the COVID-19 pandemic could have on the Group's financial condition, results of operations or cash flows in the future.

OTHER INFORMATION

Future Prospects

The Group strives to maintain a market-leading position in global advanced steering and driveline systems, including electrification, driver assist and ADAS-enabling technologies. We boost our current position and future prospects by leveraging the following five Nexteer differentiators:

1. Relentless innovation

2. Depth and breadth of our product portfolio

3. Systems integration experience

4. In-house ownership of R&D and integrated product and process development

5. Global manufacturing footprint and prowess

Megatrends influencing the automotive industry and adjacent sectors, such as last-mile delivery, continue to present new and unique channels for Nexteer. We retain thoughtful alignment across our product lines with megatrends including ADAS – Advanced Safety & Performance, Software, Electrification, MaaS and Connectivity. In many cases, our technologies create a natural fit for Nexteer to offer solutions to OEMs across these megatrends, which provides us a competitive advantage and positions us well for potential future opportunities as these megatrends continue to evolve and mature.

Please refer to the Business Overview section earlier in this report for more details on our alignment to these megatrends.

Employees Remuneration Policy

As at June 30, 2021, the Group had approximately 11,900 full-time employees. The Group's remuneration policies are formulated based on the performance of individual employees and the Group's performance and are reviewed regularly. Our full-time employees participate in various employee benefit plans including retirement benefits, extended disability benefits and workers' compensation. In addition, we have adopted employee incentive plans designed to attract, retain, motivate and encourage employees to commit to enhancing value for us and the shareholders of the Company (the **Shareholders**) as a whole. For example, the Group has employee retention programmes that include individual development plans, merit wage adjustments, annual incentive plans and promotions. We offer training programmes to our full-time employees and contract personnel 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 requirement and contractual obligations.

The Group also uses contract personnel to support the workload of the business where considered the most efficient. As at June 30, 2021, the Group had approximately 1,000 personnel engaged on a contract basis.

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 the Group's 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 Listing Rules.

In the opinion of the directors of the Board (the **Directors**), the Company has complied with all applicable code provisions set out in the Hong Kong CG Code and all applicable laws and regulations that have a significant impact on the business and operation of the Group throughout the six months ended June 30, 2021.

The Company periodically reviews its corporate governance practices with reference to the latest developments of the Hong Kong CG Code.

COMPLIANCE WITH CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **Model Code**) as set out in Appendix 10 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 period ended June 30, 2021.

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.

The Company maintains and regularly reviews a sensitivity list identifying factors or developments which are likely to give rise to the emergence of inside information or development of a false market for its securities.

The Company ensures that confidentiality agreements are signed by all relevant parties to a transaction that is likely to give rise to the emergence of inside information or development of a false market for its securities. The Company also adopts appropriate measures to maintain the confidentiality of the information, such as using project codes and restricting access to such information to a limited group of recipients on a need-to-know basis.

The Company organises periodic training as it deems necessary for employees who, because of their office or employment, are likely to be in possession of inside information in relation to the Company, to help them understand the Company's policies and procedures as well as their relevant disclosure duties and obligations.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has adopted a risk management and internal control system and associated procedures and conducts reviews of the effectiveness of the risk management and internal control system of the Group from time to time.

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

Mr. LIU, Ping (劉平) has retired as a non-Executive Director and ceased to be a member of the Audit and Compliance Committee of the Board due to personal work adjustment with effect from June 8, 2021.

Mr. LEI, Zili (雷自力), a non-Executive Director, was appointed as a member of the Audit and Compliance Committee with effect from June 8, 2021.

Mr. WEI, Kevin Cheng (蔚成), ceased to be the chairman and non-executive director and member of the nomination committee and the compensation committee of Tibet Water Resources Ltd., a company listed on The Stock Exchange of Hong Kong Limited (stock code: 1115), with effect from June 30, 2021.

Mr. MILAVEC, Robin Zane, an Executive Director, was appointed as President of the Company and a director of Nexteer (China) Holding Co., Ltd., a subsidiary of the Group, with effect from August 17, 2021. Mr. MILAVEC continues in his roles as Global Chief Strategy Officer and Chief Technology Officer.

Except as disclosed above, there is no other change in the Directors' biographical details required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2021.

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

The Audit and Compliance Committee had reviewed together with management and the external auditor the unaudited Condensed Financial Information of the Company for the six months ended June 30, 2021. 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 or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended June 30, 2021.

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 Options granted under the Share Option Scheme that were outstanding as at June 30, 2021 are as follows (there were no Options granted during the six months ended June 30, 2021 (six months ended June 30, 2020: nil)):

	Grant date	Options granted	Options held as at January 1, 2021	Options granted during the interim period	Options exercised during the interim period	Options cancelled/ lapsed during the interim period	Options held as at June 30, 2021	Exercise period[1]	Option exercise price per share HK$	Share price on the grant date[2] HK$	Share price on the exercise date HK$	Weighted average closing price of the Company's shares immediately before the exercise date HK$
Director												
ZHAO, Guibin	June 11, 2014	1,667,970	1,667,970	–	1,050,000	–	617,970	June 11, 2014 – June 10, 2024	5.150	5.150	10.172	9.680
	June 10, 2015	1,667,970	1,667,970	–	–	–	1,667,970	June 10, 2015 – June 9, 2025	8.610	8.480	N/A	N/A
	June 10, 2016	1,667,970	1,111,980	–	–	–	1,111,980	June 10, 2016 – June 9, 2026	7.584	7.340	N/A	N/A
	May 29, 2017	1,667,970	555,990	–	–	–	555,990	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	1,667,970	1,111,980	–	–	555,990	555,990	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	1,667,970	1,111,980	–	–	–	1,111,980	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
MILAVEC, Robin Zane	May 30, 2018	526,730	351,150	–	–	175,570	175,580	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	1,667,970	1,111,980	–	–	–	1,111,980	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	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	N/A
	June 10, 2015	526,730	526,730	–	–	–	526,730	June 10, 2015 – June 9, 2025	8.610	8.480	N/A	N/A
	June 10, 2016	526,730	351,160	–	–	–	351,160	June 10, 2016 – June 9, 2026	7.584	7.340	N/A	N/A
	May 29, 2017	526,730	175,580	–	–	–	175,580	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	526,730	351,150	–	–	175,570	175,580	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	526,730	351,150	–	–	–	351,150	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
LIU, PING[3]	August 21, 2019	351,150	234,100	–	–	234,100	–	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
WANG, Jian	August 21, 2019	702,300	468,200	–	–	–	468,200	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
Sub-total		**16,416,350**	**11,675,800**	**-**	**1,050,000**	**1,141,230**	**9,484,570**					
All Other Participants (in aggregate)	June 11, 2014	9,042,160	351,150	–	351,150	–	–	June 11, 2014 – June 10, 2024	5.150	5.150	11.420	10.960
	June 10, 2015	8,164,290	526,720	–	–	–	526,720	June 10, 2015 – June 9, 2025	8.610	8.480	N/A	N/A
	June 10, 2016	8,407,790	1,031,700	–	401,160	–	630,540	June 10, 2016 – June 9, 2026	7.584	7.340	12.391	11.905
	May 29, 2017	9,724,610	1,146,840	–	–	–	1,146,840	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	10,251,340	3,907,940	–	–	1,953,950	1,953,990	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	8,758,950	3,498,260	–	–	–	3,498,260	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
Sub-total		**54,349,140**	**10,462,610**	**-**	**752,310**	**1,953,950**	**7,756,350**					
Total		**70,765,490**	**22,138,410**	**-**	**1,802,310**	**3,095,180**	**17,240,920**					

Notes:

(1) The Options granted in 2014, 2015, 2016, 2017, 2018, and 2019 must be held for one year from June 11, 2014, June 10, 2015, June 10, 2016, May 29, 2017, May 30, 2018, and August 21, 2019, 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 Grant of the Options. The exercise price for the Options granted on June 10, 2015 and June 10, 2016 was the average closing price for five consecutive trading days prior to the Date of Grant of the Options. The exercise price for the Options granted on May 29, 2017 was the closing price of the shares quoted on the Stock Exchange on the trading Date of Grant of the Options. The exercise price for the Options granted on May 30, 2018 was the average closing price for five consecutive trading days prior to the Date of Grant of the Options. The exercise price for the Options granted on August 21, 2019 was the closing price of the shares quoted on the Stock Exchange on the trading day on the Date of Grant of the Options.

(3) Mr. LIU, Ping retired as a non-Executive Director with effect from June 8, 2021.

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

As at June 30, 2021, 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 (through share options)(1)	Approximate Percentage of Total Issued Shares(2) %
ZHAO, Guibin	Director and Chief Executive Officer	Beneficial owner	5,621,880 (L)	0.22
MILAVEC, Robin Zane	Director	Beneficial owner	1,287,560 (L)	0.05
FAN, Yi	Director	Beneficial owner	2,106,930 (L)	0.08
WANG, Jian	Director	Beneficial owner	468,200 (L)	0.02

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 2,509,347,143 Shares in issue as at June 30, 2021.

Except as disclosed above, as at June 30, 2021, none of our Directors and Chief Executives of the Company have 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

Except 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, 2021.

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

As at June 30, 2021, 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	1,630,000,000 (L)	64.96
Pacific Century Motors, Inc. (**PCM China**) [2]	Interest of controlled corporation	1,630,000,000 (L)	64.96
AVIC Automotive Systems Holding Co., Ltd. (**AVIC Auto**) [3]	Interest of controlled corporation	1,630,000,000 (L)	64.96
Aviation Industry Corporation of China, Ltd. (**AVIC**) [3]	Interest of controlled corporation	1,630,000,000 (L)	64.96

Notes:

(L) Denotes a long position in the Shares.

(1) The calculation is based on the total number of 2,509,347,143 Shares issued as at June 30, 2021.

(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. (北京亦莊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 1,630,000,000 Shares held by Nexteer Hong Kong.

(3) AVIC Auto is owned as to 70.11% by AVIC. AVIC is deemed to be interested in the 1,630,000,000 Shares held by Nexteer Hong Kong.

Report on Review of Condensed Consolidated Interim Financial Information

Deloitte. 德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED 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 condensed consolidated interim financial information of Nexteer Automotive Group Limited (the "**Company**") and its subsidiaries (collective referred to as the "**Group**") set out on pages 38 to 78, which comprise the condensed consolidated interim balance sheet as at June 30, 2021 and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and certain 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" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated 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" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

OTHER MATTER

The comparative condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period ended June 30, 2020 and the relevant explanatory notes included in these condensed consolidated interim financial information were extracted from the condensed consolidated interim financial information of the Group for six-month period ended June 30, 2020 reviewed by another auditor who expressed an unmodified conclusion on the condensed consolidated interim financial information on August 18, 2020. The comparative consolidated interim balance sheet as at December 31, 2020 was extracted from the consolidated financial statements of the Group for the year ended December 31, 2020 audited by the same auditor who expressed an unmodified opinion on those statements on March 17, 2021.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
August 17, 2021

Condensed Consolidated Interim Balance Sheet

As at June 30, 2021

	Notes	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**993,809**	1,009,333
Right-of-use assets	8	**68,138**	57,339
Intangible assets	7	**686,031**	657,493
Deferred income tax assets		**6,416**	11,805
Investments in joint ventures	25(b)	**23,839**	22,282
Other receivables and prepayments	10	**51,778**	51,482
		1,830,011	1,809,734
Current assets			
Inventories		**285,387**	234,047
Trade receivables	9	**582,245**	593,027
Other receivables and prepayments	10	**136,035**	115,497
Restricted bank deposits		**12**	12
Cash and cash equivalents		**328,201**	553,424
		1,331,880	1,496,007
Total assets		**3,161,891**	3,305,741

The notes on pages 44 to 78 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Balance Sheet

As at June 30, 2021

	Notes	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	**32,371**	32,347
Other reserves		**49,539**	58,652
Retained earnings		**1,851,610**	1,791,003
		1,933,520	1,882,002
Non-controlling interests		**43,563**	38,983
Total equity		**1,977,083**	1,920,985
LIABILITIES			
Non-current liabilities			
Lease liabilities	8	**53,581**	43,827
Retirement benefits and compensations		**25,323**	25,061
Deferred income tax liabilities		**44,312**	62,848
Provisions	13	**55,181**	59,429
Deferred revenue	14	**69,643**	69,071
Other payables and accruals	16	**19,661**	16,982
		267,701	277,218
Current liabilities			
Trade payables	15	**620,705**	657,155
Other payables and accruals	16	**108,283**	132,105
Current income tax liabilities		**17,075**	12,392
Retirement benefits and compensations		**3,460**	3,381
Provisions	13	**18,747**	18,697
Deferred revenue	14	**21,030**	21,645
Lease liabilities	8	**13,551**	13,527
Borrowings	12	**114,256**	248,636
		917,107	1,107,538
Total liabilities		**1,184,808**	1,384,756
Total equity and liabilities		**3,161,891**	3,305,741

The notes on pages 44 to 78 are an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 38 to 78 were approved by the Board of Directors on August 17, 2021 and were signed on its behalf.

Zhao, Guibin	**Fan, Yi**
Director	*Director*

Condensed Consolidated Interim Income Statement

For the six months ended June 30, 2021

	Notes	For the six months ended June 30, **2021** **US$'000** **(Unaudited)**	2020 US$'000 (Unaudited)
Revenue	6	**1,734,394**	1,210,720
Cost of sales	18	**(1,507,922)**	(1,088,691)
Gross profit		**226,472**	122,029
Engineering and product development costs	18	**(57,030)**	(87,691)
Selling and distribution expenses	18	**(9,072)**	(7,925)
Administrative expenses	18	**(72,932)**	(54,162)
Other gains (losses), net	17	**6,291**	(1,132)
Operating profit (loss)		**93,729**	(28,881)
Finance income	20	**1,147**	3,125
Finance costs	20	**(2,228)**	(4,863)
		(1,081)	(1,738)
Share of income (loss) of joint ventures	25(b)	**379**	(470)
Profit (loss) before income tax		**93,027**	(31,089)
Income tax (expense) benefit	21	**(5,695)**	34,186
Profit for the period		**87,332**	3,097
Profit attributable to:			
Equity holders of the Company		**83,143**	1,301
Non-controlling interests		**4,189**	1,796
		87,332	3,097
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
– Basic and diluted	22	**0.033**	0.001

The notes on pages 44 to 78 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended June 30, 2021

	For the six months ended June 30, 2021 US$'000 (Unaudited)	2020 US$'000 (Unaudited)
Profit for the period	**87,332**	3,097
Other comprehensive (loss) income		
Item that will not be reclassified to profit or loss		
Actuarial losses on defined benefit plans, net of tax	**–**	(98)
Item that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**(9,014)**	(15,256)
	(9,014)	(15,354)
Total comprehensive income (loss) for the period	**78,318**	(12,257)
Total comprehensive income (loss) for the period attributable to:		
Equity holders of the Company	**73,738**	(13,524)
Non-controlling interests	**4,580**	1,267
	78,318	(12,257)

The notes on pages 44 to 78 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended June 30, 2021

	For the six months ended June 30,							Non-controlling interests	
	Share capital US$'000 (note 11)	Share premium US$'000	Merger reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Sub-total US$'000	US$'000	Total US$'000
For the six months ended June 30, 2020 (Unaudited)									
As at January 1, 2020	32,347	–	113,000	6,916	(97,732)	1,757,450	1,811,981	39,675	1,851,656
Comprehensive income									
Profit for the period	–	–	–	–	–	1,301	1,301	1,796	3,097
Other comprehensive loss									
Exchange differences, net of tax	–	–	–	–	(14,727)	–	(14,727)	(529)	(15,256)
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	(98)	(98)	–	(98)
Total comprehensive (loss) income	–	–	–	–	(14,727)	1,203	(13,524)	1,267	(12,257)
Transactions with owners									
Dividends payable to shareholders (note 23)	–	–	–	–	–	(81,495)	(81,495)	–	(81,495)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(8,466)	(8,466)
As at June 30, 2020	32,347	–	113,000	6,916	(112,459)	1,677,158	1,716,962	32,476	1,749,438
For the six months ended June 30, 2021 (Unaudited)									
As at January 1, 2021	**32,347**	**–**	**113,000**	**6,923**	**(61,271)**	**1,791,003**	**1,882,002**	**38,983**	**1,920,985**
Comprehensive income									
Profit for the period	**–**	**–**	**–**	**–**	**–**	**83,143**	**83,143**	**4,189**	**87,332**
Other comprehensive (loss) income									
Exchange differences, net of tax	**–**	**–**	**–**	**–**	**(9,405)**	**–**	**(9,405)**	**391**	**(9,014)**
Total comprehensive (loss) income	**–**	**–**	**–**	**–**	**(9,405)**	**83,143**	**73,738**	**4,580**	**78,318**
Transactions with owners									
Value of employee services provided under share option scheme (note 19)	**–**	**–**	**–**	**39**	**–**	**–**	**39**	**–**	**39**
Transfer to share premium under exercise of share options	**–**	**655**	**–**	**(655)**	**–**	**–**	**–**	**–**	**–**
Proceeds from exercise of share options	**24**	**1,298**	**–**	**–**	**–**	**–**	**1,322**	**–**	**1,322**
Dividends payable to shareholders (note 23)	**–**	**(1,045)**	**–**	**–**	**–**	**(22,536)**	**(23,581)**	**–**	**(23,581)**
As at June 30, 2021	**32,371**	**908**	**113,000**	**6,307**	**(70,676)**	**1,851,610**	**1,933,520**	**43,563**	**1,977,083**

The notes on pages 44 to 78 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended June 30, 2021

	For the six months ended June 30,	
	2021	2020
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from (used in) operations	**111,929**	(11,518)
Income tax paid, net	**(17,270)**	(16,587)
Net cash generated from (used in) operating activities	**94,659**	(28,105)
Investing activities		
Purchase of property, plant and equipment	**(72,734)**	(92,245)
Addition of intangible assets	**(65,208)**	(69,426)
Investment in joint ventures	**(1,178)**	(803)
Other	**567**	372
Net cash used in investing activities	**(138,553)**	(162,102)
Financing activities		
Proceeds from borrowings	**115,023**	100,672
Repayments of borrowings	**(250,055)**	(106,829)
Repayments of lease liabilities	**(7,067)**	(6,433)
Finance costs paid	**(11,006)**	(11,897)
Dividend paid to equity holders of the Company	**(23,581)**	–
Dividends paid to non-controlling interests	**–**	(3,951)
Proceeds from exercise of share options	**1,322**	–
Net cash used in financing activities	**(175,364)**	(28,438)
Net decrease in cash and cash equivalents	**(219,258)**	(218,645)
Cash and cash equivalents at beginning of period	**553,424**	601,827
Effect of exchange rate changes on cash and cash equivalents	**(5,965)**	(7,755)
Cash and cash equivalents at end of period	**328,201**	375,427

The notes on pages 44 to 78 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, 2021

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 the Companies Law (as amended), of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1–1104, Cayman Islands.

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

The Company's directors regard Aviation Industry Corporation of China, Ltd. (**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 by the Board of Directors of the Company (the **Board**) for issue on August 17, 2021.

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" and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with all applicable International Financial Reporting Standards (**IFRS**), as issued by the International Accounting Standards Board (**IASB**) and disclosure requirements of the Hong Kong Companies Ordinance.

2 BASIS OF PREPARATION (Continued)

COVID-19 Update

Throughout 2020, the COVID-19 pandemic materially impacted the Group's business and results of operations. During the first quarter of 2020, the impact of COVID-19 was initially experienced primarily by operations in China. Following the declaration of COVID-19 as a global pandemic on March 11, 2020, government authorities around the world began to impose shelter-in-place orders and other restrictions. As a result, many OEMs began suspending manufacturing operations, particularly in North America and Europe. This led to various temporary closures of, or reduced operations at, the Group's manufacturing facilities, late in the first quarter of 2020 and throughout the second quarter of 2020. During the second half of 2020, as the global management of COVID-19 evolved and government restrictions were removed or lessened, production levels improved, and substantially all of the Group's production facilities resumed closer to normal operations by the third quarter of 2020.

The global automotive industry continued to be impacted by the COVID-19 pandemic throughout the first half of 2021, particularly a result of supply shortages as OEM production demand continued to recover. The most significant supply shortage relates to semiconductor chips, which is impacting global industry production, and resulting in significant cancellations of planned OEM production. Supply shortages and the on-going volatility in OEM production schedules adversely impacted our manufacturing and material efficiencies in the first half of 2021. In addition, increases in certain commodity and logistics costs had an adverse impact on our operating results for the first half of 2021. It is possible a resurgence of the COVID-19 pandemic could result in adverse impacts in the future. Management cannot reasonably estimate the full impact the COVID-19 pandemic could have on the Group's financial condition, results of operations or cash flows in the future.

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, 2020, as described in those annual financial statements.

New/revised standards, amendments to standards and interpretations

The Group has adopted the following amendments which are relevant to the Group and mandatory for the accounting period beginning on January 1, 2021.

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to IFRS 16	'Leases' – COVID-19 – Related Rent Concession

The adoption of these amendments did not have a significant effect on the Group's Condensed Financial Information. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's Consolidated Financial Statements for the year ending December 31, 2021.

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 were applied to the consolidated financial statements for the year ended December 31, 2020.

During the six months ended June 30, 2021, the Group reached final agreement with the taxing authority that certain dividends declared and paid by a subsidiary of the Group were subject to withholding tax under the tax law at the time of such dividend payments in the amount of US$2,429,000 and related interest of US$929,000 recorded as income tax expense and finance costs, respectively, in the Condensed Financial Information for the six months ended June 30, 2021.

5 FINANCIAL INSTRUMENTS

5.1 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities, including cash and cash equivalents, restricted bank deposits, trade receivables and other receivables, trade payables 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.

As set out in note 9, the Group has notes receivable from customers measured at fair value through other comprehensive income (**FVOCI**) and included in Level 2 of the fair value hierarchy as at June 30, 2021 and December 31, 2020. Notes receivable from customers are measured at FVOCI as (i) they are held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The fair value of financial assets at FVOCI is estimated by discounting the future contracted cash flows at the current market interest rate that is available to the Group for similar financial instruments. The Group had no other financial assets or liabilities measured at fair value as at June 30, 2021 and December 31, 2020. The different levels are defined as follows:

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

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

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

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

6 REVENUE AND SEGMENT INFORMATION

6.1 Revenue from contracts with customers

The Group contracts with customers, which are generally automotive manufacturers and automotive original equipment manufacturers, to sell steering and driveline systems and components. In connection with these contracts, the Group also provides tooling and prototype parts. The Group does not have material significant payment terms as payment is received shortly after the point of sale.

Performance Obligations

The following summarises types of performance obligations identified in a contract with a customer.

Products	Nature, timing of satisfaction of performance obligations, and payment terms
Production Parts	The Group recognises the majority of revenue for production parts at a point in time upon shipment to the customer and transfer of the title and risk of loss under standard commercial terms. A limited number of the Group's customer arrangements for customised products with no alternative use provide the Group the right to payment during the production process. These revenues are recognised over time as performance obligations under the terms of a contract are satisfied. The amount of revenue recognised is based on the purchase order price. Customers typically pay for the product/prototype based on customary business practices with payment terms ranging from 30 to 90 days.
Tooling	The Group's development and sale of tooling for customers is performed in connection with the preparations to produce and sell products to its customers. Customers typically pay for the tooling in a lump sum upon acceptance. The Group recognises revenue for tooling over time as it satisfies its performance obligation. Revenue is recognised to the extent of costs incurred to date for reimbursable tooling from customers.
Engineering Design and Development/ Prototypes	The Group recognises non-production related engineering design and development revenue, which is normally related to ADAS, performance improvement and business pursuit. The Group recognises revenue for non-production engineering design and development/prototypes revenue over time as it satisfies its performance obligations.

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.1 Revenue from contracts with customers (Continued)

Contract balances

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on production parts, tooling and engineering design and development/prototypes. The contract assets are reclassified into the receivables balance when the rights to receive payment become unconditional. There have been no impairment losses recognised related to contract assets arising from the Group's contracts with customers. Contract liabilities are associated with consideration received from customers in advance of transferring goods promised in a contract. Recognition of revenue is deferred until the related performance obligations are satisfied in the future. The following table provides information about contract assets and contract liabilities from contracts with customers.

	Contract assets[i] US$'000	Contract liabilities, Current[ii] US$'000	Contract liabilities, Non-Current[ii] US$'000
Balances as at June 30, 2021 (Unaudited)	**50,480**	**21,030**	**69,643**
Balances as at December 31, 2020 (Audited)	41,664	21,645	69,071

(i) Contract assets are recorded within current other receivables and prepayments.

(ii) Contract liabilities are recorded within deferred revenue.

6.2 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.

The Group classifies its businesses into three reportable segments: North America, Asia Pacific and Europe, Middle East, Africa and South America (**EMEASA**). All of the Group's operating segments typically offer the same steering and driveline 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.

During the second half of 2020, the Company restructured its internal organisation and management structure which resulted in a change in reportable segments. A Mexican holding company which was previously reported within the "Others" segment is now reported within the North America segment. Comparative information for the six months ended June 30, 2020 has been restated under the new segment structure.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

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

- Operating income before interest, taxes, depreciation and amortisation (including reversal of impairment/impairment on property, plant and equipment and intangible assets) and share of results of joint ventures (**Adjusted EBITDA**).

- 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.

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

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Others US$'000	Total US$'000
For the six months ended June 30, 2021 (Unaudited)					
Total revenue	**1,040,739**	**399,504**	**316,233**	**–**	**1,756,476**
Inter-segment revenue	**(8,271)**	**(13,025)**	**(786)**	**–**	**(22,082)**
Revenue from external customers	**1,032,468**	**386,479**	**315,447**	**–**	**1,734,394**
Adjusted EBITDA	**110,416**	**79,461**	**20,071**	**2,942**	**212,890**
For the six months ended June 30, 2020 (Unaudited)					
Total revenue	799,796	238,025	186,560	–	1,224,381
Inter-segment revenue	(5,567)	(7,363)	(731)	–	(13,661)
Revenue from external customers	794,229	230,662	185,829	–	1,210,720
Adjusted EBITDA	73,147	46,431	(777)	(3,135)	115,666

The revenue from external parties reported to the Group's CEO is measured in a manner consistent with that in the Condensed Financial Information.

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

Reconciliations of reportable segment total assets and liabilities are as follows:

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Others US$'000	Total US$'000
As at June 30, 2021 (Unaudited)					
Total assets	**2,025,237**	**1,100,897**	**513,916**	**(478,159)**	**3,161,891**
Total liabilities	**769,881**	**542,587**	**259,152**	**(386,812)**	**1,184,808**
As at December 31, 2020 (Audited)					
Total assets	1,940,556	1,071,161	499,523	(205,499)	3,305,741
Total liabilities	694,149	347,863	241,282	101,462	1,384,756

Reconciliations of reportable segment Adjusted EBITDA to the Group's profit (loss) before income tax are as follows:

	For the six months ended June 30, 2021 US$'000 (Unaudited)	2020 US$'000 (Unaudited)
Adjusted EBITDA from reportable segments	**212,890**	115,666
Depreciation and amortisation expenses	**(123,610)**	(113,088)
Reversals of (impairments) on intangible assets	**4,449**	(31,459)
Finance income	**1,147**	3,125
Finance costs	**(2,228)**	(4,863)
Share of income (loss) of joint ventures, net	**379**	(470)
Profit (loss) before income tax	**93,027**	(31,089)

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

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.

Adjusted EBITDA includes a non-cash component for deferred revenue amortisation. For the six months ended June 30, 2021, the North America segment and Asia Pacific segment recognised deferred revenue amortisation of US$9,076,000 (six months ended June 30, 2020: US$11,225,000) and US$371,000 (six months ended June 30, 2020: US$4,175,000), respectively.

The geographic distribution of revenue for the six months ended June 30, 2021 and 2020 is as follows:

	For the six months ended June 30,	
	2021	2020
	US$'000	US$'000
	(Unaudited)	(Unaudited)
North America:		
US	**615,754**	447,123
Mexico	**416,714**	347,106
Asia Pacific:		
China	**328,169**	207,098
Rest of Asia Pacific	**58,310**	23,564
EMEASA:		
Poland	**208,436**	137,088
Rest of EMEASA	**107,011**	48,741
	1,734,394	1,210,720

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

The geographic distribution of non-current assets, excluding deferred income tax assets, as at June 30, 2021 and December 31, 2020 is as follows:

	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
North America:		
US	**1,003,687**	973,702
Mexico	**274,937**	275,965
Asia Pacific:		
China	**270,503**	277,330
Rest of Asia Pacific	**31,666**	30,270
EMEASA:		
Poland	**163,631**	171,143
Rest of EMEASA	**76,691**	68,002
Others	**2,480**	1,517
	1,823,595	1,797,929

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

Disaggregation of revenue

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Total US$'000
For the six months ended June 30, 2021 (Unaudited)				
Electric Power Steering (**EPS**)	**667,805**	**255,219**	**283,697**	**1,206,721**
Steering Columns and Intermediate Shafts (**CIS**)	**149,047**	**6,735**	**3,214**	**158,996**
Hydraulic Power Steering (**HPS**)	**62,318**	**1,562**	**8,123**	**72,003**
Driveline Systems (**DL**)	**153,298**	**122,963**	**20,413**	**296,674**
	1,032,468	**386,479**	**315,447**	**1,734,394**

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Total US$'000
For the six months ended June 30, 2020 (Unaudited)				
EPS	486,359	158,196	179,258	823,813
CIS	140,490	3,483	1,571	145,544
HPS	40,379	1,210	3,541	45,130
DL	127,001	67,773	1,459	196,233
	794,229	230,662	185,829	1,210,720

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

Revenue by type

	For the six months ended June 30, 2021 US$'000 (Unaudited)	2020 US$'000 (Unaudited)
Production parts	**1,717,398**	1,197,229
Tooling	**12,474**	9,697
Engineering design and development/prototypes	**4,522**	3,794
	1,734,394	1,210,720

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

	For the six months ended June 30, 2021 US$'000 (Unaudited)	2020 US$'000 (Unaudited)
GM	**611,027**	445,155
Customer A[(i)]	**468,197**	312,051
Customer B	**266,057**	213,889
	1,345,281	971,095

(i) Subsequent to June 30, 2020, customer A merged with another customer of the Group. Revenue from customer A for the six months ended June 30, 2020 has been updated to include revenue from the other party to the merger.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

7 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment US$'000	Intangible assets US$'000
Six months ended June 30, 2021 (Unaudited)		
Net book amount as at January 1, 2021	**1,009,333**	**657,493**
Additions	**57,935**	**73,967**
Disposals	**(3,549)**	**–**
Reversals of impairments, net	**–**	**4,449**
Depreciation and amortisation	**(66,363)**	**(50,555)**
Exchange differences	**(3,547)**	**677**
Net book amount as at June 30, 2021	**993,809**	**686,031**
Six months ended June 30, 2020 (Unaudited)		
Net book amount as at January 1, 2020	989,754	627,147
Additions	44,397	77,864
Disposals	(4,128)	–
Impairments	–	(31,459)
Depreciation and amortisation	(59,276)	(47,028)
Exchange differences	(6,533)	(776)
Net book amount as at June 30, 2020	964,214	625,748

Intangible asset additions include additions for product development. Product development cost additions, including capitalised interest, for the period ended June 30, 2021 were US$73,952,000 (six months ended June 30, 2020: US$77,823,000).

Capitalised product development costs not yet available for use are tested annually based on the recoverable amount of the cash generating unit to which the intangible asset is related.

The recoverable amount of the cash generating units is determined based upon value in use from the most recent detailed calculations. The value in use is estimated using the discounted cash flow approach. For significant cash generating units, the pretax discount rates used for the six months ended June 30, 2021 to estimate future cash flows range between 8% and 13% (six months ended June 30, 2020: between 8.5% and 13.5%), which are based on an estimated weighted average cost of capital depending on geographical location and risk factors and includes estimates of country risk premiums. Estimated cash flows are based on the estimated useful life of the cash generating unit.

In determining value in use, it is necessary to make a series of assumptions to estimate future cash flows. There is risk in future profitability forecasts including, but not limited to, assumptions of customer volumes and commodity pricing. The assumptions for customer volumes and commodity pricing are reviewed annually as part of management's budgeting and strategic planning cycles.

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

7 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

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

During the six months ended June 30, 2021, the Group recorded a net reversal of product development intangible asset impairments of US$4,449,000. The Group recorded customer recovery from a previously impaired programme of US$5,256,000 in the Condensed Financial Information as engineering and product development costs in the North America segment. The Group recorded impairments of US$807,000 related to programme cancellations and declining volumes on specific customer programmes. The impairment is recorded in the Condensed Financial Information as engineering and product development costs in the Asia Pacific segment in the amount of US$169,000 and the North America segment in the amount of US$638,000. The intangible asset impairments in the North America segment associated with global customer programmes is a result of the Group's US domiciled intellectual property holdings arrangement.

During the six months ended June 30, 2020, the Group recorded product development intangible asset impairments of US$31,459,000 related to programme cancellations and declining volumes on specific customer programmes. The impairment is recorded in the Condensed Financial Information as engineering and product development costs in the Asia Pacific segment in the amount of US$5,100,000 and the North America segment in the amount of US$26,359,000.

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$383,504,000 as at June 30, 2021 (December 31, 2020: US$389,056,000).

8 LEASES

The Group's leases are mainly comprised of real-estate and vehicles. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	Real-Estate US$'000 (Unaudited)	Other US$'000 (Unaudited)	Total US$'000 (Unaudited)
Balance as at January 1, 2021	**48,883**	**8,456**	**57,339**
Depreciation charge for the six months ended June 30, 2021	**5,652**	**1,040**	**6,692**
Balance as at June 30, 2021	**60,395**	**7,743**	**68,138**
Depreciation charge for the six months ended June 30, 2020	**5,860**	**924**	**6,784**

Additions to the right-of-use assets during the six months ended June 30, 2021 were US$17,931,000 (six months ended June 30, 2020: US$2,610,000).

Depreciation is charged to the following expense by function:

	For the six months ended June 30,	
	2021 US$'000 (Unaudited)	2020 US$'000 (Unaudited)
Cost of sales	**4,118**	4,428
Engineering and product development costs	**1,225**	1,085
Administrative expenses	**1,349**	1,271
	6,692	6,784

8 LEASES (Continued)

Lease liabilities

(i) Gross lease liabilities – minimum lease payments:

	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
Within 1 year	**16,538**	16,475
Between 1 and 2 years	**13,395**	14,331
Between 2 and 5 years	**29,440**	25,878
Over 5 years	**19,362**	10,361
	78,735	67,045
Less: future finance charges	**(11,603)**	(9,691)
	67,132	57,354

(ii) Present value of lease liabilities:

	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
Within 1 year	**13,551**	13,527
Between 1 and 2 years	**10,441**	11,850
Between 2 and 5 years	**25,184**	22,236
Over 5 years	**17,956**	9,741
	67,132	57,354
Less: non-current portion	**(53,581)**	(43,827)
Current portion	**13,551**	13,527

For the six months ended June 30, 2021, the Group recognised interest on lease liabilities of US$1,634,000 (six months ended June 30, 2020: US$1,848,000) in the Condensed Financial Information.

For the six months ended June 30, 2021, the Group recognised cash outflows for lease liabilities of US$7,067,000 (six months ended June 30, 2020: US$6,433,000) in the Condensed Financial Information.

9 TRADE RECEIVABLES

	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
Trade receivables, gross	**539,536**	570,845
Notes receivable	**45,272**	24,747
Less: provision for impairment	**(2,563)**	(2,565)
	582,245	593,027

Certain customers in China pay for goods and services through the use of notes receivable. The Group had notes receivable from customers outstanding in the amount of US$45,272,000 as at June 30, 2021 (December 31, 2020: US$24,747,000). As at June 30, 2021, notes receivable totalling US$17,393,000 (December 31, 2020: US$9,235,000) were pledged to guarantee notes payable in the same amount recorded within trade payables as set out in note 15. As set out in note 5, the bank notes receivable are valued at FVOCI.

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, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
0 to 30 days	**430,508**	400,588
31 to 60 days	**134,802**	173,045
61 to 90 days	**14,677**	8,721
Over 90 days	**4,821**	13,238
	584,808	595,592

The provision for impairment of receivables includes estimates and assessments of individual receivables based on the expected credit loss method.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 "Financial Instruments", which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped on shared credit risk characteristics and the days past due. The expected credit losses below incorporate forward looking information, such as industry data and macro-economic factors.

Trade receivables of US$2,563,000 were impaired under the expected credit loss model as at June 30, 2021 on which provisions were made (December 31, 2020: US$2,565,000).

The carrying amounts of trade receivables pledged as collateral were US$355,314,000 as at June 30, 2021 (December 31, 2020: US$371,104,000).

10 OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
Income taxes receivable	**38,542**	34,689
Other taxes receivable[(i)]	**41,894**	32,093
Prepaid assets	**45,599**	49,213
Contract assets[(ii)]	**50,480**	41,664
Deposits to vendors	**8,829**	6,783
Others	**2,469**	2,537
	187,813	166,979
Less: non-current portion	**(51,778)**	(51,482)
Current portion	**136,035**	115,497

(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, which expired during the year ended December 31, 2020 and is expected to be collected during 2021.

(ii) As stated in note 6, the Group has contracts with customers that require revenue to be recognised over time as costs are incurred. Contract assets balance represents rights to consideration for work completed but not billed, related to production parts, reimbursable customer tooling and engineering design and development/prototypes. The Group evaluated the expected credit losses of contract assets. As at June 30, 2021 and December 31, 2020, no significant increase in credit risk was identified in contract assets and the 12-month expected credit losses are assessed to be not material.

11 SHARE CAPITAL

	Number of ordinary shares	**Amount**
Issued and fully paid:		
HK$0.10 each as at December 31, 2020	2,507,544,833	HK$250,754,483
Exercise of share options	1,802,310	HK$180,231
HK$0.10 each as at June 30, 2021	2,509,347,143	HK$250,934,714

12 BORROWINGS

	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
Current		
Borrowings from banks		
– secured [1a]	114,968	–
Add: current portion of		
– Notes [1b]	–	250,000
– Debt issuance costs [1c]	(712)	(1,364)
Total borrowings	114,256	248,636

12 BORROWINGS (Continued)

1. Notes:

(a) This primarily includes:

(i) A revolving line of credit of US$114,968,000 as at June 30, 2021 (December 31, 2020: US$nil) obtained by a subsidiary of the Group which bears interest at LIBOR (with a floor of 0.75% per annum) plus a range of 1.75% to 2.25% per annum, depending on borrowing type, matures in June 2026 and is secured by trade receivables, inventories and machinery and equipment. Availability under the agreement fluctuates according to a borrowing base. In addition, outstanding amounts under the credit facility may become immediately due and payable upon certain events of default, including in failure to comply with the financial covenant in the credit agreement, a fixed charge coverage ratio requirement that applies when excess availability under the credit line is less than certain thresholds, or certain other affirmative and negative covenants in the agreement. As at June 30, 2021, the subsidiary has availability of US$206,806,000 of the US$325,000,000 line of credit. In June 2021, the subsidiary refinanced its US based revolving line of credit reducing interest to LIBOR plus a range of 1.25% to 1.75% per annum from LIBOR (with a floor of 0.75% per annum) plus a range of 2.00% to 2.25% per annum, and extended the maturity to June 2026 from February 2023.

(ii) A factoring facility of US$nil (December 31, 2020: US$nil) with availability to borrow up to US$47,599,000 by a subsidiary of the Group which bears interest at EURIBOR plus 1.05% per annum, is secured by certain receivables. As at June 30, 2021, the subsidiary has availability to borrow based on collateral up to US$24,602,000.

(iii) An overdraft facility of US$nil (December 31, 2020: US$nil) with availability to borrow up to US$21,069,000 by a subsidiary of the Group which bears interest at EURIBOR plus 1.60% per annum, is secured by property and certain trade receivables and expires in August 2022.

(iv) A revolving line of credit of US$nil as at June 30, 2021 (December 31, 2020: US$nil) with availability to borrow up to US$2,695,000 by a subsidiary of the Group which bears interest at the Marginal Cost of Funds Based Lending Rate + 0.8% per annum, is secured by property, plant and equipment, trade receivables and inventories.

(v) A revolving line of credit of US$nil as at June 30, 2021 (December 31, 2020: US$nil) with availability to borrow up to US$2,695,000 by a subsidiary of the Group which bears interest at the Marginal Cost of Funds Based Lending Rate + 0.5% per annum, is secured by property, plant and equipment, trade receivables and inventories.

(b) Notes of US$250,000,000 in aggregate principal amount of 5.875% senior unsecured notes were scheduled to mature in November 2021 and were redeemed early in full during April 2021. The Group recognised a loss of US$448,000 related to the expensing of remaining unamortised debt issuance costs upon repayment.

(c) The Group capitalised debt issuance costs related to various borrowing as noted above. Amortisation of the debt issuance costs is recognised in the Condensed Financial Information as finance cost over the period of the borrowing using the effective interest method. The unamortised balance of debt issuance costs is US$712,000 as at June 30, 2021 (December 31, 2020: US$1,364,000).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

12 BORROWINGS (Continued)

2. Maturity of borrowings

	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
Within 1 year	**114,256**	248,636
	114,256	248,636

3. Weighted average annual interest rates

	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
Bank borrowings	**2.5%**	2.1%
Notes	**N/A**	5.9%

13 PROVISIONS

	As at June 30, 2021 (Unaudited)			As at December 31, 2020 (Audited)		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Litigation (i)	**110**	**627**	**737**	169	346	515
Environmental liabilities (ii)	**150**	**11,901**	**12,051**	150	11,910	12,060
Warranties (iii)	**18,487**	**33,467**	**51,954**	18,378	38,196	56,574
Decommissioning (iv)	**–**	**9,186**	**9,186**	–	8,977	8,977
	18,747	**55,181**	**73,928**	18,697	59,429	78,126

Movement of provisions is as follows:

	Litigation (i) US$'000	Environmental liabilities (ii) US$'000	Warranties (iii) US$'000	Decom-missioning (iv) US$'000	Total US$'000
Six months ended June 30, 2021 (Unaudited)					
As at January 1, 2021	**515**	**12,060**	**56,574**	**8,977**	**78,126**
Additions, net	**253**	**–**	**3,621**	**215**	**4,089**
Utilisation	**(47)**	**(11)**	**(8,116)**	**–**	**(8,174)**
Exchange differences	**16**	**2**	**(125)**	**(6)**	**(113)**
As at June 30, 2021	**737**	**12,051**	**51,954**	**9,186**	**73,928**
Six months ended June 30, 2020 (Unaudited)					
As at January 1, 2020	833	12,128	62,271	8,841	84,073
Additions (reversals), net	208	(5)	4,371	137	4,711
Utilisation	(255)	(15)	(10,771)	–	(11,041)
Exchange differences	(44)	(16)	(248)	(7)	(315)
As at June 30, 2020	742	12,092	55,623	8,971	77,428

13 PROVISIONS (Continued)

Notes:

(i) Litigation

The balance represents a provision primarily for certain labour claims brought against the Group. Litigation is subject to many uncertainties and the outcome of the individual litigated matters is not predictable with assurance. Based on currently available information, it is the opinion of management that the outcome of such matters will not have a material adverse impact on the Group.

(ii) Environmental liabilities

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.

(iii) 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. For the six months ended June 30, 2021, warranty provisions recorded were net of reversals of US$8,499,000 (June 30, 2020: US$6,064,000).

(iv) Decommissioning

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

14 DEFERRED REVENUE

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

	As at June 30, 2021 (Unaudited)			As at December 31, 2020 (Audited)		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Pre-production activity	**21,030**	**69,643**	**90,673**	21,645	69,071	90,716

Movement of deferred revenue is as follows:

	For the six months ended June 30,	
	2021 US$'000 (Unaudited)	2020 US$'000 (Unaudited)
As at January 1	**90,716**	104,317
Additions	**9,381**	6,157
Amortisation	**(9,447)**	(15,400)
Exchange differences	**23**	(107)
As at June 30	**90,673**	94,967

15 TRADE PAYABLES

	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
Trade payables	**576,183**	630,583
Notes payable	**44,522**	26,572
	620,705	657,155

Certain vendors in China are paid for goods and services through the use of notes payable. Included in trade payables is notes payable issued to suppliers outstanding in the amount of US$44,522,000 as at June 30, 2021 (December 31, 2020: US$26,572,000). As at June 30, 2021, notes payable totalling US$17,393,000 (December 31, 2020: US$9,235,000) were pledged by notes receivable in the same amount recorded within trade receivables as set out in note 9.

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

	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
0 to 30 days	**292,666**	371,088
31 to 60 days	**195,648**	180,727
61 to 90 days	**80,272**	64,261
91 to 120 days	**20,773**	15,906
Over 120 days	**31,346**	25,173
	620,705	657,155

16 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2021 US$'000 (Unaudited)	As at December 31, 2020 US$'000 (Audited)
Accrued expenses	**107,997**	129,997
Deposits from customers	**2,160**	2,248
Other taxes payable	**11,206**	10,953
Others	**6,581**	5,889
	127,944	149,087
Less: non-current portion	**(19,661)**	(16,982)
Current portion	**108,283**	132,105

17 OTHER GAINS (LOSSES), NET

	For the six months ended June 30,	
	2021 US$'000 (Unaudited)	2020 US$'000 (Unaudited)
Foreign exchange gains, net	**5,502**	423
Loss on disposal of property, plant and equipment, net	**(1,982)**	(3,756)
Others	**2,771**	2,201
	6,291	(1,132)

18 EXPENSE BY NATURE

	For the six months ended June 30, 2021 US$'000 (Unaudited)	2020 US$'000 (Unaudited)
Inventories used, including finished goods and work-in-progress	**1,079,006**	721,166
Employee benefit costs	**256,015**	204,531
Temporary labour costs	**54,539**	49,394
Supplies and tools	**90,354**	74,946
Depreciation on property, plant and equipment (note 7)	**66,363**	59,276
Depreciation on right-of-use assets (note 8)	**6,692**	6,784
Amortisation on intangible assets (note 7)	**50,555**	47,028
Impairment (reversals) charges, net, on		
– receivables	**(2)**	531
– intangible assets (note 7)[i]	**(4,449)**	31,459
(Reversal of) write-down on inventories	**(1,526)**	2,657
Warranty expenses (note 13)	**3,621**	4,371
Auditors' remuneration		
– audit services	**988**	1,083
Others	**44,800**	35,243
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**1,646,956**	1,238,469

Note:

(i) Reversals on impairment on intangible assets due to customer recovery from a previously impaired programme offset partially by impairments related to programme cancellations and declining volumes on specific customer programmes as set out in note 7.

19 SHARE-BASED PAYMENTS

(a) 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 and will be the higher 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; or (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.

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)
As at January 1, 2020	9.138	37,745
Expired	10.721	(10,756)
As at June 30, 2020 (Unaudited)	8.507	26,989
Exercisable as at June 30, 2020	9.285	13,496
As at January 1, 2021	**8.667**	**22,138**
Exercised	**5.692**	**(1,802)**
Expired	**12.456**	**(2,861)**
Forfeited	**6.390**	**(234)**
As at June 30, 2021 (Unaudited)	**8.380**	**17,241**
Exercisable as at June 30, 2021	**9.596**	**10,699**

19 SHARE-BASED PAYMENTS (Continued)

(a) (Continued)

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)
August 20, 2021	6.390	3,271
August 20, 2022	6.390	3,271

The fair value of the share options charged to the condensed consolidated interim income statement was US$nil during the six months ended June 30, 2021 (six months ended June 30, 2020: US$nil) due to the performance conditions not being met.

(b) Pursuant to an award agreement granted on November 13, 2020, the Company granted 16,299,000 units of performance awards to certain eligible individuals determined by the Board of Directors (**2020 Performance Awards**). The 2020 Performance Awards will remain in force for a period beginning on November 13, 2020 and ending on June 30, 2023. 2020 Performance awards will be equally vested in three tranches in 2021, 2022 and 2023 under the circumstance that non-market performance conditions are met. Each unit of performance awards will be settled in cash for appreciation amounts between the stock price of the Company on the end date of the tranche and the initial stock price of HK$4.36 determined by the Board of Directors.

As at June 30, 2021, the weighted average fair value of outstanding tranches of unit awards granted in November 2020 were determined using a Black-Scholes model of HK$5.467 per unit. The outstanding tranches of unit performance awards have an average maximum cash payout not to exceed HK$5.467 per unit (HK$9.827 per unit less initial stock price at grant date of HK$4.360) or US$3,660,000 per tranche. The significant inputs into the model were initial stock price at grant date of HK$4.360, the 30-day average stock price immediately before June 30, 2021 of HK$10.497, weighted average volatility of 69.11%, an expected term ranging between 1 and 2 years, and an annual risk-free interest rate ranging between 0.07% and 0.25%. For the six months ended June 30, 2021, the fair value of the performance awards of US$4,347,000 was charged to the Condensed Financial Information (six months ended June 30, 2020: US$nil). For the six months ended June 30, 2021, 351,150 units of 2020 Performance Awards were forfeited, and 5,202,000 units of 2020 Performance Awards totaling US$3,114,000 were settled in cash upon vesting. As at June 30, 2021, the payable for 2020 Performance Awards of US$2,351,000 was included in 'other payables and accruals'. As at December 31, 2020, the payable amount for 2020 Performance Awards is not significant.

19 SHARE-BASED PAYMENTS (Continued)

(b) (Continued)

Pursuant to an award agreement granted on June 1, 2021, the Company granted 18,055,000 units of performance awards to certain eligible individuals determined by the Board of Directors (**2021 Performance Awards**). The 2021 Performance Awards will remain in force for a period beginning on June 1, 2021 and ending on June 30, 2024. 2021 Performance Awards will be equally vested in three tranches in 2022, 2023 and 2024 under the circumstance that non-market performance conditions are met. Each unit of 2021 Performance Awards will be settled in cash for appreciation amounts between the stock price of the Company on the end date of the tranche and the initial stock price of HK$10.18 determined by the Board of Directors.

As at June 30, 2021, the weighted average fair value of outstanding tranches of unit awards granted in June 2021 were determined using a Black-Scholes model of HK$4.184 per unit. The outstanding tranches of 2021 Performance Awards have an average maximum cash payout not to exceed HK$5.324 per unit (HK$15.504 per unit less initial stock price at grant date of HK$10.180) or US$4,126,000 per tranche. The significant inputs into the model were initial stock price at grant date of HK$10.180, the 30-day average stock price immediately before June 30, 2021 of HK$10.497, weighted average volatility of 70.181%, an expected term ranging between 1 and 3 years, and an annual risk-free interest rate ranging between 0.07% and 0.46%. For the six months ended June 30, 2021, the fair value of the 2021 Performance Awards of US$466,000 was charged to the Condensed Financial Information (six months ended June 30, 2020: US$nil). As at June 30, 2021 the payable for the 2021 Performance Awards of US$466,000 (December 31, 2020: US$nil) was included in 'other payables and accruals'.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2021

20 FINANCE INCOME/FINANCE COSTS

	For the six months ended June 30, 2021 US$'000 (Unaudited)	2020 US$'000 (Unaudited)
Finance income		
Interest on bank deposits	**1,147**	3,125
Finance costs		
Interest on bank borrowings	**3,623**	1,595
Interest on notes	**3,753**	7,344
	7,376	8,939
Interest on leases	**1,634**	1,848
Other finance costs	**1,976**	2,515
	10,986	13,302
Less: amount capitalised in qualifying assets	**(8,758)**	(8,439)
	2,228	4,863
	1,081	1,738

21 INCOME TAX (EXPENSE) BENEFIT

For the six months ended June 30, 2021, the Group recorded income tax (expense) benefit in the Condensed Financial Information of (US$5,695,000) (six months ended June 30, 2020: US$34,186,000).

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, 2021 and 2020. The tax effects of certain unusual or infrequently occurring items, including changes in judgement about whether it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be recovered and effects of changes in tax laws or rates are recognised in the interim period in which they occur.

The US CARES Act was passed by US Congress and signed into law on March 27, 2020. The CARES Act provided for a carryback of any net operating loss (**NOL**) arising in a taxable year beginning after December 31, 2017, and before January 1, 2021, to each of the five taxable years preceding the taxable year in which the loss arises (**Carryback Period**). As a result of this provision, taxpayers take into account such NOLs in the earliest taxable year in the Carryback Period, carrying forward unused amounts to each succeeding taxable year. The Company has applied this provision to its tax calculation for the expected US tax NOL in year 2020 and recognised a benefit for the NOL carryback.

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,	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to the equity holders of the Company (US$'000)	**83,143**	1,301
Weighted average number of ordinary shares in issue (thousands)	**2,508,588**	2,507,545
Basic earnings per share (in US$)	**0.033**	0.001

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 Scheme that are vested as at June 30, 2021. 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 six months ended June 30, 2021) 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, 2021 and 2020, the details are within the table below.

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to equity holders of the Company, used to determine diluted earnings per share (US$'000)	**83,143**	1,301
Weighted average number of ordinary shares in issue (thousands)	**2,508,588**	2,507,545
Adjustment for share options (thousands)	**2,056**	22
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**2,510,644**	2,507,567
Diluted earnings per share (in US$)	**0.033**	0.001

23 DIVIDEND

A dividend of approximately US$23,581,000 relating to the Group's year ended December 31, 2020 earnings was paid during the six months ended June 30, 2021. On June 30, 2020, the Board of Director's declared a dividend of approximately US$81,495,000 relating to the Group's year ended December 31, 2019 earnings payable on July 20, 2020. The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: US$nil).

24 COMMITMENTS

Capital commitments

The Group has capital commitments of US$141,472,000 as at June 30, 2021 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2020: US$133,026,000).

25 RELATED PARTY TRANSACTIONS

a. Transactions with Xingxiang Addway Automotive Technology Co., Ltd. (Addway), an associate of AVIC

	For the six months ended June 30,	
	2021	2020
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Purchase of goods	**1,155**	23

b. Transactions with joint ventures

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

	For the six months ended June 30,	
	2021	2020
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Sale of product, equipment and services[i]	**35,513**	26,527
Purchase of services[i]	**5,050**	2,519

Note:

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

25 RELATED PARTY TRANSACTIONS (Continued)

b. Transactions with joint ventures (Continued)

Information about the Group's joint ventures is disclosed as follows:

Nexteer (China) Holding Co., Ltd. (**Nexteer China Holding**) (a direct, wholly-owned subsidiary of the Company) holds a 50% ownership interest in a joint venture, Chongqing Nexteer Steering Systems Co., Ltd. (**Chongqing Nexteer**) in Chongqing, China. The joint venture was formed to manufacture and sell steering parts, and the remaining 50% interest is held by Chongqing Jianshe Industry (Group) Co., Ltd.

In March 2017, Nexteer China Holding signed a joint venture agreement with Dongfeng Motor Parts and Components (Group) Co., Ltd. to form Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd. (**Dongfeng Nexteer**). Located in Wuhan, China, the joint venture, equally owned by both parties, designs and manufactures EPS systems for Dongfeng Motor Group Co., Ltd. and its affiliated companies.

In January 2017, Nexteer Automotive Corporation (an indirect, wholly-owned subsidiary of the Company) agreed to form a joint venture with Continental Automotive Systems, Inc. Located in Grand Blanc, USA, the joint venture, CNXMotion, LLC (**CNXMotion**), is focused on integrating lateral and longitudinal control for mixed mode and automated driving applications.

As at June 30, 2021 the Group's carrying amount of its investment in joint ventures is US$23,839,000 (December 31, 2020: US$22,282,000), including US$16,615,000, US$7,224,000 and US$nil related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively, (December 31, 2020: US$15,058,000, US$7,224,000, US$nil). For the six months ended June 30, 2021, the Group's share of income (loss) from the joint ventures amount to US$379,000 (six months ended June 30, 2020: (US$470,000), including US$1,557,000, US$nil and (US$1,178,000) related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively, (six months ended June 30, 2020: US$683,000, (US$350,000), (US$803,000)).

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,	
	2021	2020
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Basic salaries, other allowances and benefits	**3,774**	4,367
Bonuses	**7,697**	1,858
Others	**646**	443
	12,117	6,668

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