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

A LEADER IN INTUITIVE MOTION CONTROL

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 the global leading motion control technology company accelerating mobility to be safe, green and exciting.

"We are the Leading ***MOTION CONTROL TECHNOLOGY COMPANY*** *that Accelerates Mobility to be* ***SAFE, GREEN & EXCITING."***

Our innovative product and technology portfolio of advanced steering and driveline systems solves motion control challenges across all megatrends – including electrification, software/connectivity, advanced driver assistance systems (**ADAS**)/automated driving (**AD**) and shared mobility.

In-house development and full system integration of hardware, software and electronics provides Nexteer a competitive advantage as an agile, full-service supplier to automotive original equipment manufacturers (**OEM**) around the world.

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

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

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

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

GLOBAL FOOTPRINT, PRODUCTS & CUSTOMERS

World Headquarters:	Auburn Hills, Michigan, United States of America (**USA** or **US**)
Manufacturing Plants:	26, 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**), eDrive
Global Customers:	60+, including BMW Group (**BMW**), Changan Automobile Co., Ltd. (**Changan**), Dongfeng Peugeot Citroën Automobile Co., Ltd. (**DPCA**), Ford Motor Company (**Ford**), General Motors Company and Subsidiaries (**GM**), Great Wall Motor Company Limited (**GWM**), Maruti Suzuki India Limited, Renault-Nissan-Mitsubishi Alliance (**RNM**), SAIC General Motors Co., Ltd., SAIC-GM-Wuling Automobile Co., Ltd. (**SGMW**), Stellantis N.V. (formerly Fiat Chrysler Automobiles (**FCA**) and Groupe PSA), Toyota Motor Corporation (**Toyota**) and Volkswagen Group (**VW**) as well as domestic automakers in China, India and South America

Corporate Information

BOARD OF DIRECTORS

Executive Directors
LEI, Zili (雷自力)
(Chairman and Chief Executive Officer)
(appointed as Chairman with effect from March 16, 2022 and re-designated from a non-Executive Director to an Executive Director with effect from June 21, 2022)
MILAVEC, Robin Zane
ZHAO, Guibin (趙桂斌)
(ceased to act with effect from June 14, 2022)
FAN, Yi (樊毅)
(ceased to act with effect from June 21, 2022)

Non-Executive Directors
WANG, Jian (王堅)
(ceased to act as Chairman with effect from March 16, 2022)
ZHANG, Wendong (張文冬)
SHI, Shiming (石仕明)
(appointed with effect from June 21, 2022)
LEI, Zili (雷自力)
(ceased to act with effect from June 21, 2022)

Independent Non-Executive Directors
LIU, Jianjun (劉健君)
WANG, Bin (王斌)
(appointed with effect from June 21, 2022)
YUE, Yun (岳雲)
(appointed with effect from June 21, 2022)
WEI, Kevin Cheng (蔚成)
(ceased to act with effect from June 21, 2022)
YICK, Wing Fat Simon (易永發)
(ceased to act with effect from June 14, 2022)

COMPANY SECRETARY

CHU, Cheuk Ting (朱卓婷)
(appointed with effect from June 30, 2022)
FAN, Yi (樊毅)
(ceased to act with effect from June 30, 2022)

AUTHORISED REPRESENTATIVES

LEI, Zili (雷自力)
(appointed with effect from June 21, 2022)
CHU, Cheuk Ting (朱卓婷)
(appointed with effect from June 30, 2022)
ZHAO, Guibin (趙桂斌)
(ceased to act with effect from June 14, 2022)
FAN, Yi (樊毅)
(ceased to act with effect from June 30, 2022)

LEGAL ADVISERS

As to Hong Kong Law
DLA Piper Hong Kong

As to Cayman Islands Law
Maples and Calder

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants and Registered PIE Auditors

AUDIT AND COMPLIANCE COMMITTEE

WANG, Bin (王斌) *(Chairman)*
(appointed with effect from June 21, 2022)
SHI, Shiming (石仕明)
(appointed with effect from June 21, 2022)
YUE, Yun (岳雲)
(appointed with effect from June 21, 2022)
WEI, Kevin Cheng (蔚成)
(ceased to act with effect from June 21, 2022)
YICK, Wing Fat Simon (易永發)
(ceased to act with effect from June 14, 2022)
LEI, Zili (雷自力)
(ceased to act with effect from March 16, 2022)
WANG, Jian (王堅)
(appointed with effect from March 16, 2022, ceased to act with effect from June 21, 2022)

REMUNERATION AND NOMINATION COMMITTEE

LIU, Jianjun (劉健君) *(Chairman)*
(appointed as the Chairman with effect from June 21, 2022)
ZHANG, Wendong (張文冬)
WANG, Bin (王斌)
(appointed with effect from June 21, 2022)
YICK, Wing Fat Simon (易永發)
(ceased to act with effect from June 14, 2022)

HEADQUARTERS

1272 Doris Road
Auburn Hills, Michigan 48326, USA

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

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

COMPANY WEBSITE

http://www.nexteer.com/

Business Overview

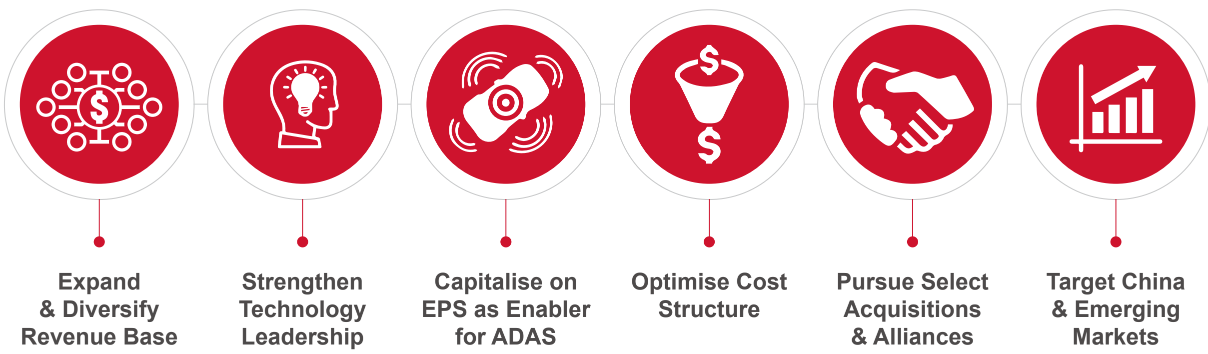
STRATEGY FOR PROFITABLE GROWTH

We are committed to our six-point strategy for profitable growth to drive shareholder value. Our strategy for profitable growth served as our guidepost through the unprecedented environment we navigated through during the course of 2020, 2021 and the first half of 2022. This strategy continues to guide our daily decision-making as we move forward by defining and adjusting our business to align with the changing landscape and new challenges within the global automotive industry.

nexteer AUTOMOTIVE

a leader in intuitive motion control

Strategy for Profitable Growth



A Well-Defined Plan to Drive Stakeholder Value

FIRST HALF 2022 BUSINESS HIGHLIGHTS

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

- Successfully launched 17 new customer programmes across all regions – marking another period of strong programme launches. Of these customer programmes, 16 represented new or conquest business and 8 represented electric vehicle (**EV**) launches supported by our products

- Customer programme Bookings totaling US$4.4 billion, of which 83% represented conquest business, including breakthrough steering wins with a global OEM for the industry's first high-volume Steer-by-Wire (**SbW**) programme, a new EV truck programme and a new customer win with a leading Chinese new energy vehicle (**NEV**) OEM

- Launched new eDrive product line as a cost-effective approach to reducing emissions that combines our steering and DL expertise

- Continued commitment to technology leadership and megatrend alignment for future growth – including electrification and software megatrends

- Honoured for innovation, quality, excellence and exceptional customer relationships – including prestigious *Automotive News* PACE and PACEpilot Finalist Awards

NEW PRODUCTION LAUNCHES

With the launch of 17 customer programmes in the first half of 2022, 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 – of which 16 launches represented new or conquest business and 8 represented EV platforms. Customer programmes that began production in the first half of 2022 included:

OEMs	Vehicle Nameplate	Our Products
North America		
Ford	Ford F-150 Lightning EV	REPS
EMEASA		
RNM	Renault Express/Kangoo/NV250 EV	Halfshafts
	Renault HHA/HJD Captur/Duster Hybrid	Halfshafts
Asia Pacific		
Changan	Changan UNI-V	CEPS
Ford	Ford Everest	REPS
Geely	Geely Smart #1 EV	Halfshafts
	Geely Xingyue L Hybrid	Halfshafts
	Lynk & Co 01	Halfshafts
	Lynk & Co 03	Halfshafts
GM	Cadillac Lyriq EV	Columns, Halfshafts
Great Wall	Great Wall Kugou	CEPS
	Great Wall Tank 500	Columns
RNM	Nissan X-Trail EV	Halfshafts
	Nissan Pathfinder	Halfshafts
	Infiniti QX60	Halfshafts
VAG	Volkswagen Jetta	Halfshafts

MANAGING OPERATIONAL, SUPPLY CHAIN, COMMODITY AND LOGISTICS CHALLENGES

In the first half of 2022, the automotive industry continued to experience significant disruptions driven by elevated material cost and ongoing global supply chain constraints (e.g., semiconductor chips, etc.), which have been extended from last year. In addition, the geopolitical conflict in Eastern Europe and the COVID-19 lockdown in China, have made the operating environment even more unpredictable.

Nexteer continues to proactively and diligently work with both our OEM customers and supply partners to minimise the impact of supply shortages to our customers through component substitutions, alternative supply arrangements, throughput improvements and other levers within our control. We continue to closely collaborate, monitor and, as possible, reallocate supply to where needed to best support all customer production schedules.

We continue to experience customer schedule volatility resulting from these disruptions to the supply chain and the ongoing impacts from COVID-19. The customer schedule volatility continues to impact our operating performance as we are unable to fully optimise our manufacturing efficiency.

The current supply/demand imbalance has resulted in rising input costs for certain commodities and significant increases in both time and cost for logistics impacting sea freight capacity, container availability and port congestion. The global commodity markets for steel, aluminum, copper and rare earth metals are experiencing significant inflation. These are key commodities we use in our products. We continue to work with our customers to recover these cost increases with both contractual escalation agreements and other negotiations.

While the industry continues to be a dynamic and challenging environment given further supply chain disruptions, COVID-19 uncertainty and continued inflationary pressures, we remain optimistic that the operating environment will improve as we move forward. Nexteer is well positioned to continue to leverage our technology strengths and megatrend alignment to maintain business growth above market levels.

BUSINESS BOOKINGS

First Half of 2022 Bookings: Aligned for Continued Growth

The first half of 2022 was another strong period for bookings, which will support the Company's mid-term growth when compared with current annual revenue size. During this period, 85% of Nexteer's bookings were with our EPS product line, 90% of the bookings will be on EV platforms and 50% of the bookings align to our Europe, Middle East Africa & South America (**EMEASA**) division. In addition, 83% of these bookings represent conquest business, which provides longer term growth over market for Nexteer.

A significant booking awarded in the first half of 2022 was the first high volume production of SbW business in the industry. It will be a milestone moment to unlock the value of this future steering technology as the lifetime revenue of this booking contract is one of the largest in our Company's history. In addition, more incumbent and potential new customers are showing serious interest in adopting SbW with their next generation vehicles and seeking out Nexteer's leading technology.

BREAKTHROUGH WINS

- Industry-first, high-volume SbW programme with leading, global OEM; record-setting lifetime revenue contract
- New EV truck programme
- NEV win with leading Chinese OEM
- 83% of bookings represent conquest business

Nexteer also secured a new EV truck business win in Q1 of 2022, which further strengthens our leadership position in the critical North American full-size truck market and highlights how well Nexteer is positioned in the convergence of electrification and the truck market. Nexteer's steering and DL technologies are also featured on the Ford Lightning, the GMC Hummer EV and the upcoming electric Chevrolet Silverado.

In the first half of 2022, we also achieved a steering systems win with a Chinese NEV OEM. This business win further reinforces how our technology is fully aligned with the global electrification megatrend.

eDrive Launch: Cost-Effective Approach to Reducing Emissions; Combines Steering & Driveline Expertise

Earlier this year, Nexteer announced a new eDrive product line with the launch of a 48-volt Integrated Belt-Driven Starter Generator (**iBSG**) that hybridises conventional internal combustion engine (**ICE**) vehicles. Nexteer's innovative, cost-effective approach helps OEMs meet emissions and fuel efficiency regulations and enhances driving comfort for end consumers.

The launch of Nexteer's eDrive product line combines decades of experience and technical expertise from existing product lines such as EPS and DL. In the development of its new 48-volt iBSG eDrive product, the Company leveraged expertise in motors, controls, software and electromechanical systems integration. In addition to combining technical expertise from existing product lines, Nexteer also leveraged its quality manufacturing systems, scalable supply chain and global footprint of technical centres and manufacturing locations.

In the second half of 2022, Nexteer expects to go into production with a leading Chinese domestic OEM on our 48-volt iBSG eDrive product. This launch creates a foundation and entry point for the Company's exploration into additional eDrive applications and customer expansion.

The launch of Nexteer's eDrive product line serves as another example of how our product portfolio aligns with the electrification megatrend – such as high output electric power steering systems, premium Driveline solutions with high efficiency joints and other innovations. Through our continued exploration of eDrive applications and innovation in motion control technologies, we are well-positioned to help customers meet their electrification and emissions goals.

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

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

Nexteer has a robust, proven technology and product portfolio to support industry megatrends such as electrification, software and connectivity, ADAS – advanced safety and performance and shared mobility. Being focused on where the industry is heading, through a strategic alignment on megatrends, contributes to our relevance and will help accelerate our growth.

Following are examples of how these megatrends are evolving and intersecting and how Nexteer is well aligned to these trends. For additional information on our technologies and megatrend alignment, please refer to Nexteer's 2021 Annual Report at Nexteer.com.

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

	Electrification	Software/ Connectivity	ADAS/ Automated Driving	Shared Mobility
Electric Power Steering	✓	✓	✓	✓
Steer-by-Wire	✓	✓	✓	✓
Columns & I-Shafts	✓	✓	✓	
Driveline	✓		✓	✓
eDrive	✓	✓	✓	✓
R&D	✓	✓	✓	✓
CNXMotion JV	✓	✓	✓	✓

Electrification

On the steering front, Nexteer offers advanced steering technologies that are capable of handling EVs' heavier load requirements, plus packaging and noise, vibration and harshness (**NVH**) needs.

On the DL front, we provide optimised solutions that include compact and low mass halfshafts. EV platforms have unique driveline challenges due to their weight, low noise level, high torque, and need for maximum efficiency to support extended battery life. Nexteer offers premium technologies that improve efficiency and NVH performance while delivering maximum torque under extreme acceleration conditions. Our DL technology and decades of vehicle integration experiences has positioned us to be a leader in the expanding EV market.

Nexteer technologies that support the electrification megatrend include, but are not limited to the products listed in the callout box to the right.

NEXTEER + ELECTRIFICATION

- Steer-by-Wire
- Rack-Assist EPS
- Dual Pinion-Assist EPS
- Single Pinion-Assist EPS
- High Output EPS
- Automated Steering Actuator
- Fully Cylindrical Powerpacks
- High-Angle Intermediate Shafts
- Premium, Low Mass, Compact Halfshafts
- High Efficiency Joints
- Premium TriGlide Joints
- Double-Offset Joints
- 48-volt Integrated Belt-Driven Starter Generator eDrive Device

Software & Connectivity

The evolution from hardware to software-defined vehicles is leading to a revolution in advanced safety, performance and function.

All Nexteer software solutions start with proven, high-quality safety and cybersecurity. We collaborate with OEMs on software feature development, execution and vehicle integration. We have in-house ownership of all steering software design content – which drives quality, flexibility, speed and value for our OEM customers. We also collaborate with CNXMotion, our JV with Continental, as well as Tactile Mobility and others to continuously innovate software solutions.

Nexteer's software solutions include, but are not limited to the products listed in the callout box to the right.

NEXTEER + SOFTWARE / CONNECTIVITY

- Advanced Steering Software, such as High Availability Steering Technologies
- Road Surface Detection Software (with Tactile Mobility)
- Tire Health & Parameter Detection Software (with Tactile Mobility)
- Brake-to-Steer (through CNXMotion)

ADAS – Advanced Safety & Performance

Assisted and autonomous driving require high levels of redundancy to ensure the safety net is always on. Through advanced motion control software and technologies, Nexteer enables greater safety, comfort and convenience across all ADAS levels – from traditional hands-on driving to fully automated vehicles with no driver.

NEXTEER + ADAS

- EPS
- SbW
- Stowable Steering Column
- Steering Software
- CNXMotion's Brake-to-Steer

Nexteer technologies that support the ADAS megatrend include, but are not limited to the products listed in the callout box to the right.

Shared Mobility

Nexteer's advanced motion control solutions enable built-in redundancies and higher durability to support autonomous people movers, last mile delivery vehicles and more.

The extra safety layers and durability are especially important in these applications without a human driver, or when the vehicle is running many more hours than typical duty cycles.

NEXTEER + SHARED MOBILITY

- Automated Steering Actuator
- SbW
- High Availability EPS
- Advanced Halfshaft Technologies

Shared mobility is closely connected with other trends like automated driving, connectivity and electrification – such as with people movers and geo-fenced last mile delivery vehicles.

Nexteer technologies that support the shared mobility megatrend include, but are not limited to the products listed in the callout box to the right.

CUSTOMER & INDUSTRY RECOGNITION

In the first half of 2022, Nexteer was honoured for innovation, quality and excellence – as well as for exceptional customer relationships. Here is a summary of achievements:

Innovation Awards

- 2022 *Automotive News* PACE Finalist for Automated Steering Actuator
- 2022 *Automotive News* PACEpilot Finalist for Advanced Road Surface Detection & Early, Intuitive Warning Software with Tactile Mobility
- 2022 Frost & Sullivan's North American Market Leadership Award in Power Steering

Supplier Partnership, Quality and Manufacturing Awards

- General Motors' Supplier of the Year Award – Third Consecutive Year
- General Motors' Supplier Quality Excellence Award for Nexteer Wuhu (China), Nexteer Queretaro (Mexico) and Nexteer Juarez (Mexico)
- Geely's Excellent Supplier Team Award for Nexteer Wuhu
- Changan's Excellent Supplier Award for Nexteer Chongqing (China)
- JMC's (Ford) Supplier Segment B Certificate for Nexteer Suzhou (China)
- LYNK & CO's Excellent Supplier Award for Nexteer Wuhu
- Two 2022 Manufacturing Leadership Awards from the National Association of Manufacturers for Digital Network Connectivity and Enterprise Integration & Technology – Fifth Consecutive Year

Sustainability and People

- 2022 Great Place to Work Certification for Nexteer Brazil – Fifth Time since 2017
- 2022 Great Place to Work Certification for Nexteer Morocco – Third Consecutive Year
- 2022 Great Place to Work Certification by Manpower for Nexteer Poland – Fifth Consecutive Year
- 51job.com's Top Employer Award for Nexteer China
- Government of Anhui Province's Top 50 Companies with Specialization, Refinement, Characteristic and Novelty in Anhui Province for Nexteer Wuhu

ORGANISATIONAL CHANGES

With effect from April 30, 2022, Mr. GONZALEZ, Luis Ricardo elected to retire as Vice President, Chief Operating Officer – Mexico.

With effect from June 20, 2022, Mr. ZICHELLA, Giuseppe was appointed as Vice President, Global Sales.

With effect from June 29, 2022, Mr. FAN, Yi (樊毅), ceased to act as Vice President.

With effect from June 29, 2022, Ms. Xu, Cathy (許瑩), ceased to act as Vice President, Global Human Resources.

With effect from June 30, 2022, Mr. HOEG, Dennis Steven, has retired as Vice President, Global Manufacturing Operations.

With effect from July 1, 2022, Mr. ORSINI, Salvatore Dino, has retired as Vice President, Global Chief Supply Chain Management Officer.

With effect from July 1, 2022, Mr. PASTOR, Ricardo Antonio, has been appointed Vice President, Global Manufacturing Operations. Mr. PASTOR continues in his role as Vice President – Global Quality and Programme Launch.

Financial Highlights

Results (US'$000)	**For the six months ended June 30, 2022 (Unaudited)**	For the six months ended June 30, 2021 (Unaudited)	Change
Revenue	**1,791,067**	1,734,394	3.3%
Gross profit	**149,813**	226,472	(33.8%)
Profit before income tax	**20,721**	93,027	(77.7%)
Income tax expense	**29,478**	5,695	417.6%
(Loss) profit attributable to equity holders of the Company	**(11,138)**	83,143	(113.4%)
(Loss) profit for the period	**(8,757)**	87,332	(110.0%)
Adjusted EBITDA	**158,117**	212,890	(25.7%)

Assets and Liabilities (US'$000)	**As at June 30, 2022 (Unaudited)**	As at December 31, 2021 (Audited)	Change
Non-current assets	**1,808,831**	1,846,274	(2.0%)
Current assets	**1,410,003**	1,360,225	3.7%
Non-current liabilities	**332,957**	261,783	27.2%
Current liabilities	**961,042**	942,127	2.0%
Capital and reserves attributable to the Group's equity holders	**1,876,850**	1,954,629	(4.0%)

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, 2022 (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

As the automotive industry has entered the third year of impact caused by the COVID-19 pandemic that began in early 2020, the Group continued to experience significant macro-economic pressures during the first six months of 2022. Inflationary pressures, supply chain restrictions and volatility in automotive original equipment manufacturer (**OEM**) production schedules have negatively impacted the Group's profit margins despite experiencing an increase in revenue compared to the first half of 2021. For the six months ended June 30, 2022, the Group's revenue increased by 3.3% when compared with the six months ended June 30, 2021, driven by North America customer volume increases. According to IHS Markit Ltd. (July 2022), global OEM vehicle production decreased by 1.8% during the first half of 2022 when compared with 2021.

The extended pressures resulting from the global COVID-19 pandemic have adversely affected the Group's performance measures. The headwinds that the Group has faced over the prior two years; including, global supply shortages in the supply of various subcomponents of raw materials, rising commodity costs and increases in transportation and logistics costs, continue to impact the Group during the six months ended June 30, 2022. These headwinds resulted in tempered OEM production schedules coupled with increasing supply and transportation costs rising disproportionately to the change in revenue. Compared with the six months ended June 30, 2021, gross profit of US$149.8 million decreased by 33.8%; profit before income tax of US$20.7 million decreased by 77.7%; loss attributable to equity holders of the Company of US$11.1 million decreased by 113.4%; and adjusted EBITDA of US$158.1 million decreased by 25.7%.

The significant deterioration to net (loss) profit in the first half of 2022 was driven in large by increased income tax expense the Group recorded, in particular within the US operations, in the first half of 2022 compared to the first half of 2021. During the six months ended June 30, 2022, the Company determined that our US federal net deferred tax assets are not probable to be realised. As a result, there was an increase of US$49.4 million to income tax expense for the six months ended June 30, 2022. Adjusting for this unrecognised tax benefit, adjusted net profit attributable to equity holders was US$38.3 million as compared to US$83.1 million in the first half of 2021.

The Group's cash balance of US$317.4 million as at June 30, 2022 represented a decrease of US$9.1 million when compared with US$326.5 million as at December 31, 2021. For the six months ended June 30, 2022, the Group's net cash generated from operating activities was US$122.5 million, an increase of US$27.8 million compared with US$94.7 million for the same period of 2021. The increase in cash flows from operations was driven by the net favourable working capital, partially offset by the decrease in earnings for the six months ended June 30, 2022 compared with 2021. Cash from operating activities less cash used in investing activities was a use of (US$6.8 million) which compared favourably to a use of (US$43.9 million) in the same period of 2021. Cash generated from financing activities during the six months ended June 30, 2022 was US$14.6 million, an increase of US$190.0 million, when compared with a cash use of US$175.4 million during the six months ended June 30, 2021. The main drivers of the Group's increase in cash generated from financing activities included the decision to early redeem the US$250.0 million 5.875% senior notes due 2021 (**Notes**) during the first half of 2021, increased borrowings due to term loans in China totaling US$52.3 million and payable in 3 tranches, partially offset by net repayments of the US revolving line of credit. The revolving line of credit is used for general working capital requirements, and with improved working capital during the period, the Group had excess cash to pay down the balance.

Operating Environment

The global automotive market has a direct impact on our business and operating results. Factors affecting the industry include macro-economic influences such as consumer confidence, fluctuations in commodity prices, currency, fuel prices and regulatory environments. The ability to secure material and components from our supply-base is also critical, as evidenced by the semiconductor chip shortage which created a significant industry-wide challenge carrying into the first half of 2022. The Group operates primarily in the US, Mexico, China, Poland, India, Morocco and Brazil.

Global OEM light vehicle production regressed slightly during the first half of 2022 as the industry continues to recover from the lingering impacts of the COVID-19 pandemic. While the Asia Pacific region remained mostly flat during the first half of 2022 when compared with 2021, the declines in Europe and South America more than offset the production increases experienced in North America.

According to IHS Markit Ltd. (July 2022), global OEM light vehicle production for the six months ended June 30, 2022 was slightly lower than the six months ended June 30, 2021, decreasing by 1.8%. The following table highlights the percentage increases in OEM light vehicle production for the six months ended June 30, 2022 compared with the same period in 2021 for key markets served by the Group:

	First Half 2022
North America	4.4%
China	1.1%
India	17.2%
Europe	(11.3%)
South America	(0.5%)

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 revenue was unfavourably impacted by foreign currency translation as the US dollar strengthened against both the Euro and RMB during the first six months of 2022 compared with the same period a year ago. Despite the impact on revenue, the Group's financial results experienced a favourable impact to profit due to unrealised exchange gains on foreign exchange transactions.

During the first six months of 2022, the Group successfully launched 17 new customer programmes – 1 programme in North America, 2 programmes in EMEASA and 14 programmes in Asia Pacific. Of the 17 programme launches, 16 represented new conquest business for the Group and 1 represented incumbent business. 8 programme launches represented customer EV programmes.

Revenue

The Group's revenue for the six months ended June 30, 2022 was US$1,791.1 million, an increase of US$56.7 million or 3.3%, compared with US$1,734.4 million for the six months ended June 30, 2021. As highlighted in the preceding narrative, increased OEM light vehicle production in North America was the principal factor for higher revenue for the first half of 2022 when compared with 2021. Unfavourable foreign currency translation tempered the Group's revenue increase by approximately US$28.7 million, principally impacting the EMEASA segment, given the strengthening of the US dollar against the Euro during the first half of 2022 compared with the same period a year ago. Customer recoveries, resulting from the partial pass through of raw material commodity increases, improved revenue in the first half of 2022 by approximately US$32.4 million. Adjusting for unfavourable foreign currency translation and the increases related to commodity and other recoveries, the Company's revenue rose by 3.1% in the first half of 2022 compared with the same period a year ago, outpacing the revenue increase in OEM production for served markets for the comparative period by 490 basis points. This performance reflected the on-going benefit from the launch of new and conquest customer programmes in recent years and favourable vehicle mix.

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. The impact of foreign currency translation 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, 2022		For the six months ended June 30, 2021	
	US$'000 (Unaudited)	**%**	US$'000 (Unaudited)	%
North America	**1,095,098**	**61.1**	1,023,147	59.0
Asia Pacific	**378,472**	**21.1**	388,289	22.4
EMEASA	**316,166**	**17.7**	317,209	18.3
Other	**1,331**	**0.1**	5,749	0.3
Total	**1,791,067**	**100.00**	1,734,394	100.0

Note:

1. The change to the segment structure, effective from January 1, 2022, is discussed further in note 6 to the Interim Condensed Consolidated Financial Information.

The changes in revenue by geographical segments are primarily due to the following:

- North America segment – Revenue increased by US$72.0 million, or 7.0%, for the six months ended June 30, 2022 compared with the same period in 2021. The most significant factor contributing to the revenue increase was the improvement in the demand environment, with North America OEM light vehicle production for the first half of 2022 increasing by 4.4% compared with the same period in 2021. Revenue increased due to net price increases to offset inflationary cost pressures. Customer commodity recoveries related to raw material commodities inflation, amounting to US$17.6 million in the first half of 2022 compared to the same period in 2021.

- Asia Pacific segment – Revenue decreased by US$9.8 million, or 2.5%, for the six months ended June 30, 2022 compared with the same period in 2021. The most significant factor contributing to the revenue decrease was lower OEM light vehicle production impacted by COVID-19 related issues in China, with total Asia Pacific OEM production volumes lower by 0.2% for the first half of 2022 compared with the same period in 2021. Unfavourable foreign currency translation further burdened revenue in the region in the amount of US$3.7 million as the US dollar strengthened against the RMB during the first half of 2022 compared with the same period in 2021. Nearly half of the revenue decline in volume was mitigated by customer commodity recoveries amounting to US$6.3 million in the first half of 2022 compared to the same period in 2021.

- EMEASA segment – Revenue decreased by US$1.0 million, or 0.3%, for the six months ended June 30, 2022 compared with the same period in 2021, largely a result of a decrease in Europe and South America OEM light vehicle production of 11.3% and 0.5%, respectively, during the first half of 2022 compared with the same period in 2021. The segment did benefit from on-going customer programme launches in the segment's new Morocco manufacturing facility which commenced serial production in the latter part of 2019, and increased revenue by US$12.1 million compared with a year ago. Unfavourable foreign currency translation further burdened revenue in the region in the amount of US$25.0 million as the US dollar strengthened against the Euro during the first half of 2022 compared with the same period in 2021. Customer commodity recoveries amounting to US$8.5 million, principally raw material commodities inflation, helped to mitigate the impacts of foreign exchange and lower production in the first half of 2022 compared to the same period in 2021.

- Other – Revenue decreased by US$4.4 million, or 76.8%, for the six months ended June 30, 2022 compared with the same period in 2021. Other revenue is related to non-production engineering design and development/prototype services. The decrease is primarily a result of less prototype expense reimbursement received from customers.

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, 2022		For the six months ended June 30, 2021	
	US$'000 (Unaudited)	**%**	US$'000 (Unaudited)	%
EPS	**1,226,394**	**68.5**	1,206,721	69.6
CIS	**168,823**	**9.4**	158,996	9.2
HPS	**82,977**	**4.6**	72,003	4.1
DL	**312,873**	**17.5**	296,674	17.1
Total	**1,791,067**	**100.0**	1,734,394	100.0

The Group experienced an increase in EPS revenue of US$19.7 million, or 1.6%, for the six months ended June 30, 2022 compared with the same period in 2021, driven by increased OEM light vehicle production, in the North America segment. CIS revenue increased by US$9.8 million, or 6.2%, for the six months ended June 30, 2022 compared with the same period a year ago. HPS revenue increased by US$11.0 million, or 15.2%, for the six months ended June 30, 2022 compared with the same period of 2021. DL revenue increased by US$16.2 million, or 5.5%, for the six months ended June 30, 2022 compared with the same period last year, as a result of higher OEM light vehicle production and revenue from new and carry-over customer programme launches in India and Morocco.

Net (Loss) Profit Attributable to Equity Holders

The Group's net (loss) profit attributable to equity holders of the Company for the six months ended June 30, 2022 was (US$11.1 million) or (0.6%) of total revenue, a decrease of US$94.2 million, compared to the six months ended June 30, 2021 of US$83.1 million, or 4.8% of total revenue. The decrease was principally attributable to the following factors:

- An increase of US$49.4 million to income tax expense related to the Company's determination that our US federal net deferred tax assets are not probable to be realised. Adjusting for this additional tax expense, adjusted net profit attributable to equity holders was US$38.3 million as compared to US$83.1 million in the first half of 2021.

- Although revenue experienced a slight increase during the six months ended June 30, 2022, when compared with the same period a year ago, earnings were significantly deteriorated by several factors which impacted the automotive industry broadly including raw material commodity inflation, increases in transportation and logistics costs, operating inefficiencies arising from increasing supply chain constraints, most notably semiconductor chip shortages, and other factors that continued during the first half of 2022.

- Inflationary pressures on manufacturing costs, in the areas of labour, benefits, energy costs and employee related taxes, dampened earnings across all of the Group's segments for the six months ended June 30, 2022, when compared with the same period a year ago.

Cost of Sales

The Group's cost of sales for the six months ended June 30, 2022 was US$1,641.3 million, an increase of US$133.4 million, or 8.8%, from US$1,507.9 million for the six months ended June 30, 2021.

Raw material costs represent a significant portion of the Group's total cost of sales and for the six months ended June 30, 2022 totalled US$1,189.4 million, or 66.4% of revenue, compared with US$1,068.1 million, or 61.6% of revenue, for the same period last year, reflecting an increase of US$121.3 million, or 11.4%. The increase in raw material costs for the period when compared with the same period a year ago, is attributable to the increase in revenue and the macro-economic factors currently faced by the automotive supplier industry. The main factors contributing to the increase in raw materials include raw material commodity inflation, increased transportation and logistics costs and net increase in material purchase prices due to inflationary pressures. The cost pressures were experienced during the first half of 2021, but have continued to increase during the first half of 2022, augmenting the contraction of the Group's gross profit margin.

Depreciation and amortisation, including amortisation of capitalised product development costs, charged to cost of sales for the six months ended June 30, 2022 was US$125.2 million, an increase of US$12.9 million, or 11.5% from US$112.3 million for the six months ended June 30, 2021.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$60.8 million for the six months ended June 30, 2022, or 3.4% of revenue, an increase of US$11.1 million, or 22.3%, as compared with US$49.7 million, or 2.9% of revenue for the six months ended June 30, 2021. We expect amortisation to continue to increase in future years with the launch of new customer programmes that are currently in development.

Excluding raw material costs and depreciation and amortisation, remaining manufacturing costs of US$326.7 million, representing 18.2% of revenue for the first half of 2022 represented a decrease of US$0.8 million, or 0.2%, when compared with US$327.5 million, or 18.9% of revenue, for the same period a year ago.

As a percent of revenue, cost of sales increased to 91.6% for the first half of 2022 compared with 86.9% for the same period a year ago.

Gross Profit

The Group's gross profit for the six months ended June 30, 2022 was US$149.8 million, a decrease of US$76.7 million, or 33.8%, when compared with US$226.5 million for the six months ended June 30, 2021. Gross profit margin for the six months ended June 30, 2022 was 8.4% compared with 13.1% for the six months ended June 30, 2021. The decrease in gross profit was attributable to the inflationary pressures impacting the industry, as described in the preceding cost of sales narrative.

Engineering and Product Development Costs

For the six months ended June 30, 2022, the Group's engineering and product development costs charged to the income statement were US$60.2 million, representing 3.4% of revenue, an increase of US$3.2 million, or 5.6%, as compared to US$57.0 million, or 3.3% of revenue for the six months ended June 30, 2021. For the six months ended June 30, 2022, the Group did not record any impairment activity. For the six months ended June 30, 2021, the Group recognised a net reversal of product development intangible asset impairment of US$4.4 million. The Group recorded customer recovery from a previously impaired programme of US$5.3 million in the North America segment, partially offset by the Group recording impairments of US$0.8 million related to programme cancellations and declining volumes on specific customer programmes. The impairment was recorded as engineering and product development costs in the Asia Pacific segment and the North America segment in the amount of US$0.2 million and US$0.6 million, respectively. For the first half of 2021, 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$2.7 million for the six months ended June 30, 2022 and US$8.7 million for the six months ended June 30, 2021. Depreciation and amortisation charged to engineering and product development costs for the six months ended June 30, 2022 was US$6.2 million, an increase of US$0.2 million, or 3.3%, from US$6.0 million for the six months ended June 30, 2021.

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, 2022, the Group incurred an aggregate investment in engineering and product development costs of US$136.6 million, an increase of US$1.2 million, or 0.9%, compared with US$135.4 million for the six months ended June 30, 2021.

Selling, Distribution and General and Administrative Expenses

The Group's selling, distribution and general and administrative expenses for the six months ended June 30, 2022 were US$80.0 million, representing 4.5% of revenue, a decrease of US$2.0 million, or 2.4%, as compared to US$82.0 million, or 4.7% of revenue for the six months ended June 30, 2021. The decrease in selling, distribution and general and administrative expense is attributable to lower costs related to US employee health and welfare benefit plans, driven by reduced medical claim impacts. Depreciation and amortisation charged to administrative expenses for the six months ended June 30, 2022 was US$4.7 million, a decrease of US$0.6 million, or 11.3% from US$5.3 million for the six months ended June 30, 2021.

Other Gains, net

Other gains, net represents gains attributable to foreign exchange transactions, losses on disposal of property, plant and equipment and others. Other gains, net for the six months ended June 30, 2022 was a gain of US$12.5 million, an increase of US$6.2 million compared to a gain of US$6.3 million for the six months ended June 30, 2021. The increase was principally attributable to more favourable foreign exchange compared to the same period of the prior year and a gain related to the disposal of property, plant and equipment, compared to loss on disposal during the first half of 2021.

Finance Income/Finance Costs

Finance costs, net, consist of interest income and expense reduced by interest capitalised on qualifying assets and product development. The Group's net finance income for the six months ended June 30, 2022 were US$0.4 million, a decrease of US$1.5 million, or 136%, as compared to net finance costs of US$1.1 million for the six months ended June 30, 2021. The early redemption of the Group's outstanding Notes in the amount of US$250.0 million during the six months ended June 30, 2021, partially offset by new borrowings of term loans in China and net repayments on the Company's US revolving credit facility during the six months ended June 30, 2022, led to a significant reduction in finance costs during the six months ended June 30, 2022, when compared with the same period of 2021.

Share of Results of Joint Ventures, net

Share of results of joint ventures, net relates to the Group's investments in Chongqing Nexteer Steering Systems Co., Ltd. (**Chongqing Nexteer**), CNXMotion, LLC (**CNXMotion**) and Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd. (**Dongfeng Nexteer**). For the six months ended June 30, 2022, the Group's share of income (loss) in joint ventures amounted to US$1.4 million, (US$1.6 million) and (US$1.5 million) related to Chongqing Nexteer, CNXMotion, and Dongfeng Nexteer, respectively (six months ended June 30, 2021: US$1.6 million, (US$1.2 million), and US$nil). Chongqing Nexteer's profitability increased during the six months ended June 30, 2022 compared with the same period in 2021 as a result of increased customer demand. CNXMotion is a research and development (**R&D**) entity focused on integrating lateral and longitudinal controls for mixed mode and AD applications. As a R&D entity, CNXMotion is not anticipated to generate direct revenue for the foreseeable future, but rather benefit the Group from the development and transfer of R&D that may be commercialised and used in the manufacture of future products. Dongfeng Nexteer was formed during 2017 and while production began during 2019, the joint venture has yet to achieve a level of customer production to offset the current cost structure and investment for the six months ended June 30, 2022.

Income Tax Expense

The Group's income tax expense was US$29.5 million for the six months ended June 30, 2022, representing 142.3% of the Group's profit before tax, an increase of US$23.8 million from US$5.7 million, or 6.1% of profit before income tax, for the six months ended June 30, 2021. During the six months ended June 30, 2022, the Group determined that our US federal net deferred tax assets are not probable to be realised. These deferred tax assets, mainly R&D credits, remain available to offset future US income tax liabilities and realisation is dependent on generating sufficient taxable income prior to expiration. In making this determination, the Group evaluated all evidence, including cumulative losses in recent years, which is objective and verifiable, as well as tax planning opportunities and relevant carryforward periods. As a result, there was an increase of US$49.4 million to income tax expense for the six months ended June 30, 2022.

Provisions

As at June 30, 2022, the Group has provisions for litigation, environmental liabilities, warranties and decommissioning of US$76.4 million, a decrease of US$1.6 million as compared to US$78.0 million as at December 31, 2021. The decrease in provisions was principally due to the net change in warranty reserves reflecting US$8.2 million in cash payments on historical warranty provisions and net additions of US$7.6 million during the first half of 2022.

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, 2022 US$'000 (Unaudited)	For the six months ended June 30, 2021 US$'000 (Unaudited)
Cash generated from (used in):		
Operating activities	**122,498**	94,659
Investing activities	**(129,271)**	(138,553)
Financing activities	**14,590**	(175,364)
Net increase (decrease) in cash and cash equivalents	**7,817**	(219,258)

Cash Flows Generated from Operating Activities

For the six months ended June 30, 2022, the Group's net cash generated from operating activities was US$122.5 million, an increase of US$27.8 million compared with US$94.7 million for the six months ended June 30, 2021. The increase in cash flows from operating activities was primarily attributable to net favourable working capital in the first half of 2022 despite lower net earnings during the first half of 2022 compared with the same period in 2021.

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, 2022 US$'000 (Unaudited)	For the six months ended June 30, 2021 US$'000 (Unaudited)
Purchase of property, plant and equipment	**(55,902)**	(72,734)
Addition of intangible assets	**(73,598)**	(65,208)
Investment in joint ventures	**(1,597)**	(1,178)
Other	**1,826**	567
Net cash used in investing activities	**(129,271)**	(138,553)

Cash Flows generated from (Used in) Financing Activities

For the six months ended June 30, 2022, the Group's net cash generated from (used in) financing activities was US$14.6 million, a decrease of US$190.0 million compared with a use of (US$175.4) million for the same period in 2021. The cash flows generated from financing activities were mainly attributable to the net borrowings of US$25.3 million, repayments of lease liabilities of US$6.8 million and finance costs paid of US$4.0 million. The principal driver of the increase in net cash generated from financing activities was the net borrowings during the period, specifically the new term loans in China, repayable in three tranches, partially offset by net repayments on the US revolving line of credit. Conversely, during the first half of 2021, the early redemption of the Group's outstanding Notes of US$250.0 million, partially offset by net borrowings on the Company's US revolving credit facility resulted in net repayments for the period. Additionally, the dividend of US$23.8 million related to the Group's 2021 earnings was declared but still payable as at June 30, 2022, while the dividend of US$23.6 million related to Group's 2020 earnings was paid during the first half of 2021.

Indebtedness

As at June 30, 2022, the Group's total borrowings was US$106.8 million, an increase of US$22.4 million from US$84.4 million as at December 31, 2021. The increase was primarily due to term loan borrowings in China totaling US$52.3 million, repayable in 3 tranches ranging from December 2024 to April 2025, partially offset by net repayments under the US revolving line of credit. The revolving line of credit is used for general working capital requirements, and with improved working capital during the period, the Group had excess cash to pay down the balance.

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, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Current borrowings	**54,894**	84,403
Non-current borrowings	**51,873**	–
Total borrowings	**106,767**	84,403

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

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Within 1 year	**54,894**	84,403
Between 1 and 2 years	**–**	–
Between 2 and 5 years	**51,873**	–
Over 5 years	**–**	–
Total borrowings	**106,767**	84,403

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, 2022, the Group had approximately US$855.8 million total assets pledged as collateral, an increase of US$42.4 million as compared with US$813.4 million as at December 31, 2021. The increase in collateral pledged was directly related to increases in the balances of the underlying assets pledged. No significant changes in collateral arrangements have occurred from December 31, 2021 to June 30, 2022.

Exposure to Currency Rate Fluctuations and Related Hedges

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

Gearing Ratio

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

The gearing ratio as at June 30, 2022 was 5.5%, an increase of 130 basis points as compared to 4.2% as at December 31, 2021. The gearing ratio increase was driven by higher borrowings as at June 30, 2022.

COVID-19 and Related Factors Impacting Operations and Financial Performance

The global automotive industry continued to be impacted by the COVID-19 pandemic throughout the first half of 2022, particularly a result of supply shortages as OEM production demand continued to recover. The most significant supply shortage relates to semiconductor chips, which is impacting global industry production, and resulting in significant cancellations of planned OEM production. Supply shortages and the on-going volatility in OEM production schedules adversely impacted our manufacturing and material efficiencies in the first half of 2022. In addition, increases in certain commodity and logistics costs had an adverse impact on our operating results for the first half of 2022. It is possible a resurgence of the COVID-19 pandemic could result in adverse impacts in the future. Management cannot reasonably estimate the full impact the COVID-19 pandemic could have on the Group's financial condition, results of operations or cash flows in the future.

OTHER INFORMATION

Future Prospects

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

1. Relentless innovation
2. Depth and breadth of our product portfolio
3. Systems integration experience
4. In-house ownership of R&D and integrated product and process development
5. Global manufacturing footprint and prowess

Megatrends influencing the automotive industry and adjacent sectors 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 & Connectivity, Electrification and Shared Mobility. In many cases, our technologies create a natural fit for Nexteer to offer solutions to OEMs across these megatrends, which provides us a competitive advantage and positions us well for potential future opportunities as these megatrends continue to evolve and mature.

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

Employees Remuneration Policy

As at June 30, 2022, the Group had approximately 12,100 full-time employees. The Group's remuneration policies are formulated based on the performance of individual employees and the Group's performance and are reviewed regularly. Our full-time employees participate in various employee benefit plans including retirement benefits, extended disability benefits and workers' compensation. In addition, we have adopted employee incentive plans designed to attract, retain, motivate and encourage employees to commit to enhancing value for us and the shareholders of the Company (the **Shareholders**) as a whole. For example, the Group has employee retention programmes that include individual development plans, merit wage adjustments, annual incentive plans and promotions. We offer training programmes to our full-time employees and contract personnel which are designed to develop the skills that we need to meet our enterprise goals and customer requirements and to meet certain training requirements such as mandated customer or regulatory requirement and contractual obligations.

The Group also uses contract personnel to support the workload of the business where considered the most efficient. As at June 30, 2022, the Group had approximately 1,200 personnel engaged on a contract basis.

FORWARD-LOOKING STATEMENTS

Any forward-looking statements and opinions contained within this interim report are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Company, the Directors and the employees of the Company assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this interim report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

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 (the **Hong Kong CG Code**) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**).

Except as expressly described below, in the opinion of the directors (the **Directors**) of the board of the Company (the **Board**), 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, 2022.

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

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 in Part 2 of Appendix 14 to the Listing Rules, the roles of chairman and the chief executive should be segregate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. With effect from June 21, 2022, Mr. LEI, Zili (**Mr. LEI**), the Chairman of the Board (the **Chairman**), has been appointed as the Chief Executive Officer of the Company, which constitutes a deviation from code provision C.2.1 in Part 2 of Appendix 14 to the Listing Rules. The Board considers that the appointment of Mr. LEI as both chairman and chief executive can provide the Group with consistent leadership going forward and allow more effective implementation of the overall strategy of the Group. Furthermore, this structure does not compromise the balance of power and authority, as major decisions are made in consultation with the Board. The current senior management team of the Group also possesses rich knowledge and experience in different professional fields to assist Mr. LEI to make decisions about the businesses and operations of the Group.

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. The Chairman is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors and the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted sound corporate governance practices and procedures and has taken appropriate steps to provide effective communication with Shareholders and other stakeholders.

Non-Compliance with the Requirements Under the Listing Rules

Immediately following the removal of Mr. ZHAO, Guibin and Mr. YICK, Wing Fat Simon as Directors at the extraordinary general meeting of the Company held on June 14, 2022, the Company failed to comply with the requirements under the Listing Rules as follows:

(i) the audit and compliance committee of the Board (the **Audit and Compliance Committee**) consisted of two members, of which one member (i.e. the chairman) was an Independent non-Executive Director, therefore the Audit and Compliance Committee had failed to meet the requirements under rule 3.21 of the Listing Rules that an audit committee must comprise a minimum of three members, and the majority of whom must be independent non-executive directors;

(ii) the remuneration and nomination committee of the Board (the **Remuneration and Nomination Committee**) consisted of two members, of which one member was an Independent non-Executive Director, therefore the Remuneration and Nomination Committee had failed to meet the requirements under rule 3.25 of the Listing Rules that a remuneration committee must be chaired by an independent non-executive director and comprise a majority of independent non-executive directors. Furthermore, it had also failed to meet the requirements under rule 3.27A of the Listing Rules that a nomination committee must be chaired by the chairman of the board or an independent non-executive director and comprise a majority of independent non-executive directors; and

(iii) the Company had only appointed one authorised representative pursuant to the Listing Rules (the **Authorised Representative**), and failed to meet the requirements under rule 3.05 of the Listing Rules that the issuer should appoint two authorised representatives, who shall act as the listed issuer's principal channel of communication with The Stock Exchange of Hong Kong Limited (the **Stock Exchange**).

Following changes in the composition of the committees of the Board which took effect from June 21, 2022, the Company has fully complied with the requirements as set out in rules 3.21, 3.25, 3.27A and 3.05 of the Listing Rules. For details, please refer to the Company's announcements dated June 14, 2022 and June 21, 2022.

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 six months ended June 30, 2022.

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. LEI, Zili (雷自力) was appointed as Chairman and ceased to be a member of the Audit and Compliance Committee with effect from March 16, 2022, and re-designated from a non-Executive Director to an Executive Director and appointed as Chief Executive Officer and Authorised Representative of the Company with effect from June 21, 2022.

Mr. WANG, Jian (王堅) ceased to be Chairman with effect from March 16, 2022 and a member of the Audit and Compliance Committee with effect from June 21, 2022. He has also been appointed as Chief Executive Officer of AVIC Cabin Systems Co., Limited since April 2022.

Mr. SHI, Shiming (石仕明) had been appointed as a non-Executive Director with effect from June 14, 2022 at the extraordinary general meeting of the Company and held office until the annual general meeting of the Company held on June 21, 2022. He has then been appointed as a non-Executive Director and as a member of the Audit and Compliance Committee with effect from June 21, 2022. Mr. SHI is entitled to receive a director's fee of US$42,000 per annum.

Mr. LIU, Jianjun (劉健君) has been appointed as chairman of the Remuneration and Nomination Committee with effect from June 21, 2022. His director's remuneration has been adjusted from US$55,650 per annum to US$68,250 per annum.

Dr. WANG, Bin (王斌) had been appointed as an Independent non-Executive Director with effect from June 14, 2022 at the extraordinary general meeting of the Company and held office until the annual general meeting of the Company held on June 21, 2022. He has then been appointed as an Independent non-Executive Director, chairman of the Audit and Compliance Committee and a member of the Remuneration and Nomination Committee with effect from June 21, 2022. His director's remuneration has been adjusted from US$55,650 per annum to US$68,250 per annum.

Mr. YUE, Yun (岳雲) had been appointed as an Independent non-Executive Director with effect from June 14, 2022 at the extraordinary general meeting of the Company and held office until the annual general meeting of the Company held on June 21, 2022. He has then been appointed as an Independent non-Executive Director and as a member of the Audit and Compliance Committee with effect from June 21, 2022. Mr. YUE is entitled to receive a director's fee of US$55,650 per annum.

Mr. ZHAO, Guibin (趙桂斌) ceased to act as an Executive Director, Vice Chairman of the Board, Chief Executive Officer and Authorised Representative of the Company with effect from June 14, 2022.

Mr. FAN, Yi (樊毅) ceased to act as an Executive Director with effect from June 21, 2022.

Mr. WEI, Kevin Cheng (蔚成) ceased to act as an Independent non-Executive Director and ceased to be chairman of the Audit and Compliance Committee with effect from June 21, 2022.

Mr. YICK, Wing Fat Simon (易永發) ceased to act as an Independent non-Executive Director and ceased to be chairman of the Remuneration and Nomination Committee and a member of the Audit and Compliance Committee with effect from June 14, 2022.

Except as disclosed above, there is no other change in the Directors' biographical details required to be disclosed in this interim report 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, 2022.

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, 2022. There has been no disagreement between the Audit and Compliance Committee or the auditor with the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES BY THE COMPANY

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended June 30, 2022.

SHARE OPTION SCHEME

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

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

The summary of Options granted under the Share Option Scheme that were outstanding as at June 30, 2022 are as follows (there were no Options granted during the six months ended June 30, 2022 (six months ended June 30, 2021: nil)):

	Grant date	Options granted	Options held as at January 1, 2022	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, 2022	Exercise period [1]	Option exercise price per share HK$	Share price on the grant date [2] HK$	Share price on the exercise date HK$	Weighted average closing price of the Company's shares immediately before the exercise date HK$
Director												
ZHAO, Guibin [3]	June 11, 2014	1,667,970	617,970	–	–	–	617,970	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	555,990	–	–	–	555,990	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	1,667,970	555,990	–	–	–	555,990	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	1,667,970	555,990	–	–	555,990	–	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
MILAVEC, Robin Zane	May 30, 2018	526,730	175,580	–	–	–	175,580	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	1,667,970	555,990	–	–	–	555,990	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
FAN, Yi [4]	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	225,160	–	–	–	225,160	June 10, 2016 – June 9, 2026	7.584	7.340	N/A	N/A
	May 29, 2017	526,730	175,580	–	–	–	175,580	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	526,730	175,580	–	–	–	175,580	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	526,730	175,570	–	–	175,570	–	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
WANG, Jian	August 21, 2019	702,300	234,100	–	–	–	234,100	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
Sub-total		**16,065,200**	**7,836,910**	**–**	**–**	**731,560**	**7,105,350**					
All Other Participants (in aggregate)	June 11, 2014	9,042,160	–	–	–	–	–	June 11, 2014 – June 10, 2024	5.150	5.150	N/A	N/A
	June 10, 2015	8,164,290	175,570	–	–	–	175,570	June 10, 2015 – June 9, 2025	8.610	8.480	N/A	N/A
	June 10, 2016	8,407,790	630,540	–	–	–	630,540	June 10, 2016 – June 9, 2026	7.584	7.340	N/A	N/A
	May 29, 2017	9,724,610	1,146,840	–	–	655,990	490,850	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	10,251,340	1,953,990	–	–	1,111,980	842,010	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	9,110,100	1,193,110	–	–	351,140	841,970	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
Sub-total		**54,700,290**	**5,100,050**	**–**	**–**	**2,119,110**	**2,980,940**					
Total		**70,765,490**	**12,936,960**	**–**	**–**	**2,850,670**	**10,086,290**					

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 on the trading day on the Date of Grant of the Options. The exercise price for the Options granted on June 10, 2015 and June 10, 2016 was the average closing price for five consecutive trading days prior to the Date of Grant of the Options. The exercise price for the Options granted on May 29, 2017 was the closing price of the shares quoted on the Stock Exchange on the trading Date of Grant of the Options. The exercise price for the Options granted on May 30, 2018 was the average closing price for five consecutive trading days prior to the Date of Grant of the Options. The exercise price for the Options granted on August 21, 2019 was the closing price of the shares quoted on the Stock Exchange on the trading day on the Date of Grant of the Options.

(3) Mr. ZHAO, Guibin ceased to act as an Executive Director with effect from June 14, 2022.

(4) Mr. FAN, Yi ceased to act as an Executive Director with effect from June 21, 2022.

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

As at June 30, 2022, 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) %
MILAVEC, Robin Zane	Director	Beneficial owner	731,570 (L)	0.03
WANG, Jian	Director	Beneficial owner	234,100 (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 2,509,824,293 Shares in issue as at June 30, 2022.

Except as disclosed above, as at June 30, 2022, 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, 2022.

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

As at June 30, 2022, the following Shareholders (excluding the Directors and Chief Executives of the Company) had interests or short positions in any Shares and underlying Shares of the Company which will be required to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

Name	Nature of Interest	No. of Shares	Approximate Percentage of Total Issued Shares (1) %
Nexteer Automotive (Hong Kong) Holdings Limited (**Nexteer Hong Kong**)(2)	Beneficial owner	1,630,000,000 (L)	64.94
Pacific Century Motors, Inc. (**PCM China**)(2)	Interest of controlled corporation	1,630,000,000 (L)	64.94
AVIC Automotive Systems Holding Co., Ltd. (**AVIC Auto**)(3)	Interest of controlled corporation	1,630,000,000 (L)	64.94
Aviation Industry Corporation of China, Ltd. (**AVIC**)(3)	Interest of controlled corporation	1,630,000,000 (L)	64.94

Notes:

(L) Denotes a long position in the Shares.

(1) The calculation is based on the total number of 2,509,824,293 Shares issued as at June 30, 2022.

(2) Nexteer Hong Kong is wholly-owned by PCM China, which is in turn owned as to 51% by AVIC Auto and as to 49% by Beijing E-Town International Automotive Investment & Management Co. Ltd. (北京亦莊國際汽車投資管理有限公司) (a direct wholly-owned subsidiary of Beijing E-Town International Investment & Development Co. Ltd.). Each of PCM China and AVIC Auto is deemed to be interested in the 1,630,000,000 Shares held by Nexteer Hong Kong.

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

Report on Review of Condensed Consolidated Interim Financial Information

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated interim financial information of Nexteer Automotive Group Limited (the "**Company**") and its subsidiaries (collective referred to as the "**Group**") set out on pages 36 to 72, which comprise the condensed consolidated interim balance sheet as at June 30, 2022 and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
August 17, 2022

Condensed Consolidated Interim Balance Sheet

As at June 30, 2022

	Notes	**As at June 30, 2022 US$'000 (Unaudited)**	As at December 31, 2021 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**946,637**	988,896
Right-of-use assets	8	**59,047**	63,389
Intangible assets	7	**720,362**	708,807
Deferred income tax assets		**11,527**	11,361
Investments in joint ventures	25(b)	**22,862**	22,904
Other receivables and prepayments	10	**48,396**	50,917
		1,808,831	1,846,274
Current assets			
Inventories		**302,814**	288,632
Trade receivables	9	**649,722**	626,078
Other receivables and prepayments	10	**140,009**	118,990
Restricted bank deposits		**9**	9
Cash and cash equivalents		**317,449**	326,516
		1,410,003	1,360,225
Total assets		**3,218,834**	3,206,499

The notes on pages 42 to 72 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Balance Sheet

As at June 30, 2022

	Notes	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	**32,377**	32,377
Other reserves		**(10,547)**	33,893
Retained earnings		**1,855,020**	1,888,359
		1,876,850	1,954,629
Non-controlling interests		**47,985**	47,960
Total equity		**1,924,835**	2,002,589
LIABILITIES			
Non-current liabilities			
Borrowings	12	**51,873**	–
Lease liabilities	8	**46,341**	49,972
Retirement benefits and compensations		**24,679**	22,695
Deferred income tax liabilities		**46,871**	26,741
Provisions	13	**56,680**	60,608
Deferred revenue	14	**93,558**	86,737
Other payables and accruals	16	**12,955**	15,030
		332,957	261,783
Current liabilities			
Trade payables	15	**679,215**	666,501
Other payables and accruals	16	**162,703**	120,408
Current income tax liabilities		**4,770**	13,733
Retirement benefits and compensations		**3,481**	3,613
Provisions	13	**19,725**	17,388
Deferred revenue	14	**24,829**	23,691
Lease liabilities	8	**11,425**	12,390
Borrowings	12	**54,894**	84,403
		961,042	942,127
Total liabilities		**1,293,999**	1,203,910
Total equity and liabilities		**3,218,834**	3,206,499

The notes on pages 42 to 72 are an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 36 to 72 were approved by the Board of Directors on August 17, 2022 and were signed on its behalf.

LEI, Zili	**MILAVEC, Robin Zane**
Director	*Director*

Condensed Consolidated Interim Income Statement

For the six months ended June 30, 2022

	Notes	For the six months ended June 30, 2022 US$'000 (Unaudited)	2021 US$'000 (Unaudited)
Revenue	6	**1,791,067**	1,734,394
Cost of sales	18	**(1,641,254)**	(1,507,922)
Gross profit		**149,813**	226,472
Engineering and product development costs	18	**(60,241)**	(57,030)
Selling and distribution expenses	18	**(9,302)**	(9,072)
Administrative expenses	18	**(70,724)**	(72,932)
Other gains, net	17	**12,460**	6,291
Operating profit		**22,006**	93,729
Finance income	20	**1,769**	1,147
Finance costs	20	**(1,414)**	(2,228)
		355	(1,081)
Share of results of joint ventures	25(b)	**(1,640)**	379
Profit before income tax		**20,721**	93,027
Income tax expense	21	**(29,478)**	(5,695)
(Loss) profit for the period		**(8,757)**	87,332
(Loss) profit attributable to:			
Equity holders of the Company		**(11,138)**	83,143
Non-controlling interests		**2,381**	4,189
		(8,757)	87,332
(Loss) earnings per share for (loss) profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
– Basic and diluted	22	**(0.004)**	0.033

The notes on pages 42 to 72 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, 2022

	For the six months ended June 30,	
	2022	2021
	US$'000	US$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period	**(8,757)**	87,332
Other comprehensive loss		
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**(45,126)**	(9,014)
	(45,126)	(9,014)
Total comprehensive (loss) income for the period	**(53,883)**	78,318
Total comprehensive (loss) income for the period attributable to:		
Equity holders of the Company	**(53,908)**	73,738
Non-controlling interests	**25**	4,580
	(53,883)	78,318

The notes on pages 42 to 72 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, 2022

	Attributable to equity holders of the Company								
	Share capital US$'000 (note 11)	Share premium US$'000	Merger reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
For the six months ended June 30, 2021 (Unaudited)									
As at January 1, 2021	32,347	–	113,000	6,923	(61,271)	1,791,003	1,882,002	38,983	1,920,985
Comprehensive income									
Profit for the period	–	–	–	–	–	83,143	83,143	4,189	87,332
Other comprehensive (loss) income									
Exchange differences	–	–	–	–	(9,405)	–	(9,405)	391	(9,014)
Total comprehensive (loss) income	–	–	–	–	(9,405)	83,143	73,738	4,580	78,318
Transactions with owners									
Value of employee services provided under share option scheme (note 19)	–	–	–	39	–	–	39	–	39
Transfer to share premium under exercise of share options	–	655	–	(655)	–	–	–	–	–
Proceeds from exercise of share options	24	1,298	–	–	–	–	1,322	–	1,322
Dividends payable to shareholders (note 23)	–	(1,045)	–	–	–	(22,536)	(23,581)	–	(23,581)
As at June 30, 2021	32,371	908	113,000	6,307	(70,676)	1,851,610	1,933,520	43,563	1,977,083
For the six months ended June 30, 2022 (Unaudited)									
As at January 1, 2022	**32,377**	**1,642**	**113,000**	**6,061**	**(86,810)**	**1,888,359**	**1,954,629**	**47,960**	**2,002,589**
Comprehensive (loss) income									
(Loss) profit for the period	**–**	**–**	**–**	**–**	**–**	**(11,138)**	**(11,138)**	**2,381**	**(8,757)**
Other comprehensive loss									
Exchange differences	**–**	**–**	**–**	**–**	**(42,770)**	**–**	**(42,770)**	**(2,356)**	**(45,126)**
Total comprehensive (loss) income	**–**	**–**	**–**	**–**	**(42,770)**	**(11,138)**	**(53,908)**	**25**	**(53,883)**
Transactions with owners									
Value of employee services provided under share option scheme (note 19)	**–**	**–**	**–**	**(28)**	**–**	**–**	**(28)**	**–**	**(28)**
Dividends payable to shareholders (note 23)	**–**	**(1,642)**	**–**	**–**	**–**	**(22,201)**	**(23,843)**	**–**	**(23,843)**
As at June 30, 2022	**32,377**	**–**	**113,000**	**6,033**	**(129,580)**	**1,855,020**	**1,876,850**	**47,985**	**1,924,835**

The notes on pages 42 to 72 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, 2022

	For the six months ended June 30, 2022 US$'000 (Unaudited)	2021 US$'000 (Unaudited)
Operating activities		
Cash generated from operations	**138,764**	111,929
Income tax paid, net	**(16,266)**	(17,270)
Net cash generated from operating activities	**122,498**	94,659
Investing activities		
Purchase of property, plant and equipment	**(55,902)**	(72,734)
Addition of intangible assets	**(73,598)**	(65,208)
Investment in joint ventures	**(1,597)**	(1,178)
Others	**1,826**	567
Net cash used in investing activities	**(129,271)**	(138,553)
Financing activities		
Proceeds from borrowings	**87,233**	115,023
Repayments of borrowings	**(61,893)**	(250,055)
Repayments of lease liabilities	**(6,791)**	(7,067)
Finance costs paid	**(3,959)**	(11,006)
Proceeds from exercise of share options	**–**	1,322
Dividend paid to equity holders of the Company	**–**	(23,581)
Net cash generated from (used in) financing activities	**14,590**	(175,364)
Net increase (decrease) in cash and cash equivalents	**7,817**	(219,258)
Cash and cash equivalents at beginning of period	**326,516**	553,424
Effect of exchange rate changes on cash and cash equivalents	**(16,884)**	(5,965)
Cash and cash equivalents at end of period	**317,449**	328,201

The notes on pages 42 to 72 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, 2022

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, the People's Republic of China (**China**), Poland, India, Morocco and Brazil and are structured to supply its customers globally. The principal markets for the Group's products are North America, Europe, South America, China and India.

The Company's directors regard Aviation Industry Corporation of China, Ltd. (**AVIC**), a company established in China, as being the ultimate holding company of the Company. The Company's immediate holding company is Nexteer Automotive (Hong Kong) Holdings Limited.

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

This condensed consolidated interim financial information (**Condensed Financial Information**) is presented in thousands of US dollars (**US$'000**), unless otherwise stated. This Condensed Financial Information was approved by the Board of Directors of the Company (the **Board**) for issue on August 17, 2022.

This Condensed Financial Information has not been audited.

2 BASIS OF PREPARATION

This Condensed Financial Information has been prepared in accordance with International Accounting Standard (**IAS**) 34 "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with all applicable International Financial Reporting Standards (**IFRS**), as issued by the International Accounting Standards Board (**IASB**) and disclosure requirements of the Hong Kong Companies Ordinance.

2 BASIS OF PREPARATION (Continued)

COVID-19 Update

The global automotive industry continued to be impacted by the COVID-19 pandemic throughout the first half of 2022, particularly a result of supply shortages as automotive original equipment manufacturer (**OEM**) production demand continued to recover. The most significant supply shortage relates to semiconductor chips, which is impacting global industry production, and resulting in significant cancellations of planned OEM production. Supply shortages and the on-going volatility in OEM production schedules adversely impacted our manufacturing and material efficiencies in the first half of 2022. In addition, increases in certain commodity and logistics costs had an adverse impact on our operating results for the first half of 2022. It is possible a resurgence of the COVID-19 pandemic could result in adverse impacts in the future. Management cannot reasonably estimate the full impact the COVID-19 pandemic could have on the Group's financial condition, results of operations or cash flows in the future.

3 ACCOUNTING POLICIES

In addition to those described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2021, 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, 2022.

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020

The adoption of these amendments did not have a significant effect on the Group's Condensed Financial Information. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's Consolidated Financial Statements for the year ending December 31, 2022.

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, 2021.

5 FINANCIAL INSTRUMENTS

5.1 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities, including cash and cash equivalents, restricted bank deposits, trade receivables and other receivables, trade payables and other payables and current borrowings approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

As set out in note 9, the Group has notes receivable measured at fair value through other comprehensive income (**FVOCI**) and included in Level 2 of the fair value hierarchy as at June 30, 2022 and December 31, 2021. Notes receivable are measured at FVOCI as (i) they are held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The fair value of financial assets at FVOCI is estimated by discounting the future contracted cash flows at the current market interest rate that is available to the Group for similar financial instruments. The Group had no other financial assets or liabilities measured at fair value as at June 30, 2022 and December 31, 2021. The different levels are defined as follows:

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

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

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

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

6 REVENUE AND SEGMENT INFORMATION

6.1 Revenue from contracts with customers

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

Performance Obligations

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2022

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. Contract assets are assessed for impairment under the expected credit loss method in IFRS 9 "Financial Instruments". 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, 2022 (Unaudited)	**54,385**	**24,829**	**93,558**
Balances as at December 31, 2021 (Audited)	43,791	23,691	86,737

(i) Contract assets are recorded within current other receivables and prepayments. As at January 1, 2021, contract assets amount to US$41,664,000.

(ii) Contract liabilities are recorded within deferred revenue. As at January 1, 2021, contract liabilities amount to US$90,716,000.

6.2 Segment information

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

The Group classifies its businesses into three reportable segments: North America, Asia Pacific and Europe, Middle East, Africa and South America (**EMEASA**). All of the Group's operating segments typically offer the same steering and driveline products. The "Others" category represents parent company activities of the Company and activities of its non-operating direct and indirect subsidiaries, as well as elimination entries between segments.

During the first half of 2022, the Company restructured its internal organisation and management structure which resulted in a change in operating segments. The previous North America represented one single operating and reportable segment, which contained a US-based subsidiary, a Mexico-based subsidiary, a US-based intellectual property holding subsidiary and multiple US-based corporate entities. After the restructure, the US-based subsidiary and the Mexico-based subsidiary that make up the North America reportable segment, have been separated and become two operating segments for internal management reporting purposes and have been aggregated into the North America reportable segment.

Additionally, multiple US-based corporate entities have been reclassified from the North America segment to the Others category. Certain intangible assets and deferred revenue (and the related revenue) of the US-based intellectual property holding subsidiary previously included in the North America segment have been allocated to the respective segment based on the geographical location of subsidiaries generating revenues from these associated production programmes. Comparative information for the six months ended June 30, 2021 and year ended December 31, 2021 has been restated under the new segment structure.

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

The key performance indicator that the Group monitors to manage segment operations is:

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

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, 2022 (Unaudited)					
Total revenue	**1,131,965**	**396,872**	**316,777**	**(30,607)**	**1,815,007**
Inter-segment revenue	**(36,867)**	**(18,400)**	**(611)**	**31,938**	**(23,940)**
Revenue from external customers	**1,095,098**	**378,472**	**316,166**	**1,331**	**1,791,067**
Adjusted EBITDA	**79,043**	**68,497**	**26,598**	**(16,021)**	**158,117**
For the six months ended June 30, 2021 (Restated and Unaudited)					
Total revenue	1,059,499	401,314	317,995	(22,332)	1,756,476
Inter-segment revenue	(36,352)	(13,025)	(786)	28,081	(22,082)
Revenue from external customers	1,023,147	388,289	317,209	5,749	1,734,394
Adjusted EBITDA	118,126	81,271	21,833	(8,340)	212,890

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2022

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

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. 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, 2022 (Unaudited)					
Total assets	**1,688,911**	**1,117,997**	**674,036**	**(262,110)**	**3,218,834**
Total liabilities	**806,825**	**418,859**	**273,083**	**(204,768)**	**1,293,999**
As at December 31, 2021 (Restated and Audited)					
Total assets	1,653,229	1,079,476	675,880	(202,086)	3,206,499
Total liabilities	691,145	394,329	272,398	(153,962)	1,203,910

Adjusted EBITDA includes a non-cash component for revenue recognised from deferred revenue. For the six months ended June 30, 2022, the North America segment, Asia Pacific segment and EMEASA segment recognised US$8,435,000 (six months ended June 30, 2021: US$5,504,000), US$1,327,000 (six months ended June 30, 2021: US$2,181,000) and US$2,272,000 (six months ended June 30, 2021: US$1,762,000), respectively. Reconciliations of reportable segment Adjusted EBITDA to the Group's profit before income tax are as follows:

	For the six months ended June 30,	
	2022 US$'000 (Unaudited)	2021 US$'000 (Unaudited)
Adjusted EBITDA from reportable segments	**158,117**	212,890
Depreciation and amortisation	**(136,111)**	(123,610)
Reversals of impairments on intangible assets	**–**	4,449
Finance income	**1,769**	1,147
Finance costs	**(1,414)**	(2,228)
Share of results of joint ventures, net	**(1,640)**	379
Profit before income tax	**20,721**	93,027

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.

The geographic distribution of revenue for the six months ended June 30, 2022 and 2021 is as follows:

	For the six months ended June 30,	
	2022	2021
	US$'000	US$'000
	(Unaudited)	(Restated and Unaudited)
North America:		
US	**641,476**	603,391
Mexico	**453,622**	419,756
Asia Pacific:		
China	**314,813**	329,978
Rest of Asia Pacific	**63,659**	58,311
EMEASA:		
Poland	**186,579**	210,018
Rest of EMEASA	**129,587**	107,191
Other	**1,331**	5,749
	1,791,067	1,734,394

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

The geographic distribution of non-current assets, excluding deferred income tax assets, as at June 30, 2022 and December 31, 2021 is as follows:

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Restated and Audited)
North America:		
US	**554,992**	569,512
Mexico	**446,470**	443,424
Asia Pacific:		
China	**347,664**	357,917
Rest of Asia Pacific	**37,999**	41,792
EMEASA:		
Poland	**294,791**	302,063
Rest of EMEASA	**99,173**	102,831
Others	**16,215**	17,374
	1,797,304	1,834,913

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

Disaggregation of revenue

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Others US$'000	Total US$'000
For the six months ended June 30, 2022 (Unaudited)					
Electric Power Steering (**EPS**)	**691,207**	**259,935**	**273,668**	**1,584**	**1,226,394**
Steering Columns and Intermediate Shafts (**CIS**)	**158,292**	**5,613**	**5,085**	**(167)**	**168,823**
Hydraulic Power Steering (**HPS**)	**77,825**	**425**	**4,744**	**(17)**	**82,977**
Driveline Systems (**DL**)	**167,774**	**112,499**	**32,669**	**(69)**	**312,873**
	1,095,098	**378,472**	**316,166**	**1,331**	**1,791,067**

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Others US$'000	Total US$'000
For the six months ended June 30, 2021 (Restated and Unaudited)					
EPS	660,799	257,022	285,388	3,512	1,206,721
CIS	147,374	6,735	3,214	1,673	158,996
HPS	62,193	1,562	8,144	104	72,003
DL	152,781	122,970	20,463	460	296,674
	1,023,147	388,289	317,209	5,749	1,734,394

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

Revenue by type

	For the six months ended June 30, 2022 US$'000 (Unaudited)	2021 US$'000 (Unaudited)
Production parts	**1,772,565**	1,717,398
Tooling	**13,413**	12,474
Engineering design and development/prototypes	**5,089**	4,522
	1,791,067	1,734,394

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, 2022 US$'000 (Unaudited)	2021 US$'000 (Unaudited)
GM	**585,680**	611,027
Customer A	**492,470**	468,197
Customer B	**286,695**	266,057
	1,364,845	1,345,281

7 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment US$'000	Intangible assets US$'000
Six months ended June 30, 2022 (Unaudited)		
Net book amount as at January 1, 2022	**988,896**	**708,807**
Additions	**48,539**	**76,340**
Disposals	**(921)**	**–**
Depreciation and amortisation	**(68,331)**	**(61,193)**
Exchange differences	**(21,546)**	**(3,592)**
Net book amount as at June 30, 2022	**946,637**	**720,362**
Six months ended June 30, 2021 (Unaudited)		
Net book amount as at January 1, 2021	1,009,333	657,493
Additions	57,935	73,967
Disposals	(3,549)	–
Reversals of impairments, net	–	4,449
Depreciation and amortisation	(66,363)	(50,555)
Exchange differences	(3,547)	677
Net book amount as at June 30, 2021	993,809	686,031

Intangible asset additions include additions for product development. Product development cost additions, including capitalised interest, for the period ended June 30, 2022 were US$76,340,000 (six months ended June 30, 2021: US$73,952,000).

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 pre-tax discount rates used for the six months ended June 30, 2022 to estimate future cash flows range between 10% and 14% (six months ended June 30, 2021: between 8% and 13%), 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.

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

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

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

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

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

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$305,515,000 as at June 30, 2022 (December 31, 2021: US$320,541,000).

8 LEASES

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

Right-of-use assets

	Real-Estate US$'000 (Unaudited)	Other US$'000 (Unaudited)	Total US$'000 (Unaudited)
Balance as at January 1, 2022	**56,511**	**6,878**	**63,389**
Depreciation charge for the six months ended June 30, 2022	**5,504**	**1,083**	**6,587**
Balance as at June 30, 2022	**51,323**	**7,724**	**59,047**
Depreciation charge for the six months ended June 30, 2021	**5,652**	**1,040**	**6,692**

Additions to the right-of-use assets during the six months ended June 30, 2022 were US$3,288,000 (six months ended June 30, 2021: US$17,931,000).

Depreciation is charged to the following expense by function:

	For the six months ended June 30,	
	2022 US$'000 (Unaudited)	2021 US$'000 (Unaudited)
Cost of sales	**4,208**	4,118
Engineering and product development costs	**1,197**	1,225
Administrative expenses	**1,182**	1,349
	6,587	6,692

8 LEASES (Continued)

Lease liabilities

(i) Gross lease liabilities – minimum lease payments:

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Within 1 year	**13,894**	15,226
Between 1 and 2 years	**12,278**	12,071
Between 2 and 5 years	**26,466**	28,209
Over 5 years	**13,423**	16,690
	66,061	72,196
Less: future finance charges	**(8,295)**	(9,834)
	57,766	62,362

(ii) Present value of lease liabilities:

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Within 1 year	**11,425**	12,390
Between 1 and 2 years	**10,290**	9,728
Between 2 and 5 years	**23,403**	24,598
Over 5 years	**12,648**	15,646
	57,766	62,362
Less: non-current portion	**(46,341)**	(49,972)
Current portion	**11,425**	12,390

For the six months ended June 30, 2022, the Group recognised interest on lease liabilities of US$1,364,000 (six months ended June 30, 2021: US$1,634,000) in the Condensed Financial Information.

For the six months ended June 30, 2022, the Group's total cash outflows for leases amounted to US$6,791,000 (six months ended June 30, 2021: US$7,067,000) in the Condensed Financial Information.

9 TRADE RECEIVABLES

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Trade receivables, gross	**630,342**	573,535
Notes receivable	**21,428**	54,617
Less: provision for impairment	**(2,048)**	(2,074)
	649,722	626,078

As at January 1, 2021, trade receivables from contracts with customers and notes receivable amounted to US$568,280,000 and US$24,747,000, respectively.

Certain customers in China pay for goods and services through the use of notes receivable. As at June 30, 2022, notes receivable totalling US$3,697,000 (December 31, 2021: US$9,398,000) were pledged to guarantee notes payable in the same amount recorded within trade payables as set out in note 15. As set out in note 5, the bank notes receivable are measured 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, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
0 to 30 days	**424,410**	430,460
31 to 60 days	**183,740**	177,563
61 to 90 days	**23,179**	16,361
Over 90 days	**20,441**	3,768
	651,770	628,152

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

Trade receivables of US$2,048,000 (December 31, 2021: US$2,074,000) were non-credit impaired as at June 30, 2022 on which provisions were made.

The carrying amounts of trade receivables pledged as collateral were US$423,366,000 as at June 30, 2022 (December 31, 2021: US$362,585,000).

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2022

10 OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Income taxes receivable	**43,423**	44,717
Other taxes receivable [i]	**32,912**	24,024
Prepaid assets	**42,609**	47,145
Contract assets [ii]	**54,385**	43,791
Deposits to vendors	**10,661**	7,688
Others	**4,415**	2,542
	188,405	169,907
Less: non-current portion	**(48,396)**	(50,917)
Current portion	**140,009**	118,990

Notes:

(i) Balance mainly represents value-added tax recoverable.

(ii) As stated in note 6, the Group has contracts with customers that require revenue to be recognised over time as costs are incurred. Contract assets balance represents rights to consideration for work completed but not billed, at the reporting date on production parts, tooling and engineering design and development/prototypes.

11 SHARE CAPITAL

	Number of ordinary shares	**Amount**
Issued and fully paid:		
HK$0.10 each as at December 31, 2021 and June 30, 2022	2,509,824,293	HK$250,982,429

12 BORROWINGS

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Non-Current		
Borrowings from banks		
– Unsecured[1a(i)]	**52,255**	–
Add: Non-current portion of		
– Debt issuance costs[1b]	**(382)**	–
Total Non-Current	**51,873**	–
Current		
Borrowings from banks		
– Secured[1a(ii)]	**55,021**	84,976
Add: current portion of		
– Debt issuance costs[1b]	**(127)**	(573)
Total Current	**54,894**	84,403
Total Borrowings	**106,767**	84,403

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2022

12 BORROWINGS (Continued)

1. Notes:

(a) The Group has the following significant utilised and unutilised bank facilities at the end of the reporting period:

(i) An unsecured credit facility containing certain financial covenants, consisting of 3 term loan tranches, obtained by a subsidiary of the Company with a balance of US$52,255,000 as at June 30, 2022 (December 31, 2021: nil). Tranche 1 has a balance of US$14,930,000 and matures in December 2024. Tranche 2 has a balance of US$14,930,000 and matures in February 2025. Tranche 3 has a balance of US$22,395,000 and matures in April 2025. Each tranche bears interest at the Loan Prime Rate minus 0.25%. The credit facility has no remaining unused capacity as at June 30, 2022.

(ii) A revolving line of credit of US$55,021,000 as at June 30, 2022 (December 31, 2021: US$84,976,000) obtained by a subsidiary of the Company which bears interest at LIBOR plus a range of 1.25% to 1.75% per annum, depending on borrowing type, matures in June 2026 and is secured by trade receivables, inventories and machinery and equipment. Availability under the agreement fluctuates according to a borrowing base. In addition, outstanding amounts under the credit facility may become immediately due and payable upon certain events of default, including 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, 2022, the Group has availability of US$266,911,000 of the US$325,000,000 line of credit.

(iii) A factoring facility with availability to borrow up to US$41,860,000 by a subsidiary of the Company which bears interest at EURIBOR or WIBOR plus 1.50% per annum, is secured by certain receivables. As at June 30, 2022, the subsidiary has availability to borrow based on collateral up to US$22,395,000.

(iv) An overdraft facility with availability to borrow up to US$17,917,000 by a subsidiary of the Company which bears interest at EURIBOR plus 1.60% per annum or WIBOR plus 1.40% per annum, depending on the currency borrowed, is secured by property and certain trade receivables and expires in August 2022.

(v) A revolving line of credit with availability to borrow up to US$2,538,000 by a subsidiary of the Company 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.

(vi) A revolving line of credit with availability to borrow up to US$2,538,000 by a subsidiary of the Company which bears interest at the Marginal Cost of Funds Based Lending Rate + 0.4% per annum, is secured by property, plant and equipment, trade receivables and inventories.

(b) The Group capitalised debt issuance costs related to various borrowing as noted above. Amortisation of the debt issuance costs is recognised in the Condensed Financial Information as finance cost over the period of the borrowing using the effective interest method. The unamortised balance of debt issuance costs is US$509,000 as at June 30, 2022 (December 31, 2021: US$573,000).

2. **Maturity of borrowings**

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Within 1 year	**54,894**	84,403
Between 1 and 2 years	**–**	–
Between 2 and 5 years	**51,873**	–
Over 5 years	**–**	–
Total	**106,767**	84,403

12 BORROWINGS (Continued)

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

	Carrying amount		Fair value	
	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)	**As at June 30, 2022 US$'000 (Unaudited)**	As at December 31, 2021 US$'000 (Audited)
Bank borrowings	**52,255**	–	**52,330**	–

The fair values of bank borrowings are based on discounted cash flows using applicable discount rates based upon the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics as at the balance sheet dates. Such discount rates were 3.45% as at June 30, 2022, and were within Level 2 of the fair value hierarchy.

4. Weighted average annual interest rates

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Bank borrowings	**2.5%**	2.0%

5. Currency denomination

	As at June 30, 2022 US$'000	As at December 31, 2021 US$'000
US$	**54,512**	84,403
RMB	**52,255**	–
	106,767	84,403

13 PROVISIONS

	As at June 30, 2022 (Unaudited)			As at December 31, 2021 (Audited)		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Litigation[i]	**165**	**858**	**1,023**	140	668	808
Environmental liabilities[ii]	**150**	**11,876**	**12,026**	150	11,889	12,039
Warranties[iii]	**19,410**	**34,350**	**53,760**	17,098	38,677	55,775
Decommissioning[iv]	**–**	**9,596**	**9,596**	–	9,374	9,374
	19,725	**56,680**	**76,405**	17,388	60,608	77,996

Movement of provisions is as follows:

	Litigation[i] US$'000	Environmental liabilities[ii] US$'000	Warranties[iii] US$'000	Decom-missioning[iv] US$'000	Total US$'000
Six months ended June 30, 2022 (Unaudited)					
As at January 1, 2022	**808**	**12,039**	**55,775**	**9,374**	**77,996**
Additions, net	**207**	**–**	**7,564**	**263**	**8,034**
Utilisation	**(10)**	**(17)**	**(8,233)**	**–**	**(8,260)**
Exchange differences	**18**	**4**	**(1,346)**	**(41)**	**(1,365)**
As at June 30, 2022	**1,023**	**12,026**	**53,760**	**9,596**	**76,405**
Six months ended June 30, 2021 (Unaudited)					
As at January 1, 2021	515	12,060	56,574	8,977	78,126
Additions, net	253	–	3,621	215	4,089
Utilisation	(47)	(11)	(8,116)	–	(8,174)
Exchange differences	16	2	(125)	(6)	(113)
As at June 30, 2021	737	12,051	51,954	9,186	73,928

13 PROVISIONS (Continued)

Notes:

(i) Litigation

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

(ii) Environmental liabilities

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

(iii) Warranties

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

(iv) Decommissioning

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

14 DEFERRED REVENUE

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

	As at June 30, 2022 (Unaudited)			As at December 31, 2021 (Audited)		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Pre-production activity	**24,829**	**93,558**	**118,387**	23,691	86,737	110,428

Movement of deferred revenue is as follows:

	For the six months ended June 30,	
	2022 US$'000 (Unaudited)	2021 US$'000 (Unaudited)
As at January 1	**110,428**	90,716
Additions	**20,277**	9,381
Recognised in profit or loss	**(12,034)**	(9,447)
Exchange differences	**(284)**	23
As at June 30	**118,387**	90,673

15 TRADE PAYABLES

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Trade payables	**636,967**	625,288
Notes payable	**42,248**	41,213
	679,215	666,501

Certain vendors in China are paid for goods and services through the use of notes payable. As at June 30, 2022, notes payable totalling US$3,697,000 (December 31, 2021: US$9,398,000) were pledged by notes receivable in the same amount recorded within trade receivables as set out in note 9.

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

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
0 to 30 days	**380,672**	389,542
31 to 60 days	**166,753**	176,742
61 to 90 days	**60,887**	52,492
91 to 120 days	**19,545**	9,693
Over 120 days	**51,358**	38,032
	679,215	666,501

16 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Accrued expenses	**121,332**	119,938
Other taxes payable	**14,920**	11,046
Dividends payable to equity holders of the Company	**23,843**	–
Others	**15,563**	4,454
	175,658	135,438
Less: non-current portion	**(12,955)**	(15,030)
Current portion	**162,703**	120,408

17 OTHER GAINS, NET

	For the six months ended June 30,	
	2022 US$'000 (Unaudited)	2021 US$'000 (Unaudited)
Foreign exchange gains, net	**9,229**	5,502
Gain (loss) on disposal of property, plant and equipment, net	**899**	(1,982)
Others	**2,332**	2,771
	12,460	6,291

18 EXPENSE BY NATURE

	For the six months ended June 30,	
	2022	2021
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Inventories used, including finished goods and work-in-progress	**1,186,301**	1,079,006
Employee benefit costs	**256,930**	256,015
Temporary labour costs	**51,848**	54,539
Supplies and tools	**90,724**	90,354
Depreciation on property, plant and equipment (note 7)	**68,331**	66,363
Depreciation on right-of-use assets (note 8)	**6,587**	6,692
Amortisation on intangible assets (note 7)	**61,193**	50,555
Impairment reversals net, on		
– receivables	**(26)**	(2)
– intangible assets (note 7)[(i)]	**–**	(4,449)
Reversal of write-down on inventories	**(574)**	(1,526)
Warranty expenses (note 13)	**7,564**	3,621
Auditors' remuneration		
– audit and non-audit services	**306**	988
Others	**52,337**	44,800
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**1,781,521**	1,646,956

Note:

(i) As set out in note 7, for the six months ended June 30, 2021, US$807,000 represents impairment related to programme cancellations and declining volumes on specific customer programmes and US$5,256,000 represents income received due to customer recovery for a previously cancelled customer programme.

19 SHARE-BASED PAYMENTS

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

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

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

	Average exercise price (per share) HK$	Outstanding options (thousands)
As at January 1, 2021	8.667	22,138
Exercised	5.692	(1,802)
Expired	12.456	(2,861)
Forfeited	6.390	(234)
As at June 30, 2021 (Unaudited)	8.380	17,241
Exercisable as at June 30, 2021	9.596	10,699
As at January 1, 2022	**8.970**	**12,937**
Expired	**11.620**	**(656)**
Forfeited	**9.463**	**(2,195)**
As at June 30, 2022 (Unaudited)	**8.690**	**10,086**
Exercisable as at June 30, 2022	**9.134**	**8,454**

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, 2022	6.390	1,632

There were no options granted during the six months ended June 30, 2022 or the six months ended June 30, 2021. As at June 30, 2022, there were 179,014,910 share options available under the Scheme (December 31, 2021: 179,014,910 share options).

19 SHARE-BASED PAYMENTS (Continued)

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

As at June 30, 2022, the fair value of the outstanding tranche of unit awards granted during November 2020 was determined using a Black-Scholes model of HK$1.612 per unit. The outstanding tranche of unit performance awards has a maximum cash payout not to exceed HK$5.537 per unit (HK$9.897 per unit less initial stock price at grant date of HK$4.360) or US$1,149,000. The significant inputs into the model were initial stock price at grant date of HK$4.360, the 30-day average stock price immediately before June 30, 2022 of HK$5.087, volatility of 62.33%, an expected term 1 year, and an annual risk-free interest rate of 2.80%. For the six months ended June 30, 2022, the fair value of the performance awards of (US$2,123,000) was (credited)/charged to the Condensed Financial Information (six months ended June 30, 2021: US$4,347,000). For the six months ended June 30, 2022, 2,512,000 units of 2020 Performance Awards were forfeited, and zero units of 2020 Performance Awards totaling US$nil were settled in cash upon vesting. As at June 30, 2022, the payable for 2020 Performance Awards of US$893,000 was included in "other payables and accruals" (December 31, 2021: US$3,017,000).

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

As at June 30, 2022, the weighted average fair value of outstanding tranches of unit awards granted in June 2021 were determined using a Black-Scholes model of HK$0.626 per unit. The outstanding tranches of 2021 Performance Awards have an average maximum cash payout not to exceed HK$5.834 per unit (HK$16.014 per unit less initial stock price at grant date of HK$10.180) or US$1,560,000 per tranche. The significant inputs into the model were initial stock price at grant date of HK$10.180, the 30-day average stock price immediately before June 30, 2022 of HK$5.087, weighted average volatility of 64.75%, an expected term ranging between 1 and 2 years, and an annual risk-free interest rate ranging between 2.80% and 2.92%. For the six months ended June 30, 2022, the fair value of the 2021 Performance Awards of (US$819,000) was (credited)/charged to the Condensed Financial Information (six months ended June 30, 2021: US$466,000). For the six months ended June 30, 2022, 5,903,000 units of 2021 Performance Awards were forfeited, and zero units of 2021 Performance Awards totaling US$nil were settled in cash upon vesting. As at June 30, 2022 the payable for the 2021 Performance Awards of US$816,000 (December 31, 2021: US$1,634,000) was included in "other payables and accruals".

20 FINANCE INCOME/FINANCE COSTS

	For the six months ended June 30,	
	2022	2021
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Finance income		
Interest on bank deposits	**1,769**	1,147
Finance costs		
Interest on bank borrowings	**2,019**	3,623
Interest on notes	**–**	3,753
	2,019	7,376
Interest on leases	**1,364**	1,634
Other finance costs	**773**	1,976
	4,156	10,986
Less: amount capitalised in qualifying assets	**(2,742)**	(8,758)
	1,414	2,228
	355	(1,081)

21 INCOME TAX EXPENSE

For the six months ended June 30, 2022, the Group recorded income tax expense in the Condensed Financial Information of US$29,478,000 (six months ended June 30, 2021: US$5,695,000).

For interim income tax reporting, the Group estimates its annual effective tax rate and applies it to its ordinary income for the six months ended June 30, 2022 and 2021. The tax effects of certain unusual or infrequently occurring items, including changes in judgement about whether it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be recovered and effects of changes in tax laws or rates are recognised in the interim period in which they occur.

During the six months ended June 30, 2022, the Group determined that our US federal net deferred tax assets are not probable to be realised due to cumulative losses in recent years. These deferred tax assets, mainly R&D credits, remain available to offset future US income tax liabilities and realisation is dependent on generating sufficient taxable income prior to expiration. In making this determination, the Group evaluated all evidence, including cumulative losses in recent years, which is objective and verifiable, as well as tax planning opportunities and relevant carryforward periods. As a result, there was an increase of US$49.4 million to income tax expense for the six months ended June 30, 2022.

22 (LOSS) EARNINGS PER SHARE

a. Basic

Basic (loss) earnings per share is calculated by dividing the (loss) 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, 2022 (Unaudited)	2021 (Unaudited)
(Loss) profit attributable to equity holders of the Company (US$'000)	**(11,138)**	83,143
Weighted average number of ordinary shares in issue (thousands)	**2,509,824**	2,508,588
Basic (loss) earnings per share (in US$)	**(0.004)**	0.033

b. Diluted

Diluted (loss) 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, 2022. 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, 2022) 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 (loss) earnings per share. For the six months ended June 30, 2022 and 2021, the details are within the table below.

	For the six months ended June 30, 2022 (Unaudited)	2021 (Unaudited)
(Loss) profit attributable to equity holders of the Company, used to determine diluted (loss) earnings per share (US$'000)	**(11,138)**	83,143
Weighted average number of ordinary shares in issue (thousands)	**2,509,824**	2,508,588
Adjustment for share options (thousands)	**211**	2,056
Weighted average number of ordinary shares in issue for calculating diluted (loss) earnings per share (thousands)	**2,510,035**	2,510,644
Diluted (loss) earnings per share (in US$)	**(0.004)**	0.033

23 DIVIDEND

On June 21, 2022, the Board of Director's declared a dividend of approximately US$23,843,000 relating to the Group's year ended December 31, 2021 earnings payable on July 11, 2022. The Company paid a dividend of US$23,581,000 during the six months ended June 30, 2021 relating to the Group's year ended December 31, 2020 earnings. The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: US$nil).

24 COMMITMENTS

Capital commitments

The Group has capital commitments of US$153,656,000 as at June 30, 2022 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2021: US$138,185,000).

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,	
	2022	2021
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Purchase of goods	**2,133**	1,155

b. Transactions with joint ventures

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

	For the six months ended June 30,	
	2022	2021
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Sale of product, equipment and services(i)	**38,683**	35,513
Purchase of services(i)	**6,181**	5,050

Note:

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

25 RELATED PARTY TRANSACTIONS (Continued)

b. Transactions with joint ventures (Continued)

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

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

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

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

As at June 30, 2022 the Group's carrying amount of its investment in joint ventures is US$22,862,000 (December 31, 2021: US$22,904,000), including US$17,073,000, US$5,789,000 and US$nil related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively, (December 31, 2021: US$15,652,000, US$7,252,000, US$nil). For the six months ended June 30, 2022, the Group's share of results from the joint ventures amount to US$(1,640,000) (six months ended June 30, 2021: US$379,000), including US$1,421,000, US$(1,464,000) and US$(1,597,000) related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively, (six months ended June 30, 2021: US$1,557,000, US$nil and (US$1,178,000)).

c. Key management compensation

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

	For the six months ended June 30,	
	2022	2021
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**5,695**	6,082
Other long-term benefits	**(1,013)**	1,221
Termination benefits	**11,931**	–
Share-based payments	**(2,478)**	4,814
	14,135	12,117

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