nexteer AUTOMOTIVE

A LEADER IN INTUITIVE MOTION CONTROL

INTERIM REPORT 2020

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 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 that provide differentiated and value-added solutions to our customers. We develop 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, more fuel-efficient and 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 the Company's 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 dependable, 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:	28, 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, Changan Automotive (Group) Co., Ltd. (**Changan**), Dongfeng Peugeot Citroën Automobile Co., Ltd., Fiat Chrysler Automobiles N.V. (**FCA**), Ford Motor Company (**Ford**), General Motors Company and Subsidiaries (**GM**), Groupe PSA, Maruti Suzuki India Limited, Renault-Nissan-Mitsubishi Alliance (**RNM**), SAIC General Motors Co., Ltd., SAIC-GM-Wuling Automobile Co., Ltd., Toyota Motor Corporation and Volkswagen Group as well as domestic automakers in India, China and South America

Corporate Information

BOARD OF DIRECTORS

Executive Directors
ZHAO, Guibin (趙桂斌)
(Chief Executive Officer and Vice Chairman)
RICHARDSON, Michael Paul *(President)*
(retired with effect from January 1, 2020)
MILAVEC, Robin Zane
(appointed with effect from June 30, 2020)
FAN, Yi (樊毅)

Non-Executive Directors
WANG, Jian (王堅) *(Chairman)*
ZHANG, Jianxun (張建勛)
LIU, Ping (劉平)

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

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

AUDIT AND COMPLIANCE COMMITTEE

WEI, Kevin Cheng (蔚成) *(Chairman)*
YICK, Wing Fat Simon (易永發)
LIU, Ping (劉平)

REMUNERATION AND NOMINATION COMMITTEE

YICK, Wing Fat Simon (易永發) *(Chairman)*
LIU, Jianjun (劉健君)
ZHANG, Jianxun (張建勛)

HEADQUARTERS

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Auburn Hills, Michigan 48326, USA

REGISTERED OFFICE

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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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
The Stock Exchange of Hong Kong Limited
(Stock code: 5826)

COMPANY WEBSITE

http://www.nexteer.com/

Business Overview

STRATEGY FOR PROFITABLE GROWTH

We remain committed to our six-point strategy for profitable growth that has proven to drive shareholder value. It has been our guidepost through the unprecedented times we experienced during the first half of 2020 and will continue to guide our daily decision-making as we move through the rest of 2020 and beyond by defining and adjusting our business to align with "the new normal" of our global industry.

nexteer AUTOMOTIVE

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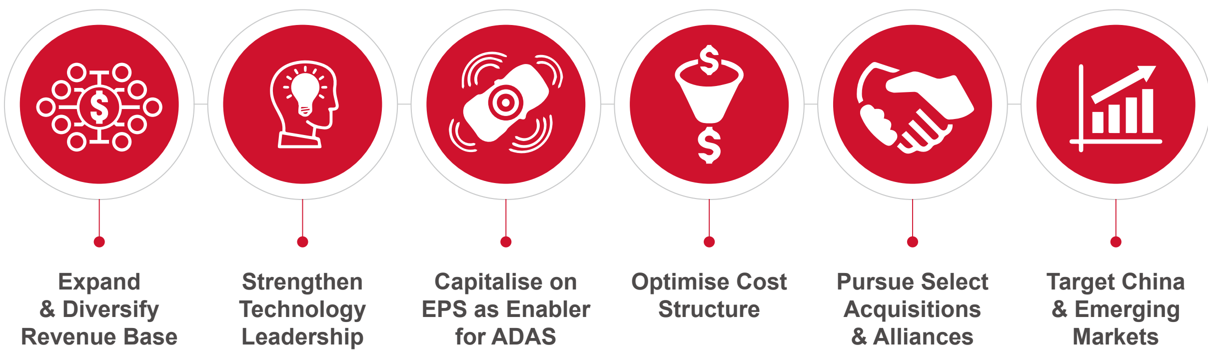
Strategy for Profitable Growth



A Well-Defined Plan to Drive Stakeholder Value

FIRST HALF 2020 BUSINESS HIGHLIGHTS

The following highlights demonstrate Nexteer's focus on delivering long-term profitable growth while navigating an unprecedented environment and ensuring the health and welfare of our global teams during the COVID-19 pandemic:

- Quickly responded to sudden declines in customer demand and government mandates ensuring an orderly shutdown of our manufacturing and related operations across the globe during the first half of 2020, as well as implementing cost controls, capital investment controls and other cash actions to ensure the on-going funding of the business
- Enhanced our already strong employee health and safety protocols across all our global locations to ensure the well-being and productivity of our employees
- Safely returned to production in all regions following COVID-19 suspensions in compliance with government orders and shifting customer production requirements without any significant impact to our customers' operations
- Implemented a comprehensive quality protection plan as a result of COVID-19 production suspensions and maintained product quality performance to pre-COVID record levels as our production facilities in all regions restarted operations
- Successfully launched 19 new customer programmes across product lines, regions and customers
- Continued commitment to technology leadership and trend alignment for future growth – most notably Electrification as a megatrend

COVID-19 IMPACT & RECOVERY

The COVID-19 pandemic has impacted Nexteer in a multitude of ways – from implementing new health and safety protocols to protect our employees, adjusting to new OEM sourcing and production launch timelines and more.

During the first half of 2020, we executed cost and investment controls to help mitigate the financial impact of industry-wide loss of OEM vehicle production and operating shutdowns. However, we are optimistic that the second half of 2020 will reflect a recovery in OEM vehicle production compared with the first half of the year.

Anticipated Volume Recovery in Second Half 2020

For the first half of 2020, global OEM vehicle production of 30.1 million units was lower by 33% when compared with the same period in 2019. This reflects the dramatic impact on automotive industry vehicle production resulting from broad-based actions taken by nations to stem the spread of COVID-19. For the second half of 2020, IHS Markit Ltd. is forecasting a gradually increasing monthly OEM vehicle production trend, with global OEM vehicle production increasing to 39.4 million units, or 31% higher when compared with the first half of 2020; although compared with 2019, second half production is forecasted to be lower by about 10%. However, for the full year 2020, global OEM vehicle production is still forecasted to be lower than 2019 by 22% – with all served markets negatively impacted. (Source: IHS Markit Ltd., Global Light Vehicle Production Forecast, June 2020)

2020 industry production decline will impact our full-year 2020 financial results, although our 2H performance should reflect an improving position.

IHS Markit Ltd.'s rest of year OEM vehicle production forecast also remains dependent on many external factors including recovery in employment levels, consumer sentiment, economic stabilisation and continued containment of the health crisis, among others. For Nexteer, the dramatic industry production decline experienced in the first six months of 2020, coupled with a number of customer future programme cancellations requiring us to expense previously capitalised product development costs as a result of the pandemic, had a significantly negative impact on our first half 2020 financial performance. We expect our second half 2020 financial performance to reflect an improving position when compared with first half 2020 driven by the expected recovery in OEM production volumes during the rest of the year.

Business & Financial Management

The COVID-19 pandemic has required Nexteer to adopt and adapt to many new business practices and protocols in light of government mandates and company operations, including work-from-home protocols, orderly suspension of our manufacturing operations and heavy reliance on information technology (**IT**) and related tools to continue to conduct our daily business. Our global team has positively managed this change and continues to provide the productivity, collaboration and innovative solutions that our customers expect of us.

Nexteer began 2020 with a strong balance sheet. In response to the COVID-19 pandemic, we quickly turned our focus to cash flow as a top priority.

From a financial perspective, Nexteer began 2020 with a strong balance sheet built over the last several years through positive cash flow performance and disciplined capital allocation management. In response to the COVID-19 pandemic, we quickly turned our focus to cash flow as the Company's top priority to fund the business during these uncertain times. We continue to execute cost control actions, working capital management, capital investment controls wherever possible as we navigate the current environment.

While we were working diligently through the initial COVID-19 impact on our Asia Pacific Division (**AP**) in late January and into February, our revenue was outpacing 2019 as both our North America Division (**NA**) and Europe, Middle East, Africa and South America Division (**EMEASA**) were enjoying strong customer demand, including increasing demand in our new Morocco operation. As the pandemic continued to spread globally, in mid-March we commenced the shutdown of our manufacturing operations in both our NA and EMEASA Divisions which extended through most of May 2020.

Business Overview

As a result of the COVID-19 pandemic, we took disciplined cost and cash flow actions to mitigate the impact of the significant loss of revenue across our NA, AP and EMEASA Divisions – with a strong focus on working capital management and capital investment controls.

Across all divisions and corporate functions, we implemented actions including rightsizing our organisational structure and resources, reduced travel and discretionary spending, eliminated previously planned 2020 salaried compensation increases, postponed or canceled hiring and employee training and reallocated work and improved processes for efficiencies, among others. In EMEASA, we also implemented pay and benefit reductions, while in NA, we enacted temporary lay-offs of our manufacturing workforce and continued transformation at our Saginaw, US site to match changing customer requirements and programme launch timing resulting from COVID-19.

While May and June provided an upswing in revenue compared with April as we restarted production in NA and EMEASA, we are mindful of potential setbacks that may occur as countries "re-open" their economies. Nexteer continues to closely monitor the COVID-19 pandemic globally as well as locally within all of our regional operations.

JANUARY - FEBRUARY

Revenue outpacing 2019 in NA, EMEASA – while working through COVID-19 impact in AP

MARCH - MAY

Global spread, impact to NA, EMEASA

AP phases back to production

MAY - JUNE

Revenue upswing compared to April as NA, EMEASA phases back to production

PRESENT

Remain watchful of potential setbacks during economic "re-opening"

Continued vigilance on cash flow & cost actions

Suspension & Return to Production

During the first half of the year, Nexteer's manufacturing operations were suspended across all regions for varying duration of times in compliance with government orders and customer production requirements. Our operations in China were impacted in mid-January and February, while our operations in other parts of the world such as the US, Mexico, Poland, India, Morocco and Brazil were impacted in March lasting through most of May 2020.

As at the time of this report, production has resumed at all Nexteer manufacturing operations globally, although with some challenges in countries – such as Brazil, India and Mexico – that continue to experience difficulty in containing the health crisis. Depending on the country and/or our customer programme requirements, we continue staged ramp-ups of production at each of our manufacturing operations since restarting. Our Nexteer team has worked tirelessly to restart our operations safely and as efficiently as possible, and we continue to make employee safety a priority as we ramp-up production in line with customer requirements.

Supply Chain Management

Our team also continues to diligently communicate, coordinate and support our supplier community which has been critical during this unprecedented time. As at June 30, 2020, Nexteer had not experienced a significant supply interruption as we ramped-up production to meet customer production schedules. The Company continues to work very closely with our global supply chain partners, proactively identifying potential issues and implementing corrective measures as necessary to ensure the most efficient continuity of supply as possible.

Enhanced Health & Safety Protocols

In response to the COVID-19 pandemic, Nexteer created a Safe Work Playbook to enhance already strong employee health and safety protocols and procedures across all our global locations.

For the Safe Work Playbook, we employed lessons learned from production restart experiences within our China operations, as well as guidelines published by the World Health Organization (WHO) and Centers for Disease Control and Prevention (CDC) and industry peers, on how best to restart our operations and protect our employees across our manufacturing, technical and administrative locations.

Nexteer's Safe Work Playbook consists of five major categories:

1. **Local Regulations:** To align with requirements for national, state and regional health organisations;
2. **People Safety:** To protect the safety of our employees in manufacturing operations and technical and administrative offices;
3. **Quality Control Standards:** To further monitor and assess our suppliers' incoming components, including components staged in our plants prior to shutdown;
4. **Production Readiness:** To focus on equipment maintenance and a clear understanding of our customers' forward schedules;
5. **Material Readiness:** To assess our supplier base and transportation systems to ensure we have a smooth flow of material into and out of our manufacturing plants.

The safety of our employees remains Nexteer's top priority, which is why we have taken additional steps to ensure our employees are confident in returning to work, as well as have the means to be as productive as possible operating in an environment that is different from the past. We have implemented robust training on new health and safety protocols and provided employees with general work instructions and visual aids as ongoing reminders of the responsibility we have as a team to ensure the well-being of each of our employees.

New People Safety Protocols that are part of our Safe Work Playbook include daily self-assessments, personal protective equipment (**PPE**), physical distancing, enhanced cleaning and more. We have installed additional permanent and temporary handwashing stations, social distancing markings and signage, foot openers for doors and anti-microbial copper tape around areas that employees commonly touch, among others.

We have also reconfigured workspaces where possible to ensure social distancing requirements, and where unable to reconfigure, physical barriers have been added. Community areas, such as cafeterias, break areas and meeting rooms, have been rearranged to meet distancing requirements, as well as break times modified to limit the number of people in any area at one time. Shift times in our manufacturing operations have also been modified to limit the number of people coming through entry and exit points at any given time. We also have protocols in place if any unsafe situation occurs as well as communication standards for such situations.

Community Support During Pandemic

When the COVID-19 pandemic began impacting Nexteer communities, our Nexteer Team stepped-up to help make PPE for local medical workers and first responders. In March of 2020, we began using our 3D printers in Saginaw, US and Tychy, Poland to make plastic masks, face shield headbands and ear savers. We also used an injection molding machine in Saginaw to produce medical grade plastic masks, and employees in Poland sewed fabric masks for internal and external use. The team at CNXMotion, LLC (**CNXMotion**), our JV with Continental, also used in-house 3D printers to make PPE.

In total, Nexteer has produced more than 30,000 face masks and 6,000 ear savers in Saginaw, USA, more than 5,000 face shields in Tychy, Poland and more than 6,000 fabric masks across the Company's Polish locations. We worked with local government and medical organizations, such as Michigan Health Improvement Alliance, Inc. (MiHIA) in Saginaw, USA, the Mayor's Office in Tychy, Poland and other local healthcare institutions, to donate the supplies to nearby medical facilities.

United Automobile Workers (UAW or Union) Contract Negotiations in the US

All of the Company's US hourly production employees are subject to a collective bargaining agreement (**Agreement**) that was scheduled to expire on March 21, 2020. The Company and the Union extended the current Agreement until July 31, 2020 as negotiations continue. After July 31, the contract remains until a new contract is entered into or either party provides two-week prior notice to allow the existing contract to expire.

While the Company and the Union continue to work toward a mutually beneficial new Agreement, there can be no assurances that negotiations with the Union will be resolved favourably or that the Company will not experience a work stoppage or disruption that could adversely affect the Company's operating results and financial condition.

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. Previously we provided an estimate of a booked business backlog value which included an estimate of 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 (the **Backlog**) as at December 31, 2019. Given the inherent uncertainties in global economies created by the COVID-19 pandemic, including the impact on the global automotive market, our customers and our suppliers, the Company is not providing an update to the Backlog as at June 30, 2020.

NEW PRODUCTION LAUNCHES

With the launch of 19 customer programmes in first half of 2020, including 2 programmes from our non-consolidated JVs, 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 2020 included:

OEMs	Vehicle Nameplate	Our Products
North America		
GM	Chevrolet Tahoe, Chevrolet Suburban, Cadillac Escalade, GMC Yukon	Rack-Assist EPS (**REPS**), Halfshafts, Intermediate Shafts
Ford	Ford E-series	Columns
EMEASA		
PSA	Peugeot 208 – Europe	Halfshafts, Single Pinion-Assist EPS (**SPEPS**)
	Peugeot 208 – South America	Halfshafts
FCA	Fiat Strada	Column-Assist EPS (**CEPS**)
Asia Pacific		
Changan	Changan UNI-T*	CEPS
	Changan E-Rock*	CEPS
Ford	Lincoln Aviator	Columns
	Ford Explorer	Columns
Geely	Lynk & Co 05	Halfshafts
GM	Buick Enclave	Halfshafts, REPS
Great Wall Auto	HAVAL H6	CEPS
RNM	Renault – Various nameplates	Halfshafts
Tata Motors	Tata Nexon EV	Halfshafts
	Tata Atroz	Halfshafts

* Related to one of our non-consolidated JVs

TECHNOLOGY LEADERSHIP, PORTFOLIO-TO-TREND ALIGNMENT: POISED FOR CONTINUED GROWTH

Looking ahead, Nexteer is well-positioned to support OEMs' priorities during and post COVID-19. For example, Nexteer has a robust, proven technology and product portfolio to support industry megatrends like Electrification, Advanced Safety and Performance, Software and more.

Megatrends influencing the automotive market and adjacent sectors represent new and unique channels for Nexteer. We retain thoughtful alignment across our product lines with megatrends including ADAS – Advanced Safety and Performance, Software, Electrification, Mobility-as-a-Service (**MaaS**) and Connectivity.

	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	✓	✓	✓	✓	✓	✓

As part of our thoughtful alignment, we are in-tune with many OEMs that have announced adjustments to their future mobility investments and priorities in response to the COVID-19 pandemic. Nexteer is well-positioned to support our OEM customers' evolving priorities and needs.

As one example, Nexteer's technology provides solutions to customer challenges within the Electrification megatrend, which remains a top priority for many OEMs. While forecasted adoption rates and production volumes vary among regional markets, the overall industry commitment to electrification remains strong.

For a detailed analysis on Nexteer's portfolio and mega-trend alignment, please refer to the 2019 Annual Report.

For the 2020 Interim Report, we will focus on electrification as a megatrend, the resiliency of the NA FST market and the convergence of these trends.

Nexteer Well-Positioned to Support Electrification Trend

For Nexteer, steering systems in a traditional internal combustion engine (**ICE**) versus an electric vehicle (**EV**) are similar. These similarities increase cost efficiency for our OEM customers, especially if they are launching an EV as a subset of an existing platform as part of an OEM's overall Electrification strategy.

Nexteer's power dense under-hood steering systems, like rack-assist and pinion-assist EPS systems, are preferred for EVs because they can support the EVs' unique load requirements. As OEMs show increasing interest in electrifying powertrains for full-size trucks (**FSTs**) and sport utility vehicles (**SUVs**) in North America given current strong consumer demand for these types of vehicles, Nexteer's global EPS technology and leadership in the truck segment strongly position us to lead the electrification efforts in this area.

From EPS to CIS, DL & future tech including SbW, all of our product lines have a role to play in Electrification.

As an example, at the time of this report, Nexteer has booked three electric applications for our High-Output Rack-Assist EPS (**HO REPS**), including a full-size electric pickup truck, an electric light commercial vehicle (delivery van) and an electric autonomous Level 4 people mover (with no steering wheel).

Nexteer's HO REPS may also open a new conversion wave of hydraulic-to-electric power steering for heavy-duty (**HD**) trucks and medium-duty commercial vehicles. For example, steering up to 24 kilonewtons of load on a 12-volt electrical system would have been thought to be unachievable just a few years ago. Yet today, that capability already exists with Nexteer's HO REPS system.

In addition, much of today's HD truck market is still steered by hydraulic-based systems, therefore not realising the advantages of EPS, such as enhanced fuel economy, premium and customisable steering feel and ADAS safety features like lane keeping, cross-wind compensation and others. However, Nexteer's HO REPS technology solves this challenge.

In addition to under-hood EPS, Nexteer's Steer-by-Wire (**SbW**) offers advantages for EVs when it comes to packaging flexibility by accommodating large batteries and re-using components across platforms such as left-hand drive and right-hand drive vehicles.

Business Overview

SbW may also benefit OEMs through parts standardisation. Today, different steering ratios within a single vehicle platform require different rack and pinion designs. With SbW's variable steering ratio, Nexteer uses software code and algorithms to adjust steering ratio and optimise performance. As a result, OEMs get a tailored steering feel while standardising and reducing part numbers. These additional benefits continue to make the SbW business case more attractive.

Nexteer's CIS technologies also play an important role in Electrification by offering reduced mass and packaging flexibility. For example, most EVs are designed with the battery central and low in the vehicle. Sometimes, this requires an innovative intermediate shaft solution to accommodate the battery, such as Nexteer's Intermediate Shaft High Angle Joint that has high angulation capability (up to 63° +/– 5°).

In addition to steering, we also see alignment between our DL business and Electrification. Nexteer expects the EV trend to also drive demand for high-efficiency joints, lower mass and premium Noise, Vibration and Harshness (**NVH**) half-shaft designs. Halfshaft designs will expand fatigue requirements due to increased torque and regenerative braking needs in EVs. In addition, specialised joint types will be needed for enhanced NVH and efficiency needs due to the quietness of EVs.

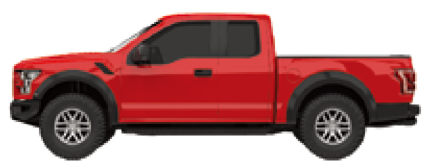
Beyond our current product portfolio, Nexteer's global research and development (**R&D**) team is also exploring new ways to further capitalise on megatrends and offer innovative solutions to OEMs' evolving product challenges.

Bottom line: From EPS to CIS, DL and future tech including SbW, all of our product portfolio has a role to play in supporting and advancing our customers' platform and vehicle electrification strategies.

Nexteer Well-Positioned for NA FST Market Trend

According to IHS Markit Ltd., the NA FST market has outperformed the overall market – with estimated US sales from the Detroit Three brands (GM, Ford and FCA) declining by 6.8% from January through May 2020 when compared to the overall decline in US sales of 22.8%. During March through May of 2020, in NA the Detroit Three produced approximately 200,000 FST units, while NA sales outpaced production by approximately 350,000 units.

Key market drivers supporting production demand for NA FSTs include high levels of incentives, planned GM inventory restocking due to the loss of production resulting from the 40-day UAW strike in the fall of 2019, as well as relatively strong demand by consumers who may not have been as financially impacted as first-time buyers in the car segment. (Sources: IHS Markit Ltd., "NA Production Update & Short-Term Implications of COVID-19", June 16, 2020 and "Full-Size Pickup Truck: Inventory Build-Up Post COVID-19". Report based on June 2020's Light Vehicle Production Forecast.)



NA FST market has outperformed the overall market

– declining an estimated 6.8% from January to May 2020, compared to the overall US sales market decline of 22.8%.

- IHS Markit

As Nexteer's REPS systems steer nine out of 10 trucks in the US, the resiliency of this segment bodes well for the Company. In addition to Nexteer's current market leadership in this area, the next "conversion wave" of HD trucks from hydraulic-to-electric power steering provides another opportunity as well (covered previously in this report).

A Convergence of Trends: Trucks and Electrification

Beyond the next conversion wave of HD trucks from hydraulic-to-electric powered steering, some OEMs have announced plans for migrating FSTs to battery EV (**BEV**) platforms. This convergence aligns well with Nexteer's offerings and strategically positions the Company for continued leadership in this market segment. The planned electrification of the FST market has created a strong pull of Nexteer technology that builds upon our existing market strength.

As evidence, one FST BEV programme will leverage several advanced technologies across all our product lines. Beginning with HO REPS, which includes the first production control module assembly with independently sealed chambers to provide a failsafe solution to several common cause issues. The column assembly will feature a new Power Rake and Telescope design and a state-of-the-art position module and actuator assembly. Finally, DL will introduce Nexteer's ball spline axle bar technology which sets a new standard for NVH and durability performance in ultra-high running angle applications. In areas like this, where multiple trends converge, we are seeing opportunities for growth and the acceleration of new technology implementation.

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SUSTAINABILITY REPORTING

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. We believe 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. We are integrating sustainability into our global business strategies and operations to help drive performance in five key areas:

We publish an annual 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 2019 Sustainability Report, available on Nexteer.com.

CUSTOMER & INDUSTRY RECOGNITION

In the first half of 2020, Nexteer was honoured for manufacturing innovation, quality and excellence – as well as for exceptional customer relationships. Here is a summary of achievements:

- **GM Supplier Quality Excellence Awards** for Nexteer Plants in Saginaw, US; Querétaro, Mexico; Chongqing, China; Wuhu, China and Bangalore, India

- **National Association of Manufacturers' Manufacturing Leadership Award** for Nexteer's Manufacturing Engineering Global Talent Management and Training Program

- **Top Human Resource Management Award 2020** from 51job China's leading Human Resources service company

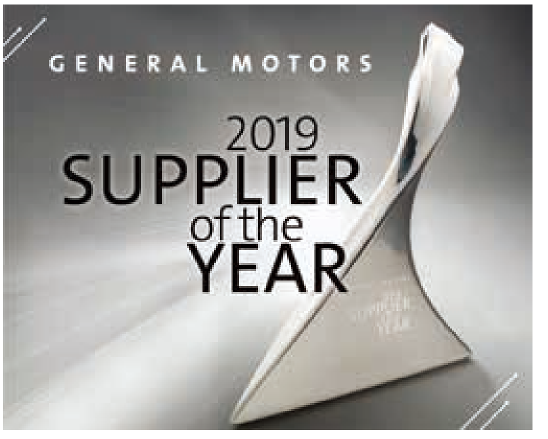
- **Ford Best Managed Companies with Outstanding Quality Performance in 2019 Award** for Nexteer Querétaro, Mexico

In the first half of 2020, Nexteer also received our 2019 GM Supplier of the Year Award. Nexteer was recognised with this prestigious award for consistently exceeding GM's expectations and creating outstanding value to GM.

Nexteer not only wins industry awards and recognition, we help our customers win awards too:

- **2020 North American Truck of the Year:** Jeep® Gladiator featuring our CIS technologies

- **2020 Car of the Year:** Peugeot 208 featuring our SPEPS technology



- o *Nexteer is a SPEPS market leader in Europe and steers one-out-of-four small cars (A and B segments) in Europe.*

ORGANISATIONAL CHANGES

With effect from January 1, 2020, Mr. RICHARDSON, Michael Paul retired as Executive Director and President due to his decision to retire.

With effect from January 1, 2020, Mr. LI, Jun (李軍) was appointed as Vice President, Global Product Line.

With effect from March 29, 2020, Mr. LIU, Tao (柳濤) was appointed as President and Global Chief Operating Officer.

With effect from March 29, 2020, Mr. FAN, Jianqiang (David) (樊堅強) was appointed as Vice President and Divisional President – APAC Division.

With effect from June 30, 2020, Mr. MILAVEC, Robin Zane, Senior Vice President, Chief Technology Officer & Chief Strategy Officer, was elected Executive Director.

Financial Highlights

Results (US'$000)	**For the six months ended June 30, 2020 (Unaudited)**	For the six months ended June 30, 2019 (Unaudited)	Change
Revenue	**1,210,720**	1,832,273	(33.9)%
Gross profit	**122,029**	285,414	(57.2)%
(Loss) profit before income tax	**(31,089)**	155,048	(120.1)%
Income tax benefit (expense)	**34,186**	(22,750)	(250.3)%
Profit attributable to equity holders of the Company	**1,301**	131,124	(99.0)%
Profit for the period	**3,097**	132,298	(97.7)%
Adjusted EBITDA	**115,666**	276,914	(58.2)%

Assets and Liabilities (US'$000)	**As at June 30, 2020 (Unaudited)**	As at December 31, 2019 (Audited)	Change
Non-current assets	**1,704,199**	1,739,345	(2.0)%
Current assets	**1,186,702**	1,519,627	(21.9)%
Non-current liabilities	**491,684**	542,751	(9.4)%
Current liabilities	**649,779**	864,565	(24.8)%
Capital and reserves attributable to the Group's equity holders	**1,716,962**	1,811,981	(5.2)%

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, 2020 (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

The Group faced an unprecedented operating environment during the first half of 2020 as a result of the COVID-19 pandemic which had a significantly adverse impact on the Group's financial performance when compared with the same period in 2019. The Group's revenue declined by 33.9% in the first half of 2020 compared with the first half of 2019, with all three geographical segments negatively impacted. The automotive industry was severely impacted by the effects of the COVID-19 pandemic, driving a sudden and sharp decline in OEM production volume and the suspension of the Group's manufacturing and other operating facilities in compliance with government orders and mandates across every region of operation during the course of the first half of 2020. Although the Group implemented cost and cash flow measures in response to production suspensions, these efforts only partially mitigated the decline in revenue resulting in a significant negative earnings and cash flow impact in the first half of 2020 when compared with 2019. Further, the Group's first half 2020 earnings were negatively impacted by the impairment of previously capitalized product development costs reflecting customer announced programme cancellations and reduced production volume projections for specific programmes as a result of the COVID-19 pandemic. As a consequence of the significantly negative earnings impact on the overall business, in particular the Group's US operations, the Group recorded a significant income tax benefit in the first half of 2020 reflecting the carryback of a US pre-tax loss generated during the current period to prior tax years as provided for under the provisions of the US CARES Act (as defined below) which was enacted in March 2020.

When compared with 2019, cash flow was a net use in the first half of 2020 driven by lower earnings and unfavorable working capital, partially tempered by lower capital spending, timing of dividend payments and lower net debt repayments.

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 Company operates primarily in the US, Mexico, China, Poland, India, Morocco and Brazil.

Global OEM light vehicle production fell dramatically during the first half of 2020 when compared to the same period in 2019 as a result of the COVID-19 pandemic. Mandated business shut-downs and shelter-in-home orders enacted by nations to stem the spread of the health crisis throughout the course of the first half of 2020 impacted all regions in which the Group operates. Operational performance was most heavily impacted in the second quarter of 2020 resulting from the shut-down of the Group's North America and EMEASA operations from mid-March through late May.

According to IHS Markit Ltd. (July 2020), global OEM light vehicle production for the six months ended June 30, 2020 decreased 33% compared to the six months ended June 30, 2019, with the second quarter of 2020 experiencing a decline of 45%. The following table highlights the percentage declines in OEM light vehicle production for the six months ended June 30, 2020 compared with the same period in 2019 for key markets served by the Group:

	Q1 2020	Q2 2020	First Half 2020
North America	(11)%	(69)%	(40)%
North America full-size truck	(6)%	(70)%	(39)%
China	(46)%	9%	(20)%
India	(21)%	(86)%	(51)%
Europe	(17)%	(62)%	(40)%
South America	(17)%	(82)%	(51)%

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 unfavourably impacted by foreign currency translation as the US dollar strengthened against both the Euro and RMB during the first six months of 2020 compared with the same period a year ago.

During the first six months of 2020, the Group successfully launched 19 new customer programmes – 4 programmes in North America, 4 programmes in EMEASA and 11 programmes in Asia Pacific.

Revenue

The Group's revenue for the six months ended June 30, 2020 was US$1,210.7 million, a decrease of US$621.6 million or 33.9%, compared with US$1,832.3 million for the six months ended June 30, 2019. As highlighted in the preceding narrative, the sharp decline in OEM production volume across all geographic markets served by the Group as a result of the COVID-19 pandemic was the principal factor driving significantly lower revenue in the first half of 2020 when compared with the same period in 2019. Foreign currency translation further decreased the Group's revenue by approximately US$15.8 million, principally impacting the Asia Pacific and EMEASA segments, given the strengthening of the US dollar against the RMB and Euro during the first half of 2020 compared with the same period a year ago.

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, 2020		For the six months ended June 30, 2019	
	US$'000 (Unaudited)	**%**	US$'000 (Unaudited)	%
North America	**794,229**	**65.6**	1,274,424	69.5
Asia Pacific	**230,662**	**19.1**	305,370	16.7
EMEASA	**185,829**	**15.3**	252,479	13.8
Total	**1,210,720**	**100.0**	1,832,273	100.0

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

- North America segment – Revenue decreased by US$480.2 million, or 37.7%, for the six months ended June 30, 2020 compared with the same period in 2019. Significant factors contributing to the decrease in revenue included lower North America OEM light vehicle production of 40% for the first half of 2020 compared with the same period in 2019 (North America OEM full-size truck production lower by 39%), customer pricing and the loss of revenue arising from a customer vehicle platform transition impacting the Group's CIS product line which the customer completed during the first half of 2020. Prior to the onset of the COVID-19 pandemic, strong market demand and new and carry-over revenue from customer programme launches provided stronger revenue compared to the same period in 2019.

- Asia Pacific segment – Revenue decreased by US$74.7 million, or 24.5%, for the six months ended June 30, 2020 compared with the same period in 2019. The most significant factors contributing to the revenue decline were lower OEM light vehicle production, with total Asia Pacific production volumes lower by 26% and China and India OEM production volumes lower by 20% and 51%, respectively, for the first half of 2020 compared with the same period a year ago, and a decline in export demand as other countries enacted aggressive measures to stem the spread of the COVID-19 health crisis. The Asia Pacific segment also experienced US$8.4 million of unfavourable foreign currency translation as the US dollar strengthened against the RMB during the first half of 2020 compared with the same period in 2019.

- EMEASA segment – Revenue decreased US$66.7 million, or 26.4%, for the six months ended June 30, 2020 compared with the same period in 2019, largely a result of a decline in Europe and South America OEM light vehicle production of 40% and 51%, respectively, during the first half of 2020 compared with the same period in 2019. The EMEASA segment also experienced US$7.4 million of unfavourable foreign currency translation as the US dollar strengthened against the Euro during the first half of 2020 compared with the same period in 2019. These factors were partially mitigated by the benefit of increased revenue from on-going customer programme launches in the segment's new Morocco manufacturing facility of US$31.0 million which commenced operation in the latter part of 2019.

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, 2020		For the six months ended June 30, 2019	
	US$'000 (Unaudited)	**%**	US$'000 (Unaudited)	%
EPS	**823,813**	**68.1**	1,222,371	66.7
CIS	**145,544**	**12.0**	269,320	14.7
HPS	**45,130**	**3.7**	71,032	3.9
DL	**196,233**	**16.2**	269,550	14.7
Total	**1,210,720**	**100.0**	1,832,273	100.0

The Group experienced a decline in EPS revenue of US$398.6 million, or 32.6%, for the six months ended June 30, 2020 compared with the same period in 2019, largely reflecting customer production suspensions and lower OEM demand due to COVID-19, most notably within the North America segment. These factors were partially offset 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 declined by US$123.8 million, or 46.0%, for the six months ended June 30, 2020 compared with the same period a year ago, reflecting the lower overall demand environment as well as the loss of revenue of US$55.0 million associated with a customer vehicle platform transition which was completed in the first half of 2020. DL revenue declined by US$73.3 million, or 27.2%, for the six months ended June 30, 2020 compared with the same period last year, with lower North America OEM light vehicle production being the principal driver of the decline. The decrease in HPS revenue resulted from lower production demand from a key customer as expected given the life-cycle maturity of this product line.

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, 2020 was US$1.3 million or 0.1% of total revenue, a decrease of US$129.8 million, or 99.0%, compared to the six months ended June 30, 2019 of US$131.1 million, or 7.2% of total revenue. The decrease was principally attributable to the following factors:

- Significantly lower OEM light vehicle production across all regions served by the Group as a result of the COVID-19 pandemic. Cost reduction actions, including adjustment of production manning levels and significant discretionary cost reductions and restrictions provided only a partial offset to the negative earnings impact of the sharp decline in revenue and suspension of operations across the Group's global manufacturing footprint during the course of the period.

- Impairment of previously capitalized product development costs principally reflecting customer programme cancellations and adjustments during the first half of 2020, for which recovery has yet to be negotiated and agreed upon with the customer.

- The Group recorded 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, 2020 was US$1,088.7 million, a decrease of US$458.2 million, or 29.6%, from US$1,546.9 million for the six months ended June 30, 2019.

Raw material costs represent a significant portion of the Group's total cost of sales and for the six months ended June 30, 2020 totaled US$711.5 million, or 58.8% of revenue, compared with US$1,083.4 million, or 59.1% of revenue, for the same period last year, reflecting a decline of US$371.9 million, or 34.3%. The Group effectively managed material costs as a percent of revenue given the significant decline in the demand environment and temporary suspensions of production across all of its manufacturing facilities experienced throughout the first half of 2020.

Depreciation and amortisation, including amortisation of capitalised product development costs, charged to cost of sales for the six months ended June 30, 2020 was US$103.2 million, a decrease of US$0.4 million, or 0.4% from US$103.6 million for the six months ended June 30, 2019.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$45.3 million for the six months ended June 30, 2020, representing 3.7% of revenue, a decrease of US$0.4 million, or 0.9%, as compared with US$45.7 million, representing 2.5% of revenue for the six months ended June 30, 2019. We expect amortisation to continue to increase in future years with the launch of new customer programmes that are currently in development.

For the six months ended June 30, 2019, the Group recognised a product development intangible asset impairment of US$4.2 million related to lower production volume expectations on specific customer programmes in China, of which US$2.4 million was recorded in the North America segment due to the Group's US domiciled intellectual property holdings arrangement. There were no product development intangible asset impairments recorded to cost of sales for the six months ended June 30, 2020.

As a percent of revenue, cost of sales increased to 89.9% for the first half of 2020 compared with 84.4% for the same period a year ago. Excluding raw material costs, depreciation and amortisation and intangible asset impairments, remaining manufacturing costs of US$274.0 million for the first half of 2020 were lower by US$81.7 million, or 23.0%, when compared with US$355.7 million for the same period a year ago reflecting cost actions taken by the Group to partially mitigate the significant loss of revenue.

Gross Profit

The Group's gross profit for the six months ended June 30, 2020 was US$122.0 million, a decrease of US$163.4 million, or 57.3%, when compared with US$285.4 million for the six months ended June 30, 2019. Gross profit margin for the six months ended June 30, 2020 was 10.1% compared with 15.6% for the six months ended June 30, 2019. The decline in gross profit was a direct result of the sharp decline in OEM light vehicle production and mandated shut-downs due to the COVID-19 pandemic, which were partially mitigated by cost reduction actions during the first half of 2020.

Engineering and Product Development Costs

For the six months ended June 30, 2020, the Group's engineering and product development costs charged to the income statement were US$87.7 million, representing 7.2% of revenue, an increase of US$25.8 million, or 41.7%, as compared to US$61.9 million, or 3.4% of revenue for the six months ended June 30, 2019. 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. 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$8.4 million for the six months ended June 30, 2020 and US$7.0 million for the six months ended June 30, 2019. Depreciation and amortisation charged to engineering and product development costs for the six months ended June 30, 2020 was US$5.4 million, an increase of US$0.5 million, or 10.6%, from US$4.9 million for the six months ended June 30, 2019.

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, 2020, the Group incurred an aggregate investment in engineering and product development costs of US$134.1 million, a decrease of US$13.7 million, or 9.3%, compared with US$147.8 million for the six months ended June 30, 2019.

Selling, Distribution and General and Administrative Expenses

The Group's selling, distribution and general and administrative expenses for the six months ended June 30, 2020 were US$62.1 million, representing 5.1% of revenue, a decrease of US$4.9 million, or 7.3%, as compared to US$67.0 million, or 3.7% of revenue for the six months ended June 30, 2019. Continuing efficiency efforts, discretionary cost reduction actions and lower employee performance incentive costs were the principal factors contributing to the decrease. Depreciation and amortisation charged to administrative expenses for the six months ended June 30, 2020 was US$2.2 million, a decrease of US$0.3 million, or 10.3% from US$2.5 million for the six months ended June 30, 2019.

Other (Losses) Gains, net

Other (losses) gains, net represents gains attributable to foreign exchange transactions, losses on disposal of property, plant and equipment and others. Other (losses) gains, net for the six months ended June 30, 2020 were a loss of (US$1.1 million), a decrease of US$4.2 million compared to a gain of US$3.1 million for the six months ended June 30, 2019. The decrease was principally attributable to losses on the disposal of property, plant and equipment related to the on-going right-sizing of the Group's US DL business.

Finance Costs, net

Finance costs, net, consist of interest income and expense reduced by interest capitalised on qualifying assets and product development. The Group's net finance costs for the six months ended June 30, 2020 were US$1.7 million, a decrease of US$0.6 million, or 25.6%, as compared to US$2.3 million for the six months ended June 30, 2019. On-going debt repayments, including the early repayment in full of the Group's remaining outstanding term loans of US$60.0 million in January 2020, more than offset the finance cost associated with increased borrowings under the Group's US revolving credit facility.

Share of Loss of Joint Ventures, net

Share of loss of joint ventures, net relates to the Group's investments in CNXMotion, Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd. (**Dongfeng Nexteer**) and Chongqing Nexteer Steering Systems Co., Ltd. (**Chongqing Nexteer**). For the six months ended June 30, 2020, the Group's share of (loss) income in joint ventures amounted to (US$0.8 million), (US$0.4 million) and US$0.7 million related to CNXMotion, Dongfeng Nexteer and Chongqing Nexteer, respectively (six months ended June 30, 2019: (US$1.6 million), (US$1.0 million) and US$0.4 million). 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 not yet commenced significant customer production to offset the current cost structure and investment for the six months ended June 30, 2020. Chongqing Nexteer's profitability increased during the six months ended June 30, 2020 compared with the same period in 2019 as a result of increased customer demand.

Income Tax Benefit (Expense)

The Coronavirus Aid, Relief, and Economic Security (**CARES**) Act was passed by US Congress signed into law by President Trump 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.

The Group's income tax benefit (expense) was US$34.2 million for the six months ended June 30, 2020, representing 110.0% of the Group's loss before income tax, a decrease of US$57.0 million from (US$22.8 million), or 14.7% of profit before tax, for the six months ended June 30, 2019, which was primarily the result of both changes in the mix of income generated by US and non-US operations and the 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%.

Provisions

As at June 30, 2020, the Group has provisions for restructuring, litigation, environmental liabilities, warranties and decommissioning of US$77.4 million, a decrease of US$6.7 million as compared to US$84.1 million as at December 31, 2019. The decrease in provisions was principally due to the net change in warranty reserves reflecting US$10.8 million in cash payments on historical warranty provisions during the first half of 2020. Additionally, the Company has continued its efforts and focus on improving product quality and manufacturing traceability and, as a result of these initiatives, the reversal of historical warranty provisions due to lower customer warranty settlements and future claims estimates partially offset new warranty provisions recorded during the first half of 2020.

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, 2020 US$'000 (Unaudited)	For the six months ended June 30, 2019 US$'000 (Unaudited)
Cash (used in) generated from:		
Operating activities	**(28,105)**	240,261
Investing activities	**(162,102)**	(194,846)
Financing activities	**(28,438)**	(133,532)
Net decrease in cash and cash equivalents	**(218,645)**	(88,117)

Cash Flows (Used in) Generated from Operating Activities

For the six months ended June 30, 2020, the Group's net cash (used in) generated from operating activities was (US$28.1 million), a decrease of US$268.4 million compared with US$240.3 million for the six months ended June 30, 2019. The decrease in cash flows from operating activities was primarily attributable to significantly lower net earnings resulting from the COVID-19 pandemic and net unfavourable working capital during the first half of 2020 when compared with the same period in 2019.

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, 2020 US$'000 (Unaudited)	For the six months ended June 30, 2019 US$'000 (Unaudited)
Purchase of property, plant and equipment	**(92,245)**	(114,721)
Addition of intangible assets	**(69,426)**	(78,486)
Proceeds from sale of property, plant and equipment	**372**	738
Investment in joint ventures	**(803)**	(2,377)
Net cash used in investing activities	**(162,102)**	(194,846)

Cash Flows Used in Financing Activities

For the six months ended June 30, 2020, the Group's net cash used in financing activities was US$28.4 million, a decrease of US$105.1 million compared with US$133.5 million for the same period in 2019. The principal driver of the decrease in net cash used in financing activities was the timing of dividend payments to shareholders as the US$81.5 million dividend related to 2019 earnings was not paid to shareholders until July 2020, while the US$77.7 million dividend related to 2018 earnings was paid prior to June 30, 2019. Additionally, in January 2020, the Company repaid in full its outstanding term loans totalling US$60.0 million, which was largely offset by increased borrowings under the Group's US-based revolving credit facility. The cash flows used in financing activities were mainly attributable to the net repayment of borrowings of US$6.2 million, repayments of lease liabilities of US$6.4 million, finance costs paid of US$11.9 million and dividends paid to non-controlling interests of US$4.0 million.

Indebtedness

As at June 30, 2020, the Group's total borrowings was US$302.4 million, a decrease of US$5.3 million from US$307.7 million as at December 31, 2019. This decrease was primarily due to the net repayment of existing debt, including the early repayment in full of outstanding term loans of US$60.0 million largely offset by new borrowings on the Company's US-based 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, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
Current borrowings	**53,048**	58,825
Non-current borrowings	**249,318**	248,829
Total borrowings	**302,366**	307,654

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

	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
Within 1 year	**53,048**	58,825
Between 1 and 2 years	**249,470**	249,112
Between 2 and 5 years	**(152)**	(283)
Over 5 years	**–**	–
Total borrowings	**302,366**	307,654

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, 2020, the Group had approximately US$369.2 million total assets pledged as collateral, a decrease of US$122.1 million as compared with US$491.3 million as at December 31, 2019. 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, 2019 to June 30, 2020.

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 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, 2020 was 17.3%, an increase of 70 basis points as compared to 16.6% as at December 31, 2019. The gearing ratio increased as a result of decreased total equity due to the Group incurring a net loss during the first six months of 2020 and declaration of an external dividend.

COVID-19

As set out in note 2 to the Condensed Financial Information, all of the Group's operating segments were dramatically impacted by the COVID-19 global pandemic during the first half of 2020. The disease was first identified in Wuhan, China in December 2019 and subsequently declared a global pandemic by the World Health Organization on March 11, 2020. To date, COVID-19 has surfaced in nearly all regions around the world and has resulted in the closing of borders, business slowdowns and shutdowns of non-essential activities and shelter-in-home government mandates in affected areas as public safety measures taken to contain the further spread of the health crisis. As a result of these measures, COVID-19 had a significantly negative impact on the Group's business globally, as both the Group and its OEM customers experienced the temporary suspension and closure of manufacturing operations and other facilities during the first half of 2020. As at June 30, 2020, the Group's global manufacturing and other facilities are operational.

The Group assessed certain accounting matters that require consideration of forecasted financial information, including, but not limited to, its allowance for credit losses, the carrying value of the Group's intangible assets and other long-lived assets, and valuation allowances in context with the information reasonably available to the Group and the unknown future impacts of COVID-19 as at June 30, 2020 and through the date of this report. As a result of these assessments, there were no material increases in credit allowances or valuation allowances that impacted the Group's Condensed Financial Information as at and for the six months ended June 30, 2020. However, the Group's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to the consolidated financial statements in future reporting periods. The Group did record impairments to programme development intangible assets for the six months ended June 30, 2020 (see note 7). Interim results are not necessarily indicative of full-year results, particularly in fiscal year 2020, given the unprecedented environment as a result of the COVID-19 pandemic and the significant interruption to the Group's operations.

Given the ever-changing and uncertain worldwide situation regarding COVID-19 and its potential further impacts on the economies of afflicted regions, and the inherent difficulty in predicting potential further impact on the Group's facilities, employees, customers, suppliers and logistics providers, the Group has made assumptions based on best available information but due to the uncertainties related to COVID-19 the actual results may be materially different than the current assumptions used by management.

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, especially Electrification.

Employees Remuneration Policy

As at June 30, 2020, 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 Company's performance and are reviewed regularly. Our full-time employees participate in various employee benefit plans including retirement benefits, extended disability benefits and workers' compensation. In addition, we have adopted employee incentive plans designed to attract, retain, 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, 2020, the Group had approximately 500 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, 2020.

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, 2020.

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. RICHARDSON, Michael Paul, an Executive Director, retired as President of the Company and from the Board with effect from January 1, 2020.

Mr. MILAVEC, Robin Zane was appointed as an Executive Director with effect from June 30, 2020. Mr. MILAVEC is Senior Vice President, Executive Director, Chief Technology Officer and Chief Strategy Officer. In his current role, Mr. MILAVEC is responsible for integrating corporate strategy, driving product and process innovation, and positioning Nexteer as a technology leader with new market opportunities. He also has responsibility for Global Engineering, including research & development, technology, product portfolio and production support. He is a member of Nexteer's Global Strategy Council.

Mr. WEI, Kevin Cheng (蔚成), in addition to being an independent non-executive Director, was appointed as the chairman of the board and ceased to be a member of the risk management committee of Tibet Water Resources Ltd. with effect from May 27, 2020. Mr. WEI has resigned from Alpha Peak Leisure Inc. as an independent director and the audit committee chair with effect from June 22, 2020.

For the year 2020, the emoluments of certain Directors of the Board increased to the following amounts: non-Executive Directors Mr. ZHANG, Jianxun and Mr. LIU, Ping – US$42,000, non-Executive Director and Chairman of the Board Mr. WANG, Jian – US$124,000, Independent non-Executive Director Mr. LIU, Jianjun – US$55,650, Independent non-Executive Directors and Committee Chairmen Mr. WEI, Kevin Cheng and Mr. YICK, Wing Fat Simon – US$68,250. Executive Director, Vice Chairman of the Board and Chief Executive Officer Mr. ZHAO, Guibin – US$1,040,000 (to be in line with the market median percentile).

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

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2020.

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, 2020. There has been no disagreement between the Audit and Compliance Committee or the auditor with the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES BY THE COMPANY

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended June 30, 2020.

SHARE OPTION SCHEME

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

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

The summary of the Options granted under the Share Option Scheme that were still outstanding as at June 30, 2020 are as follows:

	Grant date	Options granted	Options held as at January 1, 2020	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, 2020	Exercise period[1]	Option exercise price per share HK$	Share price on the grant date[2] HK$	Share price on the exercise date[3] 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	–	–	–	1,667,970	June 11, 2014 – June 10, 2024	5.150	5.150	N/A	N/A
	June 10, 2015	1,667,970	1,667,970	–	–	–	1,667,970	June 10, 2015 – June 9, 2025	8.610	8.480	N/A	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	1,111,980	–	–	555,990	555,990	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	1,667,970	1,667,970	–	–	555,990	1,111,980	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	1,667,970	1,667,970	–	–	–	1,667,970	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
RICHARDSON, Michael Paul[4]	May 29, 2017	2,633,650	877,880	–	–	877,880	–	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	2,633,650	2,633,650	–	–	1,755,760	877,890	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	2,633,650	2,633,650	–	–	2,633,650	–	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
MILAVEC, Robin Zane	May 30, 2018	526,730	526,730	–	–	175,580	351,150	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	1,667,970	1,667,970	–	–	–	1,667,970	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	351,150	–	–	175,570	175,580	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	526,730	526,730	–	–	175,580	351,150	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	526,730	526,730	–	–	–	526,730	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
ZHANG, Jianxun	May 30, 2018	351,150	351,150	–	–	117,050	234,100	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	351,150	351,150	–	–	–	351,150	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
LIU, PING	August 21, 2019	351,150	351,150	–	–	–	351,150	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
WANG, Jian	August 21, 2019	702,300	702,300	–	–	–	702,300	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
Sub-total		**25,019,600**	**21,800,700**	**–**	**–**	**7,023,050**	**14,777,650**					
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	N/A	N/A
	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	–	–	–	1,031,700	June 10, 2016 – June 9, 2026	7.584	7.340	N/A	N/A
	May 29, 2017	7,090,960	2,749,650	–	–	1,602,810	1,146,840	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	7,266,540	6,037,510	–	–	2,129,570	3,907,940	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	5,774,150	5,247,420	–	–	–	5,247,420	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
Sub-total		**45,745,890**	**15,944,150**	**–**	**–**	**3,732,380**	**12,211,770**					
Total		**70,765,490**	**37,744,850**	**–**	**–**	**10,755,430**	**26,989,420**					

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. The closing price of the shares of the Company immediately before the Date of Grant of the Options (i.e. August 20, 2019) was HK$6.350.

(3) Options exercised during the six months ended June 30, 2020.

(4) Mr. RICHARDSON, Michael Paul retired as an Executive Director with effect from January 1, 2020.

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

As at June 30, 2020, 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	7,783,860(L)	0.31
MILAVEC, Robin Zane[3]	Director	Beneficial owner	2,019,120(L)	0.08
FAN, Yi	Director	Beneficial owner	2,458,080(L)	0.10
WANG, Jian	Director	Beneficial owner	702,300(L)	0.03
ZHANG, Jianxun	Director	Beneficial owner	585,250(L)	0.02
LIU, Ping	Director	Beneficial owner	351,150(L)	0.01

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 2,507,544,833 Shares in issue as at June 30, 2020.

(3) Mr. MILAVEC, Robin Zane was appointed as an Executive Director with effect from June 30, 2020.

Except as disclosed above, as at June 30, 2020, 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, 2020.

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

As at June 30, 2020, the following Shareholders (excluding the Directors and Chief Executives of the Company) had interests or short positions in any Shares and underlying Shares of the Company which will be required to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of Interest	No. of Shares	Approximate Percentage of Total Issued Shares %(1)
Nexteer Automotive (Hong Kong) Holdings Limited (**Nexteer Hong Kong**) (2)	Beneficial owner	1,680,000,000(L)	67.00%
Pacific Century Motors, Inc. (**PCM China**) (2)	Interest of controlled corporation	1,680,000,000(L)	67.00%
AVIC Automotive Systems Holding Co., Ltd. (**AVIC Auto**) (3)	Interest of controlled corporation	1,680,000,000(L)	67.00%
Aviation Industry Corporation of China, Ltd. (**AVIC**) (3)	Interest of controlled corporation	1,680,000,000(L)	67.00%

Notes:

(L) Denotes a long position in the Shares.

(1) The calculation is based on the total number of 2,507,544,833 Shares in issue as at June 30, 2020.

(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 1,680,000,000 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 1,680,000,000 Shares held by Nexteer Hong Kong.

Report on Review of Interim Financial Information

pwc 羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 34 to 70, which comprises the condensed consolidated interim balance sheet of Nexteer Automotive Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at June 30, 2020 and the condensed consolidated interim income statement, the condensed consolidated interim statements of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 18, 2020

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Condensed Consolidated Interim Balance Sheet

As at June 30, 2020

	Notes	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**964,214**	989,754
Right-of-use assets	8	**56,358**	61,159
Intangible assets	7	**625,748**	627,147
Deferred income tax assets		**8,608**	11,829
Investments in joint ventures	25(b)	**19,840**	19,507
Other receivables and prepayments	10	**29,431**	29,949
		1,704,199	1,739,345
Current assets			
Inventories		**270,252**	266,046
Trade receivables	9	**424,201**	544,675
Other receivables and prepayments	10	**116,811**	107,068
Restricted bank deposits		**11**	11
Cash and cash equivalents		**375,427**	601,827
		1,186,702	1,519,627
Total assets		**2,890,901**	3,258,972

The notes on pages 40 to 70 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Balance Sheet

As at June 30, 2020

	Notes	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	**32,347**	32,347
Other reserves		**7,457**	22,184
Retained earnings		**1,677,158**	1,757,450
		1,716,962	1,811,981
Non-controlling interests		**32,476**	39,675
Total equity		**1,749,438**	1,851,656
LIABILITIES			
Non-current liabilities			
Borrowings	12	**249,318**	248,829
Lease liabilities	8	**44,640**	49,381
Retirement benefits and compensations		**21,022**	22,856
Deferred income tax liabilities		**42,209**	73,786
Provisions	13	**54,233**	61,804
Deferred revenue	14	**71,352**	76,474
Other payables and accruals	16	**8,910**	9,621
		491,684	542,751
Current liabilities			
Trade payables	15	**343,355**	592,020
Other payables and accruals	16	**179,706**	128,630
Current income tax liabilities		**11,237**	19,302
Retirement benefits and compensations		**3,013**	3,385
Provisions	13	**23,195**	22,269
Deferred revenue	14	**23,615**	27,843
Lease liabilities	8	**12,610**	12,291
Borrowings	12	**53,048**	58,825
		649,779	864,565
Total liabilities		**1,141,463**	1,407,316
Total equity and liabilities		**2,890,901**	3,258,972

The notes on pages 40 to 70 are an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 34 to 70 were approved by the Board of Directors on August 18, 2020 and were signed on its behalf.

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

Condensed Consolidated Interim Income Statement

For the six months ended June 30, 2020

	Notes	For the six months ended June 30, 2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
Revenue	6	**1,210,720**	1,832,273
Cost of sales	18	**(1,088,691)**	(1,546,859)
Gross profit		**122,029**	285,414
Engineering and product development costs	18	**(87,691)**	(61,892)
Selling and distribution expenses	18	**(7,925)**	(9,404)
Administrative expenses	18	**(54,162)**	(57,629)
Other (losses) gains, net	17	**(1,132)**	3,142
Operating (loss) profit		**(28,881)**	159,631
Finance income	20	**3,125**	5,452
Finance costs	20	**(4,863)**	(7,789)
Finance costs, net		**(1,738)**	(2,337)
Share of loss of joint ventures, net	25(b)	**(470)**	(2,246)
(Loss) profit before income tax		**(31,089)**	155,048
Income tax benefit (expense)	21	**34,186**	(22,750)
Profit for the period		**3,097**	132,298
Profit attributable to:			
Equity holders of the Company		**1,301**	131,124
Non-controlling interests		**1,796**	1,174
		3,097	132,298
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
– Basic and diluted	22	**0.001**	0.052

The notes on pages 40 to 70 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, 2020

	For the six months ended June 30, 2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
Profit for the period	**3,097**	132,298
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit plans, net of tax	**(98)**	(24)
Items that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**(15,256)**	(1,080)
	(15,354)	(1,104)
Total comprehensive (loss) income for the period	**(12,257)**	131,194
Total comprehensive (loss) income for the period attributable to:		
Equity holders of the Company	**(13,524)**	130,016
Non-controlling interests	**1,267**	1,178
	(12,257)	131,194

The notes on pages 40 to 70 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, 2020

	For the six months ended June 30,							Non-controlling interests	
	Share capital US$'000 (note 10)	Share premium US$'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, 2019 (Unaudited)									
As at January 1, 2019	32,324	38,289	113,000	6,940	(84,636)	1,565,893	1,671,810	38,034	1,709,844
Adoption of IFRS 16	–	–	–	–	–	(2,227)	(2,227)	–	(2,227)
Comprehensive income									
Profit for the period	–	–	–	–	–	131,124	131,124	1,174	132,298
Other comprehensive loss									
Exchange differences, net of tax	–	–	–	–	(1,084)	–	(1,084)	4	(1,080)
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	(24)	(24)	–	(24)
Total comprehensive (loss) income	–	–	–	–	(1,084)	131,100	130,016	1,178	131,194
Transactions with owners									
Value of employee services provided under share option scheme	–	–	–	990	–	–	990	–	990
Transfer to share premium under exercise of share options	–	970	–	(970)	–	–	–	–	–
Proceeds from exercise of share options	23	2,442	–	–	–	–	2,465	–	2,465
Dividends paid to shareholders (note 23)	–	(41,701)	–	–	–	(36,033)	(77,734)	–	(77,734)
As at June 30, 2019	32,347	–	113,000	6,960	(85,720)	1,658,733	1,725,320	39,212	1,764,532
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**

The notes on pages 40 to 70 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, 2020

	For the six months ended June 30, 2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
Operating activities		
Cash (used in) generated from operations	**(11,518)**	241,652
Income tax paid, net	**(16,587)**	(1,391)
Net cash (used in) generated from operating activities	**(28,105)**	240,261
Investing activities		
Purchase of property, plant and equipment	**(92,245)**	(114,721)
Addition of intangible assets	**(69,426)**	(78,486)
Proceeds from sale of property, plant and equipment	**372**	738
Investment in joint ventures	**(803)**	(2,377)
Net cash used in investing activities	**(162,102)**	(194,846)
Financing activities		
Proceeds from borrowings	**100,672**	4,829
Repayments of borrowings	**(106,829)**	(43,637)
Repayments of lease liabilities	**(6,433)**	(5,970)
Finance costs paid	**(11,897)**	(13,485)
Dividend paid to equity holders of the Company	**–**	(77,734)
Dividends paid to non-controlling interests	**(3,951)**	–
Proceeds from exercise of share options	**–**	2,465
Net cash used in financing activities	**(28,438)**	(133,532)
Net decrease in cash and cash equivalents	**(218,645)**	(88,117)
Cash and cash equivalents at beginning of year	**601,827**	674,526
Effect of exchange rate changes on cash and cash equivalents	**(7,755)**	(948)
Cash and cash equivalents at end of period	**375,427**	585,461

The notes on pages 40 to 70 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, 2020

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 and China.

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 18, 2020.

This Condensed Financial Information has not been audited.

2 BASIS OF PREPARATION

This Condensed Financial Information has been prepared in accordance with International Accounting Standard (**IAS**) 34 "Interim Financial Reporting." This Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with all applicable International Financial Reporting Standards (**IFRS**), as issued by the International Accounting Standards Board (**IASB**) and requirements of the Hong Kong Companies Ordinance Cap. 622.

Prior year balances have been reclassified to conform with current year presentation. Employee benefit costs in the amount of US$3,481,000 have been reclassified from engineering and product development costs to cost of sales in the condensed consolidated interim income statement for the six months ended June 30, 2019.

A novel strain of COVID-19 was first identified in Wuhan, China in December 2019 and subsequently declared a global pandemic by the World Health Organization on March 11, 2020. To date, COVID-19 has surfaced in nearly all regions around the world and has resulted in the closing of borders, business slowdowns and shutdowns of non-essential activities and shelter-in-home government mandates in affected areas as public safety measures taken to contain the further spread of the health crisis. As a result of these measures, COVID-19 had a significantly negative impact on the Group's business globally, as both the Group and its OEM customers experienced the temporary suspension and closure of manufacturing operations and other facilities during the first half of 2020. As at June 30, 2020, the Group's global manufacturing and other facilities are operational.

2 BASIS OF PREPARATION (Continued)

The Group assessed certain accounting matters that require consideration of forecasted financial information, including, but not limited to, its allowance for credit losses, the carrying value of the Group's intangible assets and other long-lived assets, and valuation allowances in context with the information reasonably available to the Group and the unknown future impacts of COVID-19 as at June 30, 2020 and through the date of this report. As a result of these assessments, there were no material increases in credit allowances or valuation allowances that impacted the Group's Condensed Financial Information as at and for the six months ended June 30, 2020. However, the Group's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to the consolidated financial statements in future reporting periods. The Group did record impairments to programme development intangible assets for the six months ended June 30, 2020 (see note 7). Interim results are not necessarily indicative of full-year results, particularly in fiscal year 2020, given the unprecedented environment as a result of the COVID-19 pandemic and the significant interruption to the Group's operations.

Given the ever-changing and uncertain worldwide situation regarding COVID-19 and its potential further impacts on the economies of afflicted regions, and the inherent difficulty in predicting potential further impact on the Group's facilities, employees, customers, suppliers and logistics providers, the Group has made assumptions based on best available information but due to the uncertainties related to COVID-19 the actual results may be materially different than the current assumptions used by management.

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, 2019, 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, 2020.

Amendments to IAS 1 and IAS 8	Presentation of financial statements and accounting policies, changes in accounting estimates and errors.
Amendment to IFRS 16	'Leases' – COVID-19 related rent concessions

The adoption of these amendments did not have a significant effect on the Condensed Financial Information.

In addition to the above mentioned standards and amendments adopted by the Group for the six months ended June 30, 2020, all other new standards and interpretations have been evaluated and deemed to be either not applicable or immaterial to the Group's Condensed Financial Information.

3 ACCOUNTING POLICIES (Continued)

New and amended standards and interpretations not yet adopted by the Group

The following new standards, amendments to standards, and interpretations relevant to the Group have been issued but are not yet effective for the financial year beginning January 1, 2020 and have not been early adopted:

Narrow-scope amendment to IAS 16	Property, plant and equipment
Narrow-scope amendment to IAS 37	Provisions, contingent liabilities and contingent assets
Annual improvements on IFRS 9	Financial instruments

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this Condensed Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended December 31, 2019.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The Condensed Financial Information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at December 31, 2019.

(a) *Market risk*

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

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to European euro (**Euro**), Polish zloty (**PLN**), Mexican peso and Chinese renminbi (**RMB**).

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

	Equity US$'000	Post-tax Result US$'000
As at and for the six months ended June 30, 2020 (Unaudited)		
Euro	**45,044**	**(1,475)**
RMB	**37,217**	**1,465**
As at and for the six months ended June 30, 2019 (Unaudited)		
Euro	45,916	2,088
RMB	48,905	3,306

A weakening of the US dollar by 10% against the above currencies would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

Management monitors and analyses expected exchange rate developments and considers hedging foreign currency exposure should the need arise.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities, including cash and cash equivalents, restricted bank deposits, trade receivables, other receivables and prepayments, trade payables, other payables and accruals 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 bank notes received 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, 2020 and December 31, 2019. The fair value of financial assets at fair value through other comprehensive income 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, 2020 and December 31, 2019. 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 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 with 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 averaging 47–60 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, 2020 (Unaudited)	**38,396**	**(23,615)**	**(71,352)**
Balances as at December 31, 2019 (Audited)	33,572	(27,843)	(76,474)
Change in account balance	4,824	4,228	5,122

(i) Contract assets are recorded within other current 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.

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

- Operating income before interest, taxes, depreciation and amortisation (including 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.

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

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, 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	**72,366**	**46,431**	**(777)**	**(2,354)**	**115,666**
For the six months ended June 30, 2019 (Unaudited)					
Total revenue	1,287,171	314,599	259,113	–	1,860,883
Inter-segment revenue	(12,747)	(9,229)	(6,634)	–	(28,610)
Revenue from external customers	1,274,424	305,370	252,479	–	1,832,273
Adjusted EBITDA	189,145	59,560	33,552	(5,343)	276,914

The revenue from external parties reported to the Group's CEO is measured in a manner consistent with that in the condensed consolidated interim income statement.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2020

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, 2020 (Unaudited)					
Total assets	**1,817,843**	**878,419**	**362,827**	**(168,188)**	**2,890,901**
Total liabilities	**(566,213)**	**(243,323)**	**(139,881)**	**(192,046)**	**(1,141,463)**
As at December 31, 2019 (Audited)					
Total assets	2,001,209	973,646	410,491	(126,374)	3,258,972
Total liabilities	(740,049)	(321,439)	(165,248)	(180,580)	(1,407,316)

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

	For the six months ended June 30,	
	2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
Adjusted EBITDA from reportable segments	**115,666**	276,914
Depreciation and amortisation expenses	**(113,088)**	(113,041)
Impairments on intangible assets[i]	**(31,459)**	(4,242)
Finance costs, net	**(1,738)**	(2,337)
Share of loss of joint ventures, net	**(470)**	(2,246)
(Loss) profit before income tax	**(31,089)**	155,048

Note:

(i) Impairment on intangible assets due to declining volumes and cancellations on specific customer programmes as set out in note 7.

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, 2020, the North America segment and Asia Pacific segment recognised US$11,225,000 (six months ended June 30, 2019: US$11,436,000) and US$4,175,000 (six months ended June 30, 2019: US$1,773,000), respectively.

The geographic distribution of revenue for the six months ended June 30, 2020 and 2019 is as follows:

	For the six months ended June 30,	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
North America:		
US	**447,123**	778,951
Mexico	**347,106**	495,473
Asia Pacific:		
China	**207,098**	270,022
Rest of Asia Pacific	**23,564**	35,348
EMEASA:		
Poland	**137,088**	222,075
Rest of EMEASA	**48,741**	30,404
	1,210,720	1,832,273

The geographic distribution of non-current assets excluding deferred income tax assets as at June 30, 2020 and December 31, 2019 is as follows:

	As at June 30, 2020	As at December 31, 2019
	US$'000	US$'000
	(Unaudited)	(Audited)
North America:		
US	**935,424**	942,769
Mexico	**273,136**	280,232
Asia Pacific:		
China	**252,104**	270,342
Rest of Asia Pacific	**27,141**	27,370
EMEASA	**207,661**	206,506
Others	**125**	297
	1,695,591	1,727,516

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, 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**

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Total US$'000
For the six months ended June 30, 2019 (Unaudited)				
EPS	759,720	222,003	240,648	1,222,371
CIS	255,176	11,167	2,977	269,320
HPS	60,018	2,869	8,145	71,032
DL	199,510	69,331	709	269,550
	1,274,424	305,370	252,479	1,832,273

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

Revenue by type

	For the six months ended June 30, 2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
Production Parts	**1,197,229**	1,819,231
Tooling	**9,697**	7,861
Engineering Design and Development/Prototypes	**3,794**	5,181
	1,210,720	1,832,273

Revenues from 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, 2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
GM	**445,155**	731,444
Customer A	**223,504**	395,326
Customer B	**213,889**	312,111
	882,548	1,438,881

7 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment US$'000	Intangible assets US$'000
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**
Six months ended June 30, 2019 (Unaudited)		
Net book amount as at January 1, 2019	933,244	561,933
Additions	83,764	85,953
Adoption of IFRS 16[(i)]	(6,241)	–
Disposals	(1,580)	–
Impairments	–	(4,242)
Depreciation and amortisation	(58,751)	(48,188)
Exchange differences	(158)	(100)
Net book amount as at June 30, 2019	950,278	595,356

(i) The Company adopted IFRS 16, Leases, effective January 1, 2019. Existing finance lease assets were reclassified from property, plant and equipment to right-of-use assets at that date.

Intangible asset additions include additions for product development. Product development cost additions, including capitalised interest for the period ended June 30, 2020 were US$77,823,000 (six months ended June 30, 2019: US$85,879,000).

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, 2020 to estimate future cash flows range between 8.5% and 13.5% (six months ended June 30, 2019: between 8.5% and 14%), 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 such as 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, 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 consolidated interim income statement 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. For the six months ended June 30, 2019, the Group recorded product development intangible asset impairments of US$4,242,000 related to declining volumes on specific customer programmes in China. The impairments were recorded in the condensed consolidated interim income statement as cost of sales in the North America and Asia Pacific segments. The intangible asset impairments in the North America segment associated with global customer programmes is due to the Company's US domiciled intellectual property holdings arrangement.

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$19,698,000 as at June 30, 2020 (December 31, 2019: US$20,328,000).

8 LEASES

The Company's leases are mainly comprised of real-estate and vehicles. Information about leases for which the Company 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, 2020	**53,589**	**7,570**	**61,159**
Depreciation charge for the six months ended June 30, 2020	**5,860**	**924**	**6,784**
Balance as at June 30, 2020	**49,498**	**6,860**	**56,358**
Depreciation charge for the six months ended June 30, 2019	**5,279**	**823**	**6,102**

Additions to the right-of-use assets during the six months ended June 30, 2020 were US$2,610,000 (six months ended June 30, 2019: US$9,626,000).

Depreciation has been charged to the following function of expenses:

	For the six months ended June 30, 2020 US$'000	2019 US$'000
Cost of sales	**4,428**	3,645
Engineering and product development costs	**1,085**	928
Administrative expenses	**1,271**	1,529
	6,784	6,102

8 LEASES (Continued)

Lease liabilities

(i) Gross lease liabilities – minimum lease payments:

	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
Within 1 year	**15,698**	15,612
Between 1 and 2 years	**12,933**	13,392
Between 2 and 5 years	**27,075**	29,691
Over 5 years	**12,387**	15,454
	68,093	74,149
Less: future finance charges	**(10,843)**	(12,477)
	57,250	61,672

(ii) Present value of lease liabilities:

	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
Within 1 year	**12,610**	12,291
Between 1 and 2 years	**10,281**	10,536
Between 2 and 5 years	**22,855**	24,669
Over 5 years	**11,504**	14,176
	57,250	61,672
Less: non-current portion	**(44,640)**	(49,381)
Current portion	**12,610**	12,291

For the six months ended June 30, 2020, the Group recognised interest on lease liabilities of US$1,848,000 (six months ended June 30, 2019: US$1,833,000) in the condensed consolidated interim income statement.

For the six months ended June 30, 2020, the Group recognised total cash outflow for leases of US$6,433,000 (six months ended June 30, 2019: US$5,970,000) in the condensed consolidated interim statement of cash flows.

9 TRADE RECEIVABLES

	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
Trade receivables, gross	**409,159**	540,546
Notes receivable	**17,294**	5,850
Less: provision for impairment	**(2,252)**	(1,721)
	424,201	544,675

Certain customers in China pay for goods and services through the use of bank notes. Included in trade receivables, gross are bank notes received from customers in the amount of US$17,294,000 as at June 30, 2020 (December 31, 2019: US$5,850,000). As set out in note 5.2, 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, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
0 to 30 days	**335,032**	305,117
31 to 60 days	**62,468**	215,942
61 to 90 days	**12,572**	20,412
Over 90 days	**16,381**	4,925
	426,453	546,396

Trade receivables of US$30,610,000 were past due but not impaired as at June 30, 2020 (December 31, 2019: US$26,895,000). These relate mainly to a number of customers for whom there is no history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
Overdue up to 30 days	**12,722**	18,293
Overdue 31 to 60 days	**7,224**	2,410
Overdue 61 to 90 days	**3,793**	1,717
Overdue over 90 days	**6,871**	4,475
	30,610	26,895

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

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. 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.

9 TRADE RECEIVABLES (Continued)

Trade receivables of US$2,252,000 were impaired as at June 30, 2020 on which provisions were made (December 31, 2019: US$1,721,000). These individually impaired receivables are relatively long overdue.

The carrying amounts of trade receivables pledged as collateral were US$227,149,000 as at June 30, 2020 (December 31, 2019: US$332,631,000).

10 OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
Income and other taxes recoverable[(i)]	**60,509**	53,387
Prepaid assets	**39,011**	39,571
Contract assets [(ii)]	**38,396**	33,572
Deposits to vendors	**4,566**	5,385
Others	**3,760**	5,102
	146,242	137,017
Less: non-current portion	**(29,431)**	(29,949)
Current portion	**116,811**	107,068

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

(ii) As stated in note 6, under IFRS 15, *Revenue from Contracts with Customers* **(IFRS 15)**, the Group has some 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 services.

11 SHARE CAPITAL

	Number of ordinary shares	**Amount**
Issued and fully paid:		
HK$0.10 each as at December 31, 2019	2,507,544,833	HK$250,754,483
Exercise of share options	–	HK$0
HK$0.10 each as at June 30, 2020	2,507,544,833	HK$250,754,483

12 BORROWINGS

	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
Non-current		
Notes (note (1c))	**250,000**	250,000
Debt issuance costs (note (1d))	**(682)**	(1,171)
	249,318	248,829
Current		
Borrowings from banks		
– secured, others (note (1b))	**54,025**	157
Add: current portion of		
– non-current unsecured borrowings (note (1a))	**–**	60,000
– debt issuance costs (note (1d))	**(977)**	(1,332)
	53,048	58,825
Total borrowings	**302,366**	307,654

12 BORROWINGS (Continued)

1. Notes:

(a) This primarily includes:

(i) Bank loans totaling US$nil as at June 30, 2020 (December 31, 2019: US$60,000,000), which were guaranteed by AVIC and Beijing E-Town International Investment & Development Co., Ltd., (indirect shareholders of Pacific Century Motors, Inc. which is an intermediate holding company of the Company), bore interest at LIBOR plus 3.5% per annum and due in semi-annual installments of US$30,500,000, which commenced in June 2014 and were scheduled to mature in October 2020 with the last repayment to be made then. These were repaid in January 2020.

(b) This primarily includes:

(i) A revolving line of credit of US$54,024,000 as at June 30, 2020 (December 31, 2019: US$nil) obtained by a subsidiary of the Group which bears interest at LIBOR plus a range of 1.25% to 1.75% per annum, depending on borrowing type, matures in February 2023 and is secured by trade receivables and inventories. 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, 2020 the Company has excess availability of US$168,053,000 of the US$325,000,000 line of credit.

(ii) A factoring facility of US$nil (December 31, 2019: US$nil) with availability to borrow up to US$3,791,000 by a subsidiary of the Group which bears interest at EURIBOR plus 1.05% per annum, is secured by trade receivables.

(iii) A revolving line of credit of US$nil as at June 30, 2020 (December 31, 2019: US$157,000) with availability to borrow up to US$2,657,000 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 and expired in June 2020.

(iv) A revolving line of credit of US$1,000 as at June 30, 2020 (December 31, 2019: US$nil) with availability to borrow up to US$2,657,000 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 and expires in September 2020.

(c) Notes of US$250,000,000 in aggregate principal amount of 5.875% senior unsecured notes maturing in November 2021. The notes require annual covenant compliance with a fixed charge coverage ratio of at least 2 to 1, with which the Group was in compliance for the year ended December 31, 2019.

(d) The Group capitalised debt issuance costs related to various borrowing as noted above. Amortisation of the debt issuance costs is recognised in the income statement as finance cost over the period of the borrowing using the effective interest method. The unamortised balance of debt issuance costs is US$1,659,000 as at June 30, 2020 (December 31, 2019: US$2,503,000).

12 BORROWINGS (Continued)

2. Maturity of borrowings

	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
Within 1 year	**53,048**	58,825
Between 1 and 2 years	**249,470**	249,112
Between 2 and 5 years	**(152)**	(283)
Over 5 years	**–**	–
	302,366	307,654

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

	Carrying amount		Fair value	
	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
Notes	**249,731**	249,373	**249,566**	252,676
	249,731	249,373	**249,566**	252,676

The fair values of Notes are based on quoted prices in active markets and were within Level 1 of the fair value hierarchy.

12 BORROWINGS (Continued)

4. Weighted average annual interest rates

	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
Bank borrowings	**5.4%**	6.6%
Notes	**5.9%**	5.9%

5. Currency denomination

	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
US$	**302,365**	307,497
Indian rupee	**1**	157
	302,366	307,654

13 PROVISIONS

	As at June 30, 2020 (Unaudited)			As at December 31, 2019 (Audited)		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Restructuring	**–**	**–**	**–**	–	–	–
Litigation (note (a))	**325**	**417**	**742**	598	235	833
Environmental liabilities (note (b))	**150**	**11,942**	**12,092**	150	11,978	12,128
Warranties (note (c))	**22,457**	**33,166**	**55,623**	21,254	41,017	62,271
Decommissioning (note (d))	**263**	**8,708**	**8,971**	267	8,574	8,841
	23,195	**54,233**	**77,428**	22,269	61,804	84,073

13 PROVISIONS (Continued)

Movement of provisions is as follows:

	Restructuring US$'000	Litigation (note (a)) US$'000	Environmental liabilities (note (b)) US$'000	Warranties (note (c)) US$'000	Decom-missioning (note (d)) US$'000	Total US$'000
Six months ended June 30, 2020 (Unaudited)						
As at January 1, 2020	**–**	**833**	**12,128**	**62,271**	**8,841**	**84,073**
Additions (reversals)	**–**	**208**	**(5)**	**4,371**	**137**	**4,711**
Payments	**–**	**(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**
Six months ended June 30, 2019 (Unaudited)						
As at January 1, 2019	195	267	12,153	68,280	8,215	89,110
Additions	–	205	1	1,421	203	1,830
Payments	(197)	(174)	(16)	(5,125)	–	(5,512)
Exchange differences	2	3	1	(64)	(2)	(60)
As at June 30, 2019	–	301	12,139	64,512	8,416	85,368

Notes:

(a) 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.

(b) Environmental liabilities

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

(c) Warranty

A provision is recognised for warranty costs associated with products sold to the customer principally at the time of sale or when it is determined that such obligations are probable and can be reasonably estimated. For the six months ended June 30, 2020, warranty provisions recorded were net of reversals of US$6,064,000 which related to adjustments of provisions recorded in prior periods as a current period estimate revision based on improved quality (June 30, 2019: US$17,396,000).

(d) Decommissioning

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

14 DEFERRED REVENUE

In accordance with IFRS 15, 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, 2020 (Unaudited)			As at December 31, 2019 (Audited)		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Pre-production activity	**23,615**	**71,352**	**94,967**	27,843	76,474	104,317

Movement of deferred revenue is as follows:

	For the six months ended June 30,	
	2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
As at January 1	**104,317**	105,718
Additions	**6,157**	6,177
Amortisation[(i)]	**(15,400)**	(13,209)
Exchange differences	**(107)**	20
As at June 30	**94,967**	98,706

(i) Current period amortisation of deferred revenue was included in the deferred revenue balance as at the beginning of the period.

15 TRADE PAYABLES

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

	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
0 to 30 days	**216,947**	337,204
31 to 60 days	**62,178**	171,952
61 to 90 days	**24,091**	48,888
91 to 120 days	**8,427**	9,645
Over 120 days	**31,712**	24,331
	343,355	592,020

16 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2020 US$'000 (Unaudited)	As at December 31, 2019 US$'000 (Audited)
Accrued expenses	**81,481**	122,627
Deposits from customers	**3,540**	3,243
Other taxes payable	**8,001**	5,242
Dividends payable to equity holders of the Company	**81,495**	–
Dividends payable to non-controlling interests	**4,515**	–
Others	**9,584**	7,139
	188,616	138,251
Less: non-current portion	**(8,910)**	(9,621)
Current portion	**179,706**	128,630

17 OTHER (LOSSES) GAINS, NET

	For the six months ended June 30,	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Foreign exchange gains	**423**	624
Loss on disposal of property, plant and equipment	**(3,756)**	(840)
Others	**2,201**	3,358
	(1,132)	3,142

18 EXPENSE BY NATURE

	For the six months ended June 30,	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Raw materials used	**711,522**	1,083,424
Changes in inventories of finished goods and work-in-progress	**9,644**	4,734
Employee benefit costs	**204,531**	259,777
Temporary labour costs	**49,394**	60,577
Supplies and tools	**74,946**	104,698
Depreciation on property, plant and equipment (note 7)	**59,276**	58,751
Depreciation on right-of-use assets (note 8)	**6,784**	6,102
Amortisation on intangible assets (note 7)	**47,028**	48,188
Impairment charges on (reversals of provisions)		
– inventories	**2,657**	(2,392)
– receivables	**531**	(9)
– intangible assets	**31,459**	4,242
Warranty expenses (note 13)	**4,371**	1,421
Auditors' remuneration		
– audit services	**1,083**	571
Others	**35,243**	45,700
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**1,238,469**	1,675,784

19 SHARE-BASED PAYMENTS

Pursuant to a shareholders' resolution passed on June 5, 2014, the Company adopted a share option scheme (the **Scheme**). The Scheme will remain in force for a period of 10 years commencing from June 5, 2014 and the period within which the option may be exercised must expire no later than 10 years from the relevant date of grant.

The subscription price for the shares under the option to be granted will be determined by the Board 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.

On August 21, 2019, the Board approved a sixth grant of share options under the Scheme, pursuant to which options to subscribe for 13,675,070 shares, representing approximately 0.545% of the issued share capital of the Company at the date of the grant, were granted to 16 selected participants at the exercise price of HK$6.390 per share.

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

	Average exercise price (per share) HK$	Outstanding options (thousands)
As at January 1, 2019	10.633	33,534
Exercised	10.510	(1,840)
Expired	10.261	(5,283)
Forfeited	12.177	(878)
As at June 30, 2019 (Unaudited)	10.665	25,533
Exercisable as at June 30, 2019	9.437	14,257
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**

19 SHARE-BASED PAYMENTS (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, 2020	6.390	3,505
May 29, 2021	12.456	2,978
August 20, 2021	6.390	3,505
August 20, 2022	6.390	3,505

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, 2020 (six months ended June 30, 2019: US$1,020,000).

20 FINANCE COSTS, NET

	For the six months ended June 30,	
	2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
Finance income		
Interest on bank deposits	**3,125**	5,452
Finance costs		
Interest on bank borrowings	**1,595**	4,337
Interest on notes	**7,344**	7,344
	8,939	11,681
Interest on leases	**1,848**	1,833
Other finance costs	**2,515**	1,333
	13,302	14,847
Less: amount capitalised in qualifying assets	**(8,439)**	(7,058)
	4,863	7,789
Finance costs, net	**1,738**	2,337

21 INCOME TAX BENEFIT (EXPENSE)

	For the six months ended June 30, 2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
Current income tax	**6,005**	(32,201)
Deferred income tax	**28,181**	9,451
	34,186	(22,750)

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, 2020 and 2019. The tax effects of certain unusual or infrequently occurring items, including changes in judgement about the realisability of deferred tax assets and effects of changes in tax laws or rates are recognised in the interim period in which they occur.

The Coronavirus Aid, Relief, and Economic Security (**CARES**) Act was passed by US Congress signed into law by President Trump 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.

The effective income tax rates of 110.0% and 14.7% for the six months ended June 30, 2020 and 2019, respectively, vary from the statutory rates primarily due to tax credits, tax holidays, withholding taxes and foreign rate incentives in certain jurisdictions. The increase in the effective tax rate of 95.3 percentage points for the six months ended June 30, 2020 from 14.7% for the six months ended June 30, 2019 which was primarily the result of both changes in the mix of income generated by US and non-US operations and the 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%.

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, 2020 (Unaudited)	2019 (Unaudited)
Profit attributable to the equity holders of the Company (US$'000)	**1,301**	131,124
Weighted average number of ordinary shares in issue (thousands)	**2,507,545**	2,506,372
Basic earnings per share (in US$)	**0.001**	0.052

22 EARNINGS PER SHARE (Continued)

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the Scheme that are vested as at June 30, 2020. 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, 2020) 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, 2020 and 2019, the details are within the table below.

	For the six months ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to equity holders of the Company, used to determine diluted earnings per share (US$'000)	**1,301**	131,124
Weighted average number of ordinary shares in issue (thousands)	**2,507,545**	2,506,372
Adjustment for share options (thousands)	**22**	3,059
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**2,507,567**	2,509,431
Diluted earnings per share (in US$)	**0.001**	0.052

23 DIVIDEND

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 Company paid a dividend of US$77,734,000 during the six months ended June 30, 2019 relating to the Group's year ended December 31, 2018 earnings. The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2020 (six months ended June 30, 2019: US$nil).

24 COMMITMENTS

Capital commitments

The Group has capital commitments of US$162,876,000 as at June 30, 2020 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2019: US$147,140,000).

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,	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Purchase of goods	**23**	118

b. Transactions with joint ventures

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, 2020 the Group's carrying amount of its investment in joint ventures is US$19,840,000 including US$12,668,000, US$7,172,000 and US$nil related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively, (December 31, 2019: US$11,985,000, US$7,522,000, US$nil). For the six months ended June 30, 2020, the Group's share of (loss) income from the joint ventures amount to (US$470,000), including US$683,000, (US$350,000) and (US$803,000) related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively, (six months ended June 30, 2019: US$361,000, (US$965,000), (US$1,642,000)).

25 RELATED PARTY TRANSACTIONS (Continued)

b. Transactions with joint ventures (Continued)

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

	For the six months ended June 30,	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Sale of product, equipment and services(i)	**26,527**	22,608
Purchase of services(i)	**2,519**	6,708

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

c. Key management compensation

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

	For the six months ended June 30,	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Basic salaries, other allowances and benefits	**4,367**	3,521
Bonuses	**1,858**	4,681
Others	**443**	552
	6,668	8,754

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

26 SUBSEQUENT EVENT

All of the Company's US hourly production employees are subject to a collective bargaining agreement (Union or Agreement) that was scheduled to expire on March 21, 2020. The Company and the Union extended the current Agreement until July 31, 2020 as negotiations continue. After July 31, the contract remains until a new contract is entered into or either party provides two-week prior notice to allow the existing contract to expire.

While the Company and the Union continue to work toward a mutually beneficial new Agreement, there can be no assurances that negotiations with the Union will be resolved favourably or that the Company will not experience a work stoppage or disruption that could adversely affect the Company's operating results and financial condition.