A LEADER IN INTUITIVE MOTION CONTROL

ANNUAL REPORT

2020

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

OUR STRATEGY FOR PROFITABLE GROWTH

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

Contents

Corporate Profile

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

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

Our ability to seamlessly integrate our systems into OEM vehicles is a testament to our more than 110-year heritage of vehicle integration expertise and product craftsmanship. Our "One Nexteer" culture inspires employees to achieve personal and corporate growth by focusing on 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 dependable, safety-critical products and building enduring relationships.

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

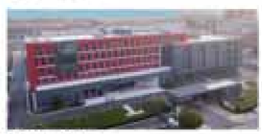
- **Customer Focused:** Respected and trusted for delivering on commitments
- **Proactive:** We listen carefully to understand customer needs, requirements and aspirations
- **Innovative:** A market leader in steering and driveline system innovation and value-added service
- **Agile:** Able to respond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

GLOBAL HEADQUARTERS

Auburn Hills, MI, USA

TECHNICAL CENTRES

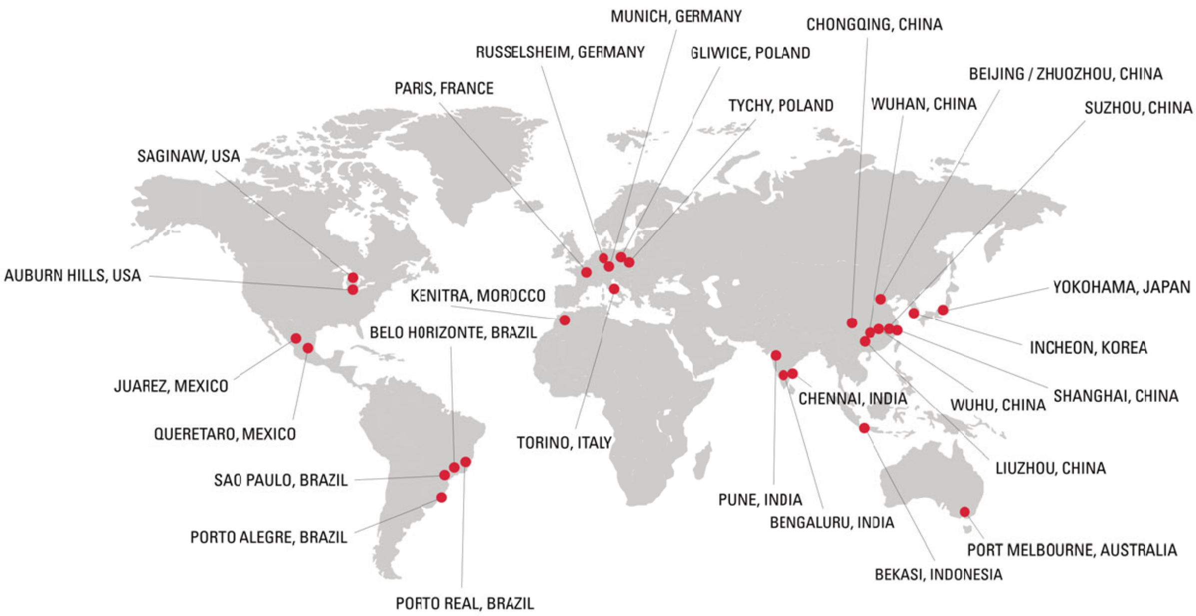
Saginaw, MI, USA



Suzhou, China

Tychy, Poland

GLOBAL FOOTPRINT & CUSTOMERS



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

Corporate Information

BOARD OF DIRECTORS

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

Non-Executive Directors
WANG, Jian (王堅) *(Chairman)*
ZHANG, Jianxun (張建勛)
(resigned with effect from November 13, 2020)
LIU, Ping (劉平)
ZHANG, Wendong (張文冬)
(appointed with effect from November 13, 2020)

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

COMPANY SECRETARY

FAN, Yi (樊毅)

AUTHORISED REPRESENTATIVES

ZHAO, Guibin (趙桂斌)
FAN, Yi (樊毅)

LEGAL ADVISERS

As to Hong Kong Law
DLA Piper Hong Kong

As to Cayman Islands Law
Maples and Calder

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

AUDIT AND COMPLIANCE COMMITTEE

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

REMUNERATION AND NOMINATION COMMITTEE

YICK, Wing Fat Simon (易永發) *(Chairman)*
LIU, Jianjun (劉健君)
ZHANG, Jianxun (張建勛)
(resigned with effect from November 13, 2020)
ZHANG, Wendong (張文冬)
(appointed with effect from November 13, 2020)

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

STOCK CODES

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

Senior Notes Listing
US$250,000,000 5.875%
Senior Notes due November 2021
The Stock Exchange of Hong Kong Limited
(Stock code: 5826)

COMPANY WEBSITE

http://www.nexteer.com/

nexteer AUTOMOTIVE

COMPANY OVERVIEW

US$3.0B REVENUE

US$24.6B BACKLOG

Locations on 6 continents

60+ CUSTOMERS GLOBALLY

4 TECH & SOFTWARE CENTRES

12,000+ Employees

55% of SALARIED EMPLOYEES in TECHNICAL ROLES*

4 PRODUCT LINES

- ELECTRIC POWER STEERING
- COLUMNS & INTERMEDIATE SHAFTS
- DRIVELINE SYSTEMS
- HYDRAULIC POWER STEERING

* In 2020, 55% of Nexteer's total salaried workforce was committed to Engineering activities.

CEO Statement

Nexteer's financial performance in the second half of 2020 reflects our financial resilience and our global team's ongoing discipline and focus in successfully navigating an unprecedented year of uncertainty and volatility.

Going forward, Nexteer remains focused on where the industry is heading through strategic alignment on industry megatrends – such as Electrification, Software, Autonomy and more.

ZHAO, Guibin
Chief Executive Officer

Dear Shareholders:

On behalf of Nexteer, I am honoured to share with you our 2020 Annual Report and highlight a few of the year's successes in driving shareholder value.

SUCCESSES IN A CHALLENGING YEAR

In 2020, the COVID-19 pandemic was an unexpected, global challenge to us all, but our organization quickly adapted and navigated through – with the health and safety of our global team our top priority while quickly adopting new ways to operate and move the business forward despite this adversity. As we moved through the extreme and quickly shifting landscape that 2020 brought to bear on the industry, our Nexteer Team succeeded on many fronts.

2020 HIGHLIGHTS – NAVIGATING THE ENVIRONMENT; ALIGNING OUR PORTFOLIO AND MEGATRENDS; AND CAPITALIZING ON ELECTRIFICATION

- Managed industry downturn as a result of the global health crisis without any significant impact to our customers' operations – including shutdown and restart of our operations globally and responding to adjustments to customer demand requirements
- Implemented cost, capital investment and other cash actions and controls – ensuring the on-going support of the business
- Maximised opportunities during the second half of 2020 industry upturn – with revenue outperforming the OEM production by 6% (revenue growth compared with market) in the second half of 2020 compared with the first half of 2020, and outperforming the market by 1% for the full year 2020 when compared with 2019
- Capitalised on revenue upturn delivering strong earnings, margin expansion and cash flow generation in the second half of 2020 when compared with the first half of 2020
- Successfully launched 47 new customer programmes globally – across all product lines and regions
- Continued to leverage our deep technical competencies in developing innovative products and value propositions – driving future growth and customer diversification
- Committed investment and demonstrated leadership in technology for future growth in alignment with intersecting global industry megatrends – including Electrification, Software and more

- Leveraged our foundational technologies like EPS to support shifting OEM needs – helping to expand Nexteer's future via increased content per vehicle

- Strongly ramped-up customer programme awards in the second half of 2020, and achieved customer programme awards (Bookings) of US$3.7 billion in 2020 with 39% representing conquest awards and retaining all incumbent customer programmes for the third consecutive year

EXPANDING & DIVERSIFYING REVENUE BASE

The current environment requires focused execution, and Nexteer is especially focused on expanding and diversifying our revenue base. We continue to have an outstanding track record of defending our incumbent business while we conquest new business from our competitors. In the last three years, Nexteer has retained 100% of our incumbent business, and relative to our Bookings, roughly half have been from conquest over this period of time.

We continue to expand our sights beyond our current foundational customers, as we target growth opportunities with additional global OEMs over the next few years to expand our market position with our core products. We also continue to enhance our in-house competencies to extend our suite of technologies and product offerings. This includes extension of our core products into DPEPS, HO REPS, Stowable Columns as well as growing our capabilities in software and leveraging our expertise in electronics and motors into adjacent markets.

Nexteer continues to leverage our deep technical competencies in developing innovative products and value propositions to drive future growth and customer diversification. In this 2020 Annual Report, you will see how Nexteer continues to differentiate ourselves as the global leader in intuitive motion control. We are committed to leveraging our strengths in advanced steering and driveline to provide value-added solutions to our customers.

REVIEW OF RESULTS

For the year ended December 31, 2020, the Company's revenue was US$3,032.2 million, operating profit was US$118.7 million and net profit attributable to equity holders of the Company was US$116.8 million.

While our 2020 financial results were lower than last year, a result of the significant headwinds we encountered, we remain vigilant in balancing short-term needs with aspirational long-term goals. We continue to stay the course with our proven strategy for profitable growth and its six tenets. Our strategic priorities serve as a road map for achieving our business goals.

FOCUS ON THE FUTURE

Looking ahead, Nexteer is well-positioned to support OEMs' shifting priorities during and post COVID-19. For example, Nexteer has a robust, proven technology and product portfolio to support industry megatrends influencing the automotive market and adjacent sectors, as well as accelerating the new product development cycle by leveraging IT tools along with simulation and modeling technologies. Being focused on where the industry is heading, through a strategic alignment on megatrends, contributes to our relevance and will help accelerate our growth.

APPRECIATION

While 2020 was a unique and challenging time, the dedication and resilience of our "One Nexteer" Team moved us through the crisis and lifted us to new heights – preparing us for opportunities ahead to continuously make tomorrow better than today.

Finally, thanks to you – our shareholders – for your support as Nexteer secures a strong position for long-term growth in an increasingly competitive and fast-changing industry.

ZHAO, Guibin
Chief Executive Officer

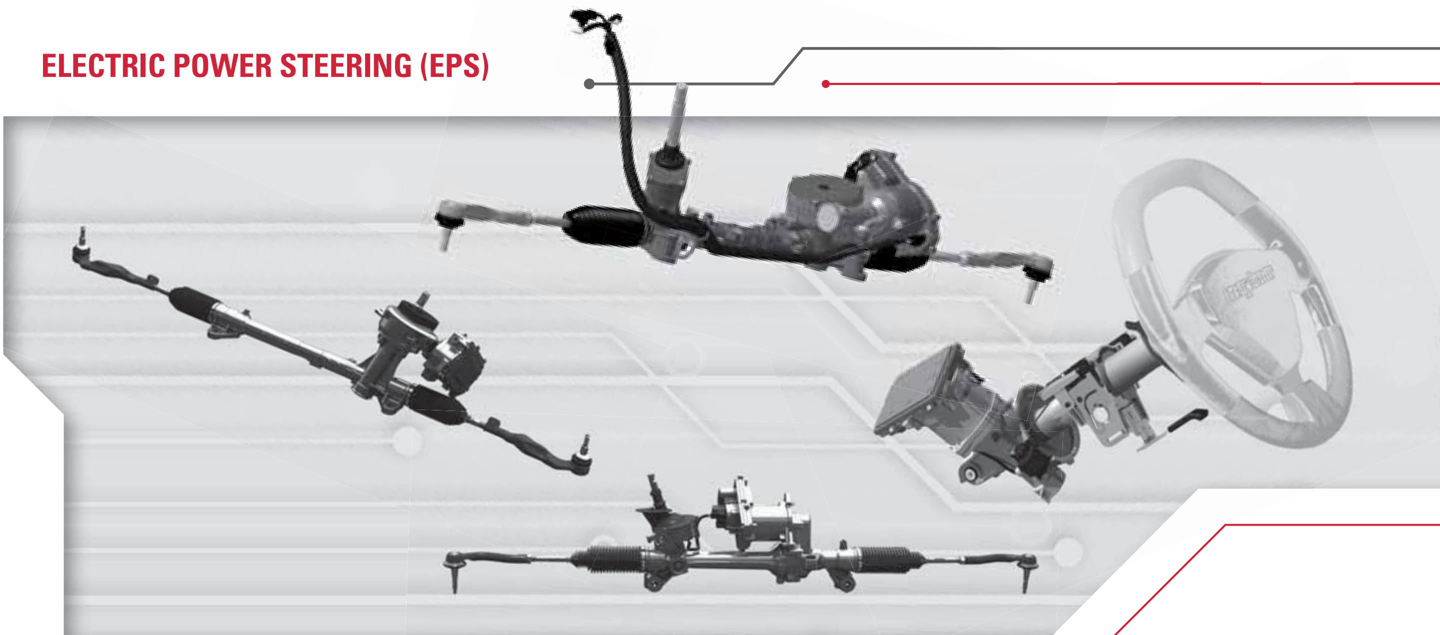
Our Products & Technologies

We design, develop, manufacture and distribute steering and driveline systems and components, primarily for automotive OEMs.

A steering system provides lateral directional control of the vehicle. Our steering system product lines include electric power steering (EPS) and hydraulic power steering (HPS), as well as steering columns and intermediate shafts.

A driveline system (DL) transfers power from the gearbox to the driven wheels. Our DL products include front-wheel drive halfshafts, intermediate drive shafts and rear-wheel drive halfshafts, as well as propeller shaft constant velocity (CV) joints.

ELECTRIC POWER STEERING (EPS)



EPS uses an electric motor to assist driver steering. Hardware and software are developed concurrently and work seamlessly together to connect the driver with the road – accounting for driving dynamics and the operating environment. This "connection to the road" provides the driver an experience consistent with the vehicle's brand (such as luxury, sport, etc.), while also giving important safety cues regarding the type of road surface the driver is traveling on (such as icy, gravel, etc.).

In addition, EPS is a key ADAS feature enabler. EPS translates data from the vehicle's electronic control unit (**ECU**) into precise mechanical steering functions. Many Nexteer EPS-enabled ADAS features are already on the road today such as park assist, lane keeping, lane departure warning, traffic jam assist and more.

Depending on the type of EPS system, a computer module applies assistive power via an electric motor coupled directly to either the steering gear or the steering column.

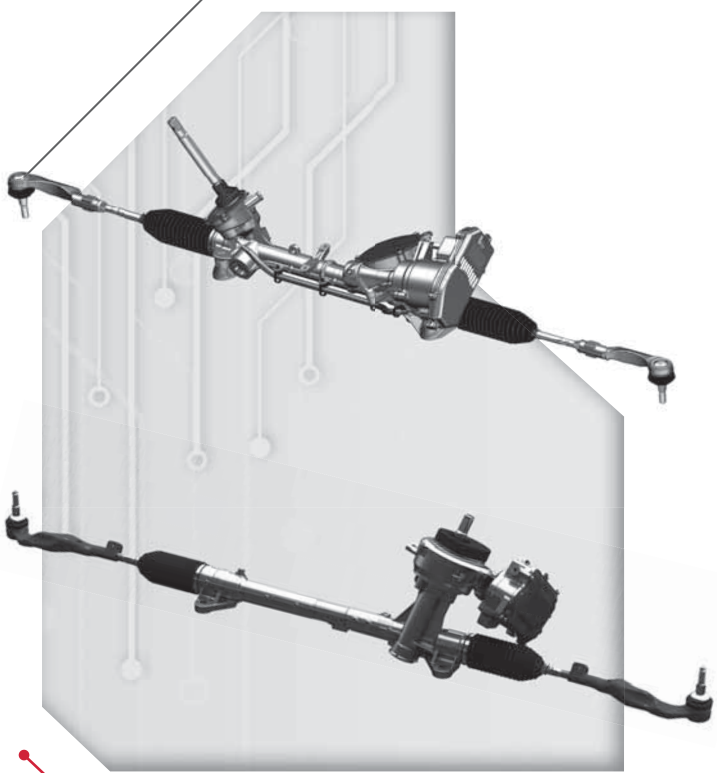
Rack-assist EPS (**REPS**) integrates the required electric assist mechanism with the steering rack where they are contained under the hood in the engine compartment. We have a market-leading position in North America with OEM customers such as: Ford on the F-150 pickup truck; FCA (now Stellantis) on the light-duty Ram 1500 pickup truck; and GM on various light-duty trucks and sport utility vehicles (**SUVs**). We also supply our REPS on performance vehicles, including the Ford Mustang, Dodge Charger and Dodge Challenger.

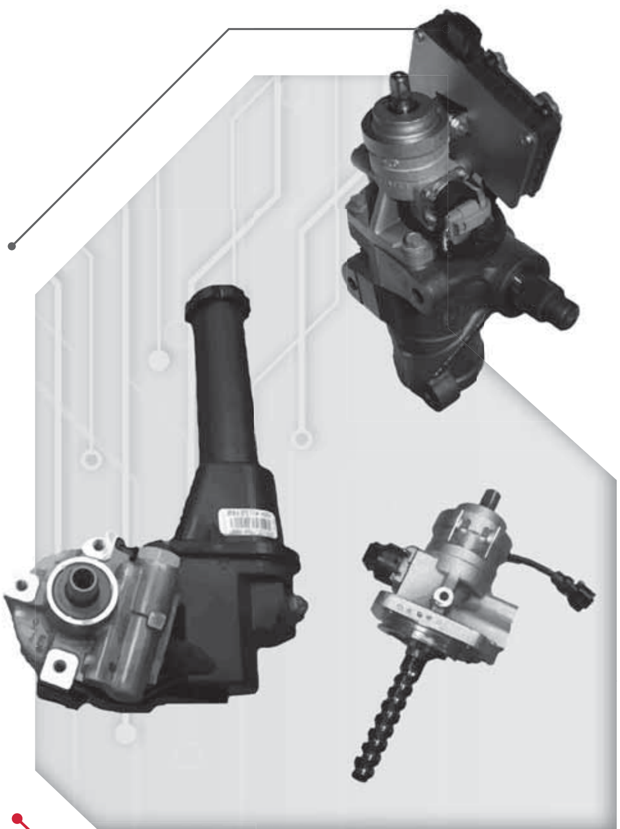
Nexteer's High-Output REPS (**HO REPS**), a first-to-market innovation allows heavier vehicles to take advantage of EPS's advanced safety, comfort and fuel economy benefits without compromising the vehicle brand's steering feel. HO REPS also provides the opportunity for a new conversion wave of hydraulic-to-electric power steering for heavy-duty trucks and light-commercial vehicles. Nexteer has booked three electric vehicle (**EV**) applications for our HO REPS, including a full-size electric truck, an electric light commercial vehicle (delivery van) and an electric autonomous Level 4 people mover (with no steering wheel).

Our Products & Technologies

Single pinion-assist EPS (**SPEPS**) integrates the electric assist mechanism with the steering gear pinion shaft. OEM customers who use our SPEPS include: BMW on the 1 Series, 2 Series, X1 and Mini; Groupe PSA (now Stellantis) on the Citroën C3, C3 Aircross, DS3, Crossland 208, 2008 and Corsa; and DPCA on the Citroën C-Elysee. Dual Pinion EPS (**DPEPS**) allows for the primary pinion to be optimised for vehicle dynamics and performance and a secondary pinion to be optimised for steering assist. During 2019, we received our first DPEPS programme award with a major European OEM which will launch in 2023.

Column-assist EPS (**CEPS**) integrates system electronics (motor, controller and sensor) and the assist mechanism with the steering column. OEM customers that use our CEPS include: GM on various small cars, such as the Aveo; SGM on the Buick Encore GX and Chevrolet Trailblazer; SGMW on the Wuling Victory (Kai Jie); and FCA (now Stellantis) on the Fiat 500, Fiat Panda, Lancia Ypsilon 846, Fiat Uno, Fiat Mobi, Fiat Argo, Fiat Cronos and Fiat Strada. In China, we also offer a cost-competitive brush motor column-assist EPS (**BEPS**) specifically tailored for developing markets. OEM customers that use our BEPS include: SGMW on the Wuling Hongguang S/S3 minivan, Bao Jun 730 MPV and Bao Jun 510/560 SUV; Changan on the Oushang MPV, CS15 and CS70 SUV; and RNM on the Renault KZE.

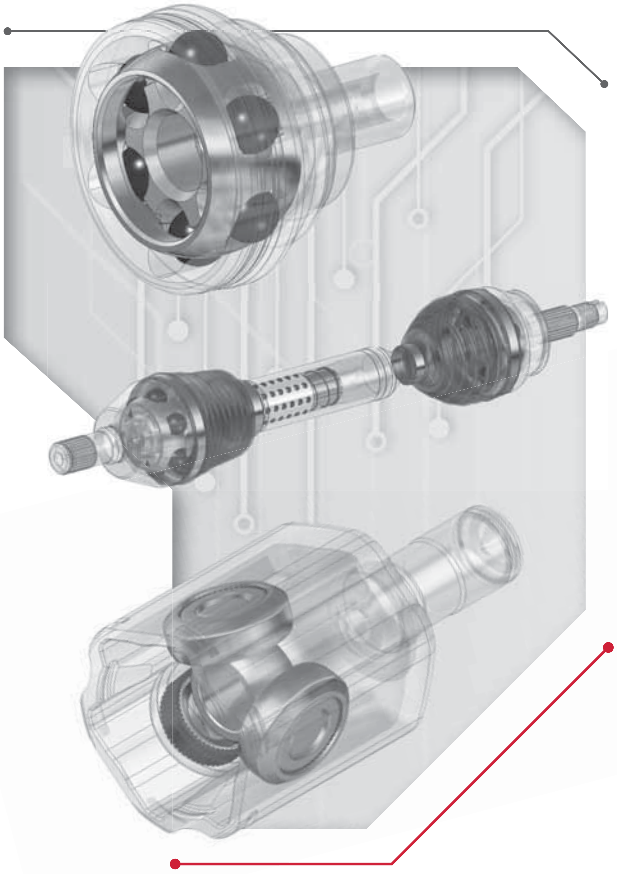




HYDRAULIC POWER STEERING (HPS)

HPS uses high pressure fluids to assist driver steering. An engine-driven power steering pump creates system pressure. Pressurised fluid is then routed into a steering gear cylinder that turns the wheels of the vehicle. OEM customers that use our steering gears include: GM on its heavy-duty trucks (Chevrolet Sierra and GMC Silverado); and large vans (Chevrolet Express and GMC Savana); and FCA (now Stellantis) on various light commercial vehicles (e.g. Doblo and Promaster). OEM customers that use our steering pumps include: GM, FCA and Groupe PSA (now Stellantis), Isuzu, RNM and others.

Nexteer produces two premium hydraulic based products: Magnetic Torque Overlay (**MTO**) and Smart Flow pump. These products bring advanced driver assistance functionality with reduced power consumption benefits. The MTO steering gear actuator targets medium- and heavy-duty trucks, semi-trailer trucks and buses. The Smart Flow pump reduces parasitic loss on the engine to improve operating efficiency. MTO and Smart Flow pump are currently available exclusively on GM heavy-duty trucks – the GMC Sierra and the Chevrolet Silverado. Smart Flow Pump is also available on GM's large vans (Chevrolet Express and GMC Savana). We also introduced an MTO cartridge valve that enables integration with OEMs' current gear configurations.



DRIVELINE SYSTEMS (DL)

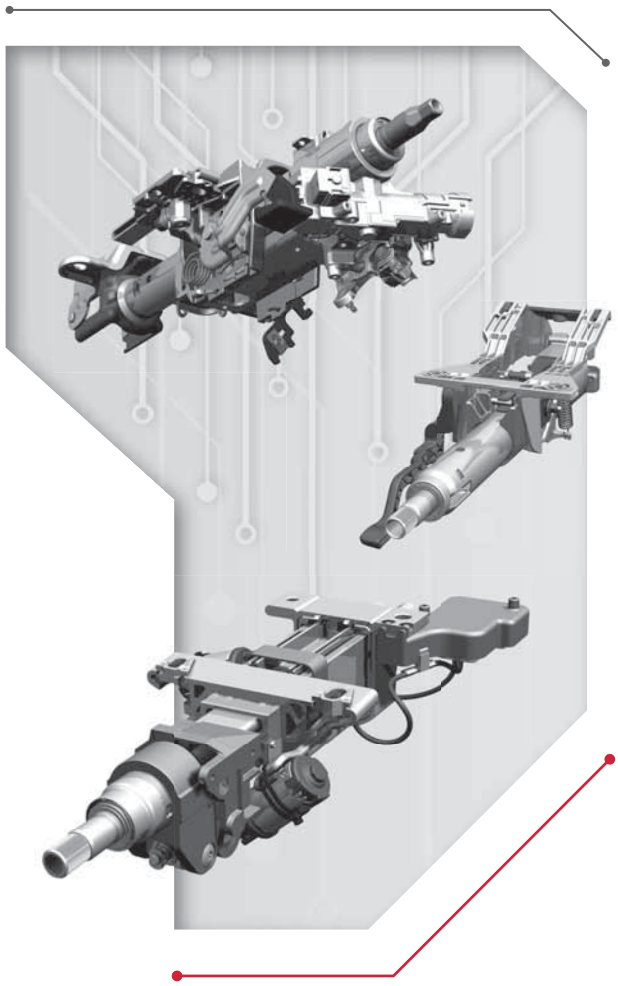
DL systems are designed for a variety of vehicle segments and are custom engineered to meet specific vehicle requirements, transmitting torque from the engine to roadwheels. Our systems enhance vehicle handling and eliminate driveline disturbances on front-wheel and all-wheel drive vehicles. Consequently, Nexteer's halfshafts enhance a driver's comfort and control.

Achieving best-in-class comfort and control – especially in terms of DL Noise, Vibration and Harshness (**NVH**) – becomes even more challenging with EVs that are extremely quiet. Nexteer DL solves for these increased NVH requirements with premium, high-efficiency outboard joints, ball spline axles and lower mass components. OEM customers that use our DL technologies include: GM on the Chevrolet Silverado, GMC Sierra, Chevrolet Traverse, Chevrolet Blazer, GMC Acadia, Buick Enclave, Cadillac XT6 and XT5; Ford on the Explorer and Aviator; RNM on the Dacia Logan and Sandero; PSA (now Stellantis) on the Peugeot 208; and FCA (now Stellantis) on the Chrysler 300 and Dodge Charger and Challenger.

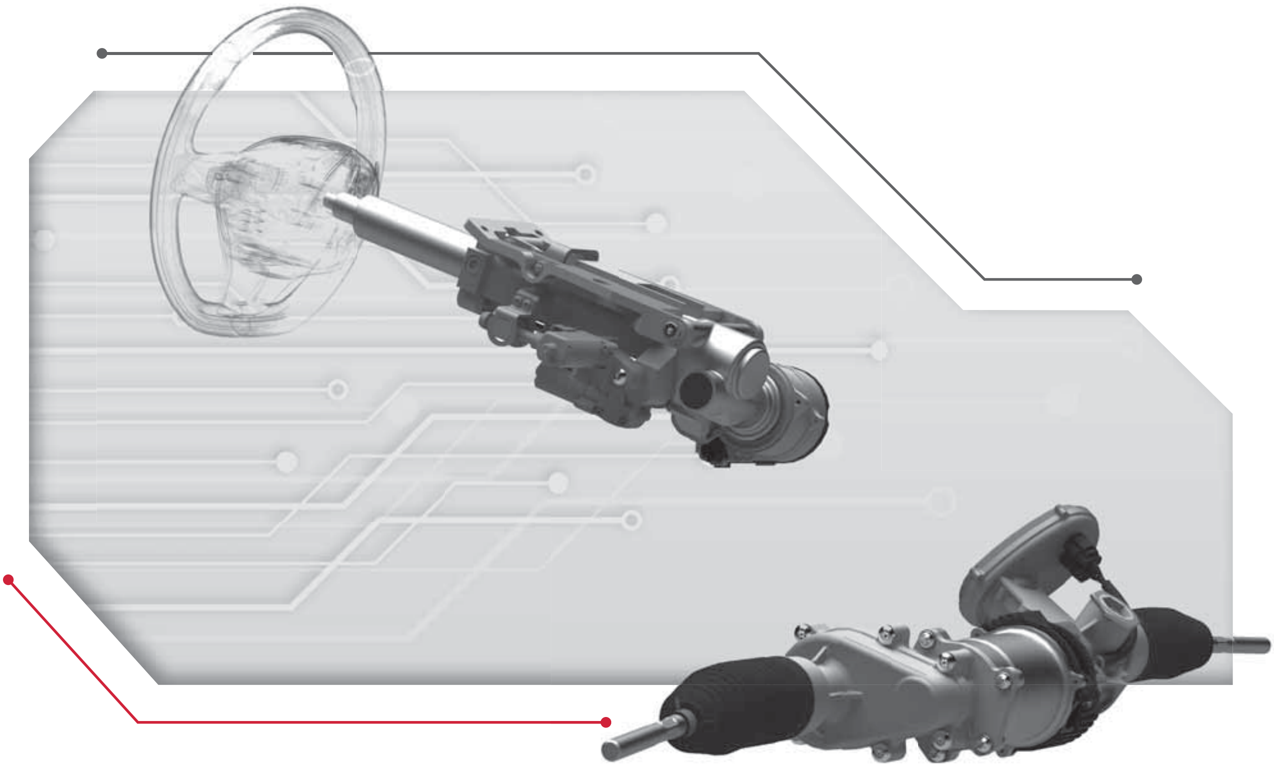
STEERING COLUMNS AND INTERMEDIATE SHAFTS (CIS)

CIS connect the steering wheel to the steering mechanism, to control lateral motion by transferring the driver's input torque from the steering wheel. Our advanced steering columns provide convenience features and help protect the driver in the event of a crash. Convenience features include manual and power adjustability, theft deterrence, sensors, actuators and ergonomically designed controls. Advanced energy absorption systems help improve vehicle safety ratings and include our active systems that automatically compensate for the position of the driver to deliver optimum crash protection.

We design these products for all vehicle segments – small cars, SUVs and trucks. OEM customers that use Nexteer steering columns and intermediate shafts include: GM on full-size SUVs (Chevrolet Tahoe and Suburban and GMC Yukon), vans (Chevrolet Express and GMC Savana), mid-size trucks (Chevrolet Colorado and GMC Canyon) and cars (e.g., the Cadillac CT4, CT5, and Chevrolet Camaro); Ford on full-size trucks (F150 and Super Duty), full-size SUVs (Ford Expedition and Lincoln Navigator), vans (Ford E-series), mid-size trucks (Ford Ranger), mid-size SUV (Ford Explorer and Lincoln Aviator); FCA (now Stellantis) on Ram full-size trucks, Promaster City and Doblo; Jeep Grand Commander, Wrangler and Gladiator as well as the Chrysler Pacifica; plus Toyota on full-size trucks (Tundra) and full-size SUVs (Sequoia).



Our Products & Technologies



ENABLING TECHNOLOGIES OF ADAS AND AUTOMATED DRIVING (AD)

Through Nexteer's comprehensive suite of advanced steering technology, we are enabling a new era of safety and performance for today's world and an increasingly electrified and automated future. Our industry-leading innovations and solutions each stand on their own merit, but the real game-changer is the integration of these advanced technologies into tailored motion control solutions. Our advanced steering technology suite supports Society of Automotive Engineers (**SAE**) ADAS Levels 1–5.

Steer-by-Wire (SbW): As the centre link of this suite, our SbW technology unlocks new benefits for OEMs including new possibilities for advanced safety features, packaging flexibility and reuse of components. SbW supports both traditional driving and varying levels of automated driving and is an OEM preferred enabler of Automatic Emergency Steering (**AES**) technology.

With SbW, the mechanical connection between the road wheels and the steering wheel is replaced with electronics and actuators on the steering column and rack. Nexteer's SbW emulates the "feel of the road" and offers a wide performance range – from sporty to luxury. The system's variable steering ratio capabilities enhance maneuverability, as well as factors into our SbW steering-feel achievement.

High Availability EPS: Our award-winning High Availability EPS system ensures the steering safety net is always on through intelligently optimised software designed for simultaneous, multi-path processing and hardware redundancies in torque and position sensors, ECUs, motor windings as well as dual sets of vehicle power and communication connectors. These systems are capable of <10 failure in time (**FIT**) reliability ratings (FIT is measured per one billion hours of use).

Quiet Wheel™ Steering: Enabled by SbW, Quiet Wheel™ Steering allows the steering wheel to remain still during AD mode – even while the vehicle is in the process of turning. Quiet Wheel™ Steering eliminates potential distractions and hazards of a fast-rotating steering wheel in front of the driver during hands-off driving, enhancing safety and sense of peace in the cabin.

ENABLING TECHNOLOGIES OF ADAS AND AUTOMATED DRIVING (AD) (Continued)

Stowable Steering Column: Vehicles equipped with Quiet Wheel™ Steering may also be fitted with a stowable steering column that retracts when hands-off AD is engaged, increasing available space for driver comfort and other activities.

In addition to AD applications, stowable columns can also be used in Manual Driving applications while a vehicle is parked to re-invent and expand the cabin space for other uses. Nexteer will launch its first-to-market stowable column application with a major OEM in 2023.

Steering on Demand™ System (SoD): SoD enables the safe, intuitive transitions of steering control between traditional driving and AD in vehicles capable of SAE ADAS Levels 3 and above.

EPS as Key ADAS Enabler: EPS converts data from the vehicle's ECUs into mechanical steering functions. Typical EPS-enabled ADAS features include: lane keeping, park assist, traffic jam assist and lane departure warning.

Cyber-Secure Advanced Steering: While our customers incorporate cyber security at the vehicle level, we further enhance safety by integrating multi-layer cyber security at the steering system level for increased protection. Our cyber security technologies consist of specifically designed hardware modules at the semi-conductor level, as well as a multi-layered cryptographic software structure, that identifies and authorises information and command flow between the steering system and other in-vehicle or external controllers.

MTO: Our MTO delivers ADAS capabilities for drivers of heavy-duty trucks and up to Class 8 commercial vehicles. These ADAS features improve comfort, reduce driver fatigue as well as enhance safety for both the truck driver and others sharing the road. MTO-enabled ADAS features include: lane keeping, pull compensation, lane departure warning, wheel imbalance rejection, active damping and return to centre. Before MTO, these features were found only in lighter vehicles capable of being steered by EPS.

In the Business Overview of this report, learn how Nexteer technologies align with industry global megatrends, including electrification, software and more.

Our Products & Technologies

nexteer AUTOMOTIVE

NEW ERA OF SAFETY & PERFORMANCE

Nexteer's Leadership in ADAS / AD Landscape

LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4	LEVEL 5
Driver Assistance	**Partial Automation**	**Conditional Automation**	**High Automation**	**Full Automation**
Driver controls vehicle. Vehicle assist features may be included in the design.	Driver must stay engaged at all times. Vehicle has combined automated features.	Driver is a necessity, but not required to monitor environment & must be ready to take control at all times with notice.	Driver has the option to control the vehicle. Vehicle is capable of performing all driving functions under certain conditions.	Driver may have the option to control the vehicle. Vehicle is capable of performing all driving functions under all conditions. *

700 FIT — 100 FIT — 10 FIT

FIT: A Statistical Measure of Product Reliability. Lower FIT Scores Indicate Higher Product Reliability.

SENSE PLAN **ACT**

nexteer AUTOMOTIVE

- **32% of Nexteer's EPS Backlog Enables Levels 3-5 ADAS / AD Functions****
  - Advanced Development Programmes Are Not Included in Backlog
- **Strategic Partnerships with Early Adopters:** Global OEMs, CNXMotion & Industry Peers

LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 4 | LEVEL 5

EPS
- Enables Advanced Driver Assist Features
- Park Assist
- Lane Keeping
- Traffic Jam Assist
- Hands-on Detection
- Trailer Back-up
- & More

High Availability EPS
Innovation Award Winner
- Hardware Redundancies & Multi-path Processing Software
- Ensures the Steering Safety Net is Always ON

Steer-by-Wire
Market Leader Per OEMs
- Algorithms, Electronics & Actuators Replace Mechanical Steering Connection
- Gateway to Advanced Safety
- Critical to Grow EPS & Column Market Share

Stowable Column
- Retracts, Redefines User Experience

Quiet Wheel™ Steering
- Steering Wheel Remains Still During Vehicle Turns in Automated Driving Mode

Steering on Demand™ Systems
- Safe Transitions Between Manual & Automated Driving

Steering Software
- Key Differentiator & Growing OEM Demand

Driveline
- Shared Mobility / Fleets = Advanced Durability
- New Energy Vehicles (NEVs) = Small, Lightweight & Maximum Torque at 0 RPM

*Source: SAE International **As of December 2020

BUSINESS OVERVIEW

STRATEGY FOR PROFITABLE GROWTH

We remain committed to our six-point strategy for profitable growth that has proven to drive shareholder value. Our strategy for profitable growth served as our guidepost through the unprecedented times and operating environment we experienced during 2020 and continues to guide our daily decision-making as we move forward by defining and adjusting our business to align with the changing landscape of the global automotive industry.

nexteer AUTOMOTIVE

a leader in intuitive motion control

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

A Well-Defined Plan to Drive Stakeholder Value

2020 BUSINESS HIGHLIGHTS

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

- Managed industry downturn as a result of COVID-19 without any significant impact to our customers' operations – including shut down and restart of our operations globally and responding to adjustments to customer demand requirements

- Implemented cost, capital investment and other cash actions and controls – ensuring the on-going support of the business as we navigated through extreme volatility and uncertainty brought on by the COVID-19 pandemic

- Maximised opportunities during the second half of 2020 industry upturn – with revenue outperforming the OEM production change by 6% (revenue growth compared with market) in the second half of 2020 compared with the first half of 2020, and 1% for the full year 2020 when compared with 2019

- Capitalised on revenue upturn delivering strong earnings, margin expansion and cash flow generation in the second half of 2020 when compared with the first half of 2020
- Successfully launched 47 new customer programmes globally – across all product lines and regions
- Continued to leverage our deep technical competencies in developing innovative products and value propositions – driving future growth and customer diversification
- Committed investment and demonstrated leadership in technology for future growth in alignment with intersecting global industry megatrends – including Electrification, Software and more
- Leveraged our foundational technologies like EPS to support shifting OEM needs – helping to expand Nexteer's future via increase revenue content per vehicle
- Strongly ramped-up customer programme awards in the second half of 2020, and achieved customer programme awards (**Bookings**) of US$3.7 billion in 2020 with 39% representing conquest awards and retaining all incumbent customer programmes for the third consecutive year

COVID-19 IMPACT & RECOVERY

In 2020, Nexteer continued to focus on the Company's core operating tenets to navigate the challenging operating environment that the industry faced as a result of the COVID-19 pandemic, as well as to secure sustainable and profitable growth for Nexteer. Nexteer's core operating tenets include:

- Continue Cost Control and Cash Flow Management
- Successful Customer Programme Launches
- Leverage In-house Competencies for Portfolio Expansion
- Continue Forging Manufacturing Excellence
- Drive Financial Metrics in Recovering Production Environment

Business & Financial Management

Disciplined cost control and cash flow management remained a priority for Nexteer in 2020 and will continue to be going forward. While the demand environment significantly improved in the second half of 2020 from the lows of the second quarter, Nexteer remains mindful and watchful of macro factors that can quickly come to bear on the industry.

In 2020, the COVID-19 pandemic required Nexteer to adopt and adapt to many new business practices and protocols in light of government mandates and the impact on company operations, including work-from-home protocols, suspension and subsequent restart of our manufacturing operations and heavy reliance on information technology (**IT**) and related tools to continue to conduct our daily business. Our global team embraced these required changes and remained focused on executing our business objectives with the priority of continuing to provide the productivity, collaboration and innovative solutions that our customers expect of us.

Successfully *NAVIGATING* the Environment

- Maximised opportunities in second half industry upturn
- Implemented cost, capital investment & other cash controls
- Revenue growth in excess of market by 6% in second half compared with first half & 1% higher for the year compared with 2019
- Capitalised on revenue upturn – delivering strong earnings, margin expansion & cash flow generation in the second half compared with the first half
- Launched 47 new customer programmes globally
- Achieved customer Bookings of US$3.7 billion in 2020 with 39% representing conquest awards & retained all incumbency customer programmes



Virtual Engineering: COVID-19 and Creative Problem-Solving

As a result of the COVID-19 pandemic, Nexteer implemented creative virtual engineering applications to manage processes where previously a physical presence was the customary approach. As one example, Nexteer initiated "Remote Machine Qualification" (**MQ**) for the approval of new manufacturing equipment and processes. This allows for remote debugging, MQ builds, evaluations, design reviews and problem solving. This new process minimises physical presence by leveraging visual and audio support hardware, as well as Nexteer standard software programmes. After a successful test launch, the approach is now standardised across all Nexteer product lines and global locations – enhancing safety for Nexteer employees while continuing to deliver world-class steering solutions and quality for our customers.

Heading into 2020: Strong Balance Sheet, Engineering Efficiencies and Capacity Optimisation

From a financial perspective, Nexteer began 2020 with a strong balance sheet built over the last several years through strong cash flow performance and disciplined capital allocation. In response to the COVID-19 pandemic, we quickly turned our focus to cash flow management and aligning our cost structure to the significantly lower demand environment. In this area, Nexteer took a series of actions that ensured we were lean, agile and able to effectively compete in a lower-revenue market.

A few examples of efficiency with engineering and capital include our drive for local engineering capability, led by our Regional Technical Centres in China and Poland, as well as the ramp-up of our software centre in India that is now performing software development and testing in support of our global engineering process.

Additionally, Nexteer continues to exercise discipline and diligence on new capital investment in driving capacity optimisation in all areas that we operate. Efficient global cash management continues to be a core financial pillar of Nexteer to maintain the financial flexibility to continue to invest in the business, and we continue to execute cost control actions, working capital management and capital investment controls wherever possible to best accomplish this priority. This focus and discipline served the Company well in navigating the unprecedented environment that 2020 brought to the forefront.

Industry Recovery & Rise in OEM Demand

During the first half of 2020, Nexteer's manufacturing operations were suspended across all regions for varying periods of time in compliance with government orders and customer production requirements. By the third quarter of 2020, production had resumed at all Nexteer manufacturing operations globally, although with some challenges in countries – such as Brazil, India and Mexico – that continued to experience difficulty in containing the health crisis. Production at each of our manufacturing operations returned to production as safely as possible and in line with country and/or customer programme requirements.

Post restart of our manufacturing operations in our North America segment (**NA**) and Europe, Middle East, Africa and South America segment (**EMEASA**) in mid-to-late May 2020, customer production demand rebounded strongly in the second half of 2020 from the second quarter low. As reported by IHS Markit Ltd. in January 2021, global OEM unit production in the second half of 2020 increased sequentially by 44% when compared with the first half of 2020, while Nexteer's global revenue increased by 50%, representing 6% growth in excess of market. This performance was a result of the benefit from favourable customer vehicle platform positions and 2019 and 2020 new customer programme launches, including multiple launches in our new Morocco manufacturing facility supporting Groupe PSA (now Stellantis) and RNM. For the full year 2020, while OEM production was lower than full year 2019 by 16% as reported by IHS Markit Ltd., Nexteer's full year revenue outperformed the market by 1%.

Nexteer's financial results and position markedly improved in the second of half 2020 when compared with the first half of 2020, reflecting the continued focus to drive incremental shareholder value from a recovering demand environment as highlighted below (second half of 2020 financial performance compared with the first half of 2020 unless otherwise noted):

- Revenue rose by US$610.8 million, or 50.4%, to US$1,821.5 million compared with US$1,210.7 million for the first half of 2020
- EBITDA rose by US$146.7 million, or 126.8%, to US$262.3 million compared with US$115.7 million for the first half of 2020
- EBITDA margin, expressed as a percentage of revenue, rose 480 basis points to 14.4% compared with 9.6% for the first half of 2020
- Profit attributable to equity holders (**Net Profit**) rose by US$114.2 million compared with US$1.3 million for the first half of 2020
- Profit margin, expressed as a percentage of revenue, rose 620 basis points to 6.3% compared with 0.1% for the first half of 2020
- Total cash flow improved by US$163.5 million during the second half of 2020 compared with a total cash use of US$218.6 million during the first half of 2020
- Cash and cash equivalents totalled US$553.4 million as at December 31, 2020, slightly lower than US$601.8 million as at December 31, 2019

Nexteer's financial performance in the second half of 2020 compared with the first half of 2020 reflects the financial resilience of the business and the ongoing discipline and focus of our global team in successfully navigating an unprecedented year of volatility and uncertainty.

At the outset of COVID-19 pandemic, Nexteer's Global Supply Chain and Production, Control and Logistics teams immediately engaged, communicated and coordinated with our supplier partners to ensure that we would be positioned as well as possible to secure the most efficient flow of materials upon restart of production and satisfying rising customer demand. We continue to closely coordinate with our customer and supply base and make adjustments as necessary to the flow component supply to meet customer demand.

Enhanced Health & Safety Protocols

The health and safety of Nexteer's employees remains the Company's top priority, and we continue to operate all our facilities in accordance with our comprehensive Safe Work Playbook – making adjustments as necessary to secure the best working environment for our people every day.

Our Safe Work Playbook was created in response to the COVID-19 pandemic to enhance already strong employee health and safety protocols and procedures across all our global locations. For the Safe Work Playbook, we employed lessons learned from production restart experiences within our China operations, as well as guidelines published by the World Health Organization (**WHO**) and the US Centers for Disease Control and Prevention (**CDC**) and industry peers, on how best to restart our operations and protect our employees across our manufacturing, technical and administrative locations. As we move forward, we continue to refine our protocols and procedures based on employee feedback and considerations, government requirements and regulations and industry best practices to ensure the health and well-being of all of our employees around the world.

BACKLOG OF BOOKED BUSINESS

We begin to realise revenue under a new business contract as steering systems and DL products are first shipped to vehicle manufacturers at the time of product launch. Product launches have historically lagged the date of contract award by an average period of 24 to 30 months. We have calculated a booked business backlog value (the **Backlog of Booked Business**, **Booked Business** or **Backlog**) which includes the value of awarded business for as yet, undelivered product generating revenue between the time of launch through the end of the life of the respective award. A significant factor and input into the calculation of Nexteer's Backlog of Booked Business is forward year OEM production forecasts for awarded customer programmes. In determining forward year OEM production expectations, Nexteer takes into account reputable third-party automotive production forecasts, customer expectations and internal industry knowledge given past and current trends.

Given the impact from the COVID-19 pandemic at the onset of 2020 and mandated actions taken during the course of the first six months of the year, at that time, Nexteer temporarily suspended the update of its Backlog of Booked Business. This was a direct result of the extreme decline in current period OEM production, changes to previously announced customer programme launches and future platform execution, and the uncertainty and volatility of the timing and ultimate recovery of OEM production demand in 2020 and future year expectations and forecasts.

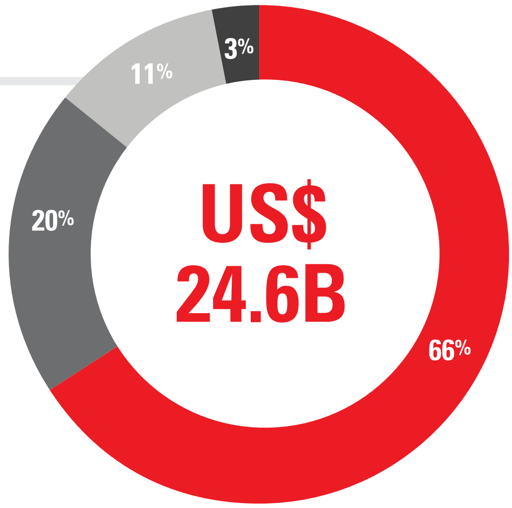
Given the recovery in OEM production demand in the second half of 2020, third-party automotive production forecasts for 2021 and beyond have begun to stabilise. Nexteer has updated its Backlog of Booked Business as at December 31, 2020 based on the best available information of forward year OEM production forecasts.

We estimate the value of all booked business under contracts that have been awarded, but for which we have undelivered products, decreased by 6.5% to approximately US$24.6 billion as at December 31, 2020 compared with US$26.4 billion as at December 31, 2019. Of this change, approximately 9.3% is attributable to lower forward year OEM production estimates and platform changes compared with the same forecasts prior to the onset of the COVID-19 pandemic. Bookings of US$3.7 billion in 2020, exceeded Nexteer's full-year revenue, which provided an offset to the lower future forecasted OEM production environment.

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

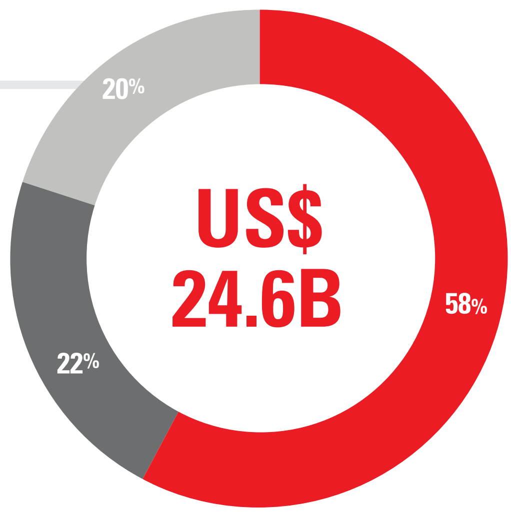
Backlog of Booked Business

Backlog by Product Group



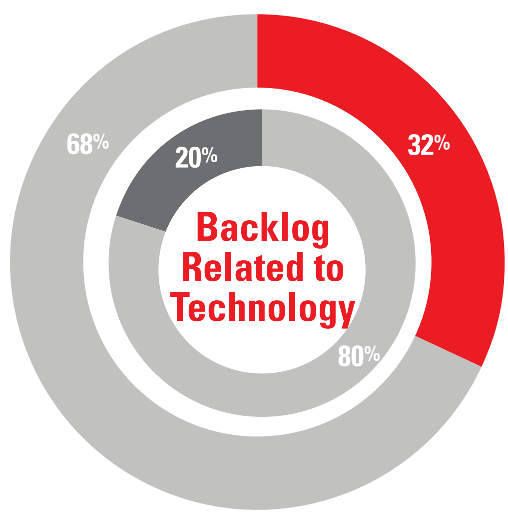
- EPS
- DL
- CIS
- HPS

Backlog by Geographical Segments



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

Backlog by Product Related to ADAS/AD Functionality & EVs



- % of the EPS Backlog that Enables L3-5 ADAS/AD Functions
- Estimated % of EPS, CIS & DL Backlog for EV* Applications

*EV Analysis includes:

- Battery Electric Vehicles
- Full Hybrid Electric Vehicles
- Plug-in Hybrid Electric Vehicles

NEW PRODUCTION LAUNCHES

With the launch of 47 customer programmes in 2020, including 2 programmes from our non-consolidated JVs, we introduced new or enhanced product applications in steering and DL across all regions and vehicle segments. These programmes represented both global and local vehicle nameplates and included incumbent and conquest business. Customer programmes that began production in 2020 included:

OEMs	Vehicle Nameplate	Our Products
North America		
GM	Chevrolet Tahoe, Chevrolet Suburban, Cadillac Escalade, GMC Yukon	REPS, Halfshafts, Intermediate Shafts
Ford	Ford E-series	Columns
EMEASA		
Groupe PSA (now Stellantis)	Peugeot 208 – Europe	Halfshafts, SPEPS
	Peugeot 208 – South America	Halfshafts
	Opel Mokka X	SPEPS
FCA (now Stellantis)	Fiat 500 EV	CEPS, Halfshafts
	Fiat Strada	CEPS
RNM	Dacia Logan, Dacia Sandero	Halfshafts
Asia Pacific		
Changan	Changan UNI-T*	CEPS
	Changan E-Rock*	CEPS
Chery	Exceed VX	Halfshafts
FAW-VW	Audi Q2 EV, VW Golf EV, VW Bora EV	Halfshafts
Ford	Lincoln Aviator	Columns
	Ford Explorer	Columns
GAC	Guangzhou Auto Aion V	CEPS
Geely	Lynk & Co 05	Halfshafts
GM	Buick Enclave, Chevrolet Blazer	Halfshafts, REPS
	Buick Bolt, Chevrolet Trax	Halfshafts, CEPS
	Buick Envision	Halfshafts
Great Wall Auto	HAVAL Hover H6	CEPS
RNM	Nissan Magnite, Renault Kiger	Halfshafts, BEPS
	Nissan Rogue, Renault Clio, Renault Megane, Renault Captur	Halfshafts
SGMW	Baojun RS-7	CEPS
Tata Motors	Tata Nexon EV	Halfshafts
	Tata Atroz	Halfshafts
VW	Tarek	Halfshafts

* Related to one of our non-consolidated JVs

EXPANDING & DIVERSIFYING REVENUE BASE

The current environment requires focused execution, and Nexteer is especially focused on expanding and diversifying our revenue base. We continue to have an outstanding track record of defending our incumbent business while we conquest new business from our competitors. In the last three years, Nexteer has retained 100% of our incumbent business, and relative to our Bookings, roughly half have been from conquest over this period of time.

We continue to expand our sights beyond our current foundational customers, as we are targeting growth with additional global OEMs over the next few years to expand our market position and revenue growth with our core products. We also continue to enhance our in-house competencies to extend our suite of technologies and product offerings. This includes extension of our core products into DPEPS, HO REPS, Stowable Columns as well as growing our capabilities in software and leveraging our expertise in electronics and motors into adjacent markets.

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

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

Looking ahead, Nexteer is well-positioned to support OEMs' shifting priorities during and post COVID-19. For example, Nexteer has a robust, proven technology and product portfolio to support industry megatrends influencing the automotive market and adjacent sectors, as well as accelerating the new product development cycle by leveraging IT tools along with simulation and modeling technologies. Being focused on where the industry is heading, through a strategic alignment on megatrends, contributes to our relevance and will help accelerate our growth.

As first detailed in Nexteer's 2019 Annual Report, we retain thoughtful alignment across our product lines with global megatrends including Electrification, Software, Connectivity, ADAS – Advanced Safety and Performance and Mobility-as-a-Service (**MaaS**). It is also important to note that while we have listed these individual megatrends, each trend is also interrelated and influence one another.

ALIGNING Megatrends & Nexteer Portfolio

- Well-positioned to capitalise on in-house technology efficiencies to support OEMs' shifting priorities during and post COVID-19
- Focused on where the industry is heading through strategic alignment on megatrends that are interrelated and influence one another
- Product portfolio aligned with Electrification, Software, Connectivity, ADAS – Advanced Safety and Performance & Mobility-as-a-Service trends

Business Overview

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

In terms of megatrends, the future will continue to evolve in direct response to COVID-19 and in how OEMs will prioritise investment and timing for advanced technologies. For example, we see OEMs remaining committed to and in some cases accelerating electrification, software-centric vehicle solutions and advanced safety features related to ADAS Levels 2 and 3. As these megatrends continue to evolve, Nexteer is in-tune with our OEM customers and well-positioned to support their shifting priorities during and post COVID-19 thanks to our product portfolio that is well aligned with these trends.

Following are examples that demonstrate how these megatrends are evolving and intersecting and how Nexteer is well aligned to these trends and positioned to capitalise on in-house technology efficiencies to support OEMs' shifting priorities. Beyond these examples and our current product portfolio, Nexteer's global research and development (**R&D**) team continues to explore new ways to further capitalise on megatrends and offer innovative solutions to OEMs' evolving product challenges.

Electrification

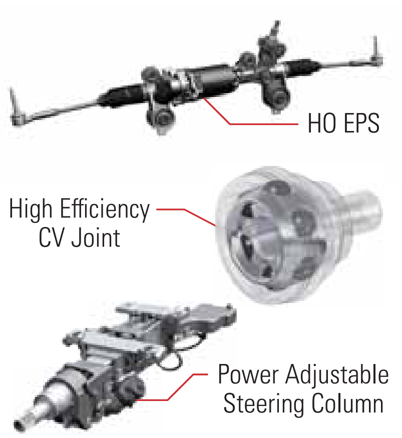
The intersection of electrification with the full-size truck market offers some unique growth opportunities for Nexteer, especially when considering that the North America full-size truck market has experienced relatively stable consumer demand throughout the pandemic, coupled with Nexteer's EPS dominance in this segment. This merging of trends also enables Nexteer to protect our dominance in the REPS and full-size truck markets by helping our customers differentiate themselves in a competitive truck market by offering new technologies, features and value. This trend also helps establish Nexteer's advanced technologies into the marketplace – which can pave the way for increased adoption of these premium products in the future.

All of Nexteer's product lines have been sourced across full-size electric trucks applications. Some examples include:

- *EPS:* The battery electric (**BEV**) truck is pulling ahead Nexteer's HO REPS due to the steering load requirements, driven mostly by the vehicle battery weight. HO REPS nearly doubles the steering load capability compared to the standard REPS.

- *DL:* We expect the EV trend to drive demand for high-efficiency joints, lower mass and premium NVH Halfshaft designs.

- *CIS:* Nexteer's column technology offers BEV truck solutions with a new column position module and actuator assembly that are smarter, quieter and more cost-effective than their predecessors.



With Nexteer's HO REPS, heavy-duty trucks and light-commercial vehicles can now be converted from hydraulic to electric power steering due to HO REPS' increased steering load capability. HO REPS solves a longstanding consumer pain point for OEMs: where the less-expensive light-duty trucks with EPS offered more safety and comfort features compared to the more expensive heavy-duty trucks that utilised hydraulic steering.

Now that heavy-duty trucks and light-commercial vehicles can be steered with HO REPS, these drivers can also benefit from improved fuel economy, enhanced steering feel and advanced safety features that were traditionally only found in the light-duty truck segment. OEMs will have an additional incentive to apply HO REPS because the truck market is extremely competitive, and this technology will help them differentiate their vehicles in this very crowded marketplace.

Also in 2020, Nexteer continued expansion of its DL portfolio with new Halfshaft technologies that are tailored to the unique demands of EVs. These Halfshaft technologies solve EV challenges by enabling expanded durability and efficiency while providing outstanding NVH performance and lower mass. Examples of Nexteer's new Halfshaft technologies for EVs include Parametric Trunnion Tripot, TriGlide Shudderless Tripot, Ball Spline Axle Halfshaft, Monobloc Tubular Shaft, CrossGlide 8-Ball Plunging Joint, High Efficiency Fixed Centre 8-Ball Joint and 52 Degree CV Joint.

Unlike internal combustion engine (**ICE**) vehicles, EV architectures utilise electric drive units (**EDUs**) integrated into the front axle for front wheel drive (**FWD**), the rear axle for rear wheel drive (**RWD**) or both for all wheel drive operation (**AWD**). While ICE vehicles often used a variety of DL technologies, EVs primarily rely on Halfshafts for the critical task of transmitting torque from the EDUs to the wheels. Halfshaft designs will also expand fatigue requirements due to increased torque and regenerative braking needs in EVs, while specialised joint types will be needed for enhanced NVH and efficiency needs due to the quietness of EVs.

CAPITALISING on Electrification

- Leveraging REPS leadership to offer new technologies, features & value for full-size electric trucks
- Enabling hydraulic-to-electric conversion for heavy-duty trucks and light-commercial vehicles with HO REPS
- Offering Halfshaft technologies tailored to the unique demands of EVs
- Estimated 20% of EPS, CIS & DL Backlog related to EV applications

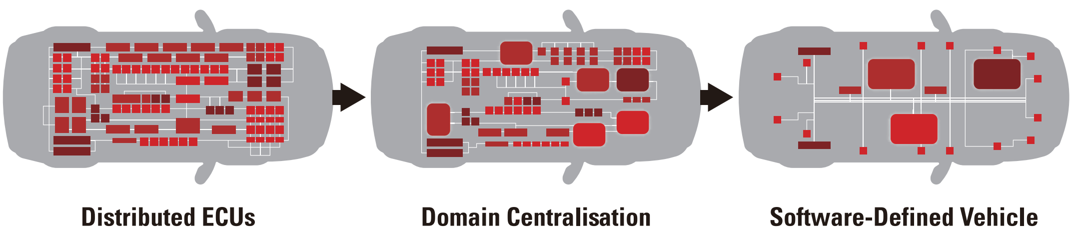
Nexteer's CIS technologies also play an important role in electrification by offering reduced mass and packaging flexibility. For example, most EVs are designed with the battery being central and low in the vehicle. In certain situations, this design and placement requires an innovative intermediate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

In addition to Nexteer's in-production technologies, Nexteer's SbW offers advantages for EVs when it comes to packaging flexibility by accommodating large batteries and re-using components across platforms such as left-hand drive and right-hand drive vehicles.

Software & Connectivity

Software is an area of significant growth and opportunity as the automotive industry is experiencing unprecedented value change due to software features and the need for over-the-air (**OTA**) flash updates. The world of automotive software continues to expand exponentially and requires an increased level of support and focus across our standard product offerings related to the steering systems, as well as additional software functions associated with chassis motion control, OTA software updates and other cloud-based software algorithms. This change will enable us to leverage our software capability – allowing Nexteer's software to become a differentiator in product value.

Future vehicle architecture will also migrate from de-centralised system control to more centralised control via domain controllers. Nexteer's software strategy is also closely linked to domain controllers and this centralisation trend. As an example, the R&D activity currently being performed by CNXMotion, LLC (**CNXMotion**), our JV with Continental Automotive Systems, Inc. (**Continental**), showcases how steering and braking software features may eventually reside in a chassis domain controller.



Nexteer is also driving software engineering efficiencies by maintaining common software systems across customer platforms. Leveraging and standardising technology across multiple platforms further drives efficiencies while maintaining flexibility to support OEM market diversification needs. As an example, on one customer programme, our REPS system enables driver-assist features like lane keeping and auto park assist and also enables OTA software updates. The EPS software on this vehicle programme is shared with another programme for that same OEM customer – which will allow the OEM to activate additional steering-assist features in the future.

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

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

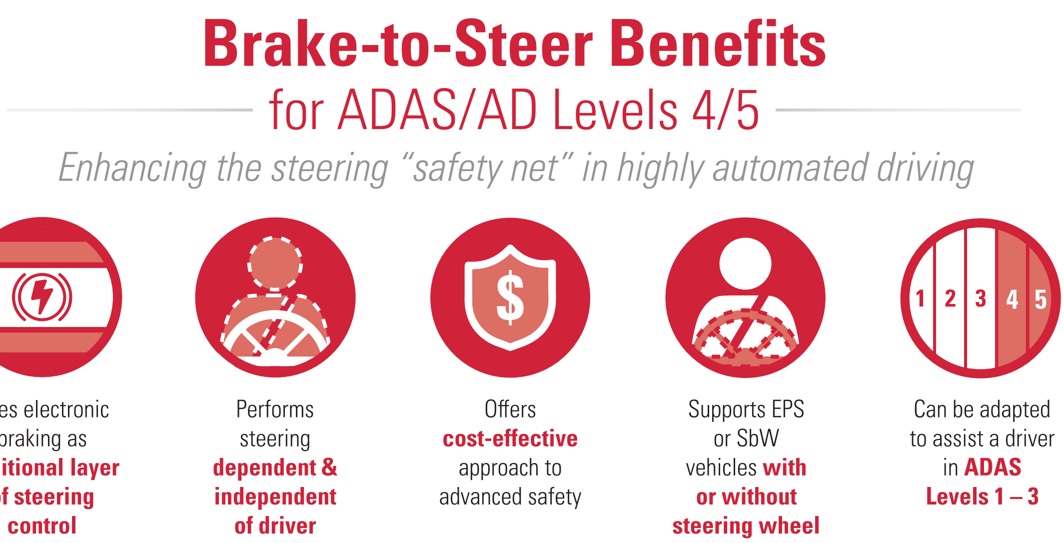
Already a leader in software-tuning for steering feel, Nexteer expects to elevate its expertise via Tactile Mobility's real-time data feeds on vehicle environments. Steering is one of the most important vehicle interfaces to the driver – whether human or robot. The collaboration with Tactile Mobility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

ADAS – Advanced Safety & Performance
Nexteer is enhancing the future of mobility through intuitive motion control solutions that enable a new era of safety and performance.

SbW: Nexteer expects SbW to become the future, dominant steering technology because it opens new possibilities with safety, performance and packaging enhancements – plus, it offers a potential for future reduction in part numbers and cost for OEMs. On the safety side, SbW enhances stability control, shorter braking distances, as well as AES and other features. On the performance side, Nexteer's software experts tailor the steering feel and responsiveness (from luxury to sporty) and even customise steering feel to an OEM's brand. SbW may also benefit OEMs through parts standardisation. Today, different steering ratios within a single vehicle platform require different rack and pinion designs. With SbW's variable steering ratio, Nexteer uses software code and algorithms to adjust steering ratio and optimise performance. As a result, OEMs get a tailored steering feel while part numbers are standardised and reduced. These additional benefits continue to make the SbW business case more attractive.

Advanced Technology Suite: To learn more about how Nexteer's advanced technology suite supports advanced safety and performance across ADAS Levels 1-5, please refer to this report's info-graphic titled "New Era of Safety & Performance: Nexteer's Leadership in ADAS/AD Landscape". Beyond SbW, this info-graphic shows how Nexteer technologies align with ADAS levels including: High Availability EPS, Stowable Columns, Quiet Wheel™ Steering and Steering on Demand™ System.

Brake-to-Steer: Brake-to-Steer (**BtS**) is an output of Nexteer and Continental's joint venture, CNXMotion. In highly automated vehicle applications, steering systems feature multiple, protective layers to ensure that the steering "safety net" is always on and protecting against a steering fault. In addition to these multiple layers, BtS adds yet another layer of safety and redundancy by using the electronic brake system to safely steer the vehicle while simultaneously controlling its speed. In a fully autonomous vehicle with no steering wheel present, BtS can negotiate a commanded path until a safe pull-over can be achieved. BtS is a very cost-effective layer of redundancy and can be applied to a broad spectrum of vehicle applications, from standard EPS to SbW, and from manual driving all the way to fully autonomous operation.



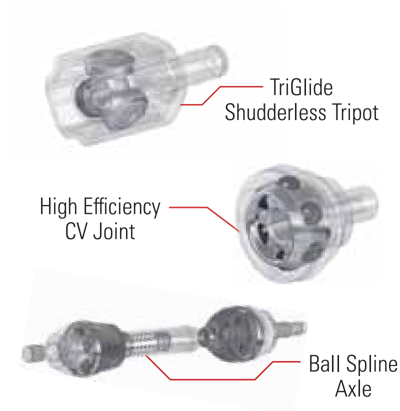
Nearly Cylindrical 10 FIT Folded Circuit Board Powerpack: The primary benefit of this powerpack innovation is that the compact design fits nearly into the motor's cylindrical diameter. Our folded circuit board approach also reduces cost compared to the mainstream of separate interconnected boards. In addition to packaging, space and cost savings, the 10 FIT failsafe design also enhances safety based on backup redundancies and controller circuits and connections.

Business Overview

Stowable Columns: Nexteer will be the first in the industry to mass produce a stowable column, which will provide innovative solutions for crash safety, steering wheel and steering column positioning. This technology allows the steering wheel to be retracted into the dash and away from the driver. This opens up valuable space in the cockpit, creating the opportunity for OEMs to re-invent and re-purpose the driver position environment when the vehicle is parked and the steering column stowed. There are several enabling innovations and patents related to this technology that will provide an advantage to Nexteer – specifically related to crash safety and the energy absorbing performance of the column and the sensing technology of the rake angle position. This technology also complements future steering technology such as SbW and ADAS models.

New DL Technologies: Several new technologies in our DL product line also enable advanced performance for our OEM customers, including:

- *TriGlide Shudderless Tripot:* Achieves industry leading NVH performance
- *High Efficiency CV Joint:* Drives increased efficiency for ICE and especially EV applications
- *Ball Spline Axle:* Enables NVH and durability improvements at ultra-high running angles

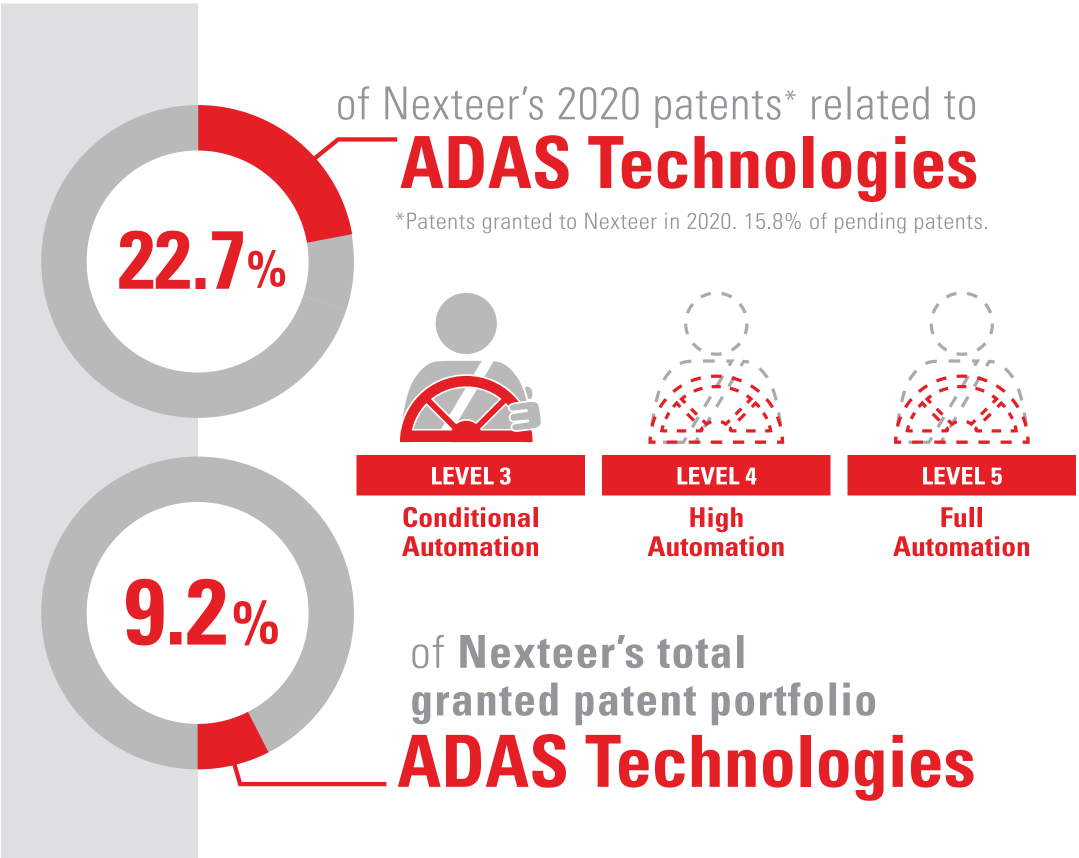


Mobility-as-a-Service (MaaS)

Fully automated people movers are a perfect example of Nexteer's repurposing technologies for different applications as well as an overlap across many megatrends such as MaaS, Electrification, ADAS Level 5 and Connectivity. In 2020, an OEM unveiled a fully autonomous people mover that is self-driven, all-electric and is developed as a shared mobility platform. This vehicle will not have a steering wheel, steering column or intermediate shaft but will feature Nexteer's REPS autonomous rack actuator. Nexteer's REPS solution for people-mover applications is very similar to our HO REPS system for BEV truck applications.

INTELLECTUAL PROPERTY PROTECTION & TECHNOLOGY*

As Nexteer relentlessly innovates for motion control solutions within and beyond megatrends, we continue to focus on technology and intellectual property protection on ADAS and AD. In 2020, ADAS Level 3-5 technologies accounted for 22.7% of all new patents granted (compared to 21% in 2019), 15.8% of all pending patent applications (compared to 19% in 2019) and 9.2% of Nexteer's total granted patent portfolio (up from 7.6% in 2019).



*Note: In 2020, Nexteer amended its methodology in calculating issued and pending patents. The year-over-year comparison has not been adjusted to reflect changes to the 2019 data and is therefore, provided for reference only.

DEMONSTRATED LEADERSHIP VIA TECHNOLOGY DEMONSTRATIONS & SPEAKING ENGAGEMENTS

In 2020, Nexteer's industry thought leaders continued to be sought-after speakers at high-profile events around the world to discuss the challenges, opportunities and solutions in advanced safety and performance, as well as manufacturing excellence. Due to the COVID-19 pandemic, many of these were virtual events.

Nexteer speakers were featured at the following 2020 events:

- 2020 American Automotive Summit
- North America International Automotive Show (**NAIAS**) Q'd Up Mobility Briefing Series
- Future Vehicles NVH Summit 2020
- 2020 Chassis.Tech
- International Automotive Business Meeting 2020
- Automotive Business Review's 2020 Xuanyuan Collage
- National Association of Manufacturers Manufacturing Leadership Summit

LEADERSHIP VALIDATED BY CUSTOMER & INDUSTRY RECOGNITION

In 2020, Nexteer was honoured for innovation, quality, culture and excellence – as well as for exceptional customer relationships. Here is a summary of our global achievements and recognitions:

Customer Recognition

- Bronze Medal in Chery's Quality Tools and Methods Application Achievement Competition for Nexteer APAC segment
- ChangAn Excellent Supplier Award for Nexteer Chongqing, China
- Ford Best Managed Companies with Outstanding Quality Performance in Award for Nexteer Querétaro, Mexico
- GM Supplier Quality Excellence Awards for Nexteer Plants in Saginaw, US; Querétaro, Mexico; Chongqing, China; Wuhu, China and Bengaluru, India

Other industry Recognition

- *Auto Business Review's* Excellent Award in the Chassis Section of the China Automotive Parts Industry Award (Lingxuan Award) for Nexteer's Advanced Steering Suite
- *China Automobile* & *Parts'* Innovation Capability Award
- Chongqing City Green Plant Award for Nexteer Chongqing, China
- Forbes Magazine's "Diamond Award" for business excellence for Nexteer Poland
- National Association of Manufacturers' Manufacturing Leadership Award for Nexteer's Manufacturing Engineering Global Talent Management and Training Programme – for third consecutive year
- Liepin's Innovative Employer of Jiangsu Province (China) Award
- Liuzhou Mayor's Quality Award for Nexteer Liuzhou, China
- *Recognition in Newsweek's* America's Most Responsible Companies 2021
- Second Prize in Anhui Province's Quality Innovation Skills Competition for Nexteer Suzhou, China
- Suzhou Industrial Park Corporate Social Responsibility (**CSR**) Best Practice & Caring Awards for Nexteer Suzhou, China
- Top Human Resource Management Award 2020 from 51job, China's leading Human Resources service company

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

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

- **2021 MotorTrend Truck of the Year:** Ram 1500 TRX featuring our REPS & Columns technology
- **2021 NAIAS Truck of the Year:** Ford F-150 featuring Nexteer's REPS & Columns technology
- **2020 Car of the Year:** Peugeot 208 featuring our SPEPS technology

REGIONAL MARKET HIGHLIGHTS

In 2020, Nexteer continued optimisation of our global manufacturing footprint and technical centres to enhance efficiencies as well as customer and market responsiveness. Nexteer's global footprint includes 27 manufacturing facilities, three technical centres, one software centre and 13 customer service centres. The following is a brief overview of accomplishments by region during 2020.

North America (NA)

In 2020, the NA segment supported six major programme launches, including the Ford F-150 and F-150 Super Crew and the Chevrolet Tahoe, GMC Yukon and Cadillac Escalade. Despite COVID-19 delays, our North America team recorded new booking successes with 25 new programmes won in 2020. These wins represented growth with existing customers across new and conquest programmes, including securing incumbent programmes for next-generation, high-volume vehicles.

In 2020, Nexteer's NA segment continued to focus on transforming and optimising operations to secure long-term sustainability. This focus included two main efforts: right-sizing operations to align with changing customer volumes and programme needs resulting from the COVID-19 pandemic impact, as well as continuing to transform our Saginaw, USA DL business to improve efficiency and cost competitiveness.

In the first half of 2020, Nexteer executed orderly shutdowns of our manufacturing operations in the USA and Mexico based on local government mandates and sudden declines in customer demand. By the third quarter of 2020, we had safely returned to production at all NA manufacturing facilities in alignment with our Safe Work Playbook. While volume did increase in the second half of the year, our NA segment continued its efforts to right-size operations in alignment with the new operating environment resulting from the impact of the COVID-19 pandemic.

As described in our 2019 Annual Report, Nexteer is in the process of transforming the footprint and manufacturing process at our Saginaw, USA DL operations to improve our efficiency, quality and cost competitiveness in the DL market. This transformation will improve customer value by creating global consistency with our other state-of-the-art regional DL operations and enable us to take advantage of customer programme opportunities. Key elements of this transformation include: new assets and technology upgrades, greater reliance on our strategic supply base and enhanced process standards and disciplines. While the bulk of the rewards of this transformation will begin to be realised in 2022 and beyond, 2020 was another critical year to enabling a healthy future for Nexteer's Saginaw, USA DL operations.

In addition to optimising operations, our NA segment also remained focused on providing exceptional quality and technical support to our customers and winning future business for our USA and Mexico operations. With its dedication to launch excellence, Nexteer in Saginaw, USA and Querétaro, Mexico were both recognised with GM's "Supplier Quality Excellence Award" and Nexteer in Querétaro, Mexico was also recognised with Ford's "Best Managed Companies with Outstanding Quality Performance Award".

In 2020, all of the Company's US hourly production employees were subject to a collective bargaining agreement (**Agreement**) with the United Auto Workers Local #699 union (**UAW**) that was scheduled to expire on March 21, 2020. The Company and the UAW extended the Agreement indefinitely as negotiations continue. Either party may provide two-week prior notice to allow the existing Agreement to expire.

In February 2021, the Company and the UAW representatives reached a new tentative collective bargaining agreement, however, such new tentative bargaining agreement was not ratified by the UAW local membership. The Company and the UAW continue to work toward a new tentative collective bargaining agreement that is acceptable to the UAW local membership. There can be no assurances that the negotiations with the UAW will be resolved favourably or that the Company will not experience a work stoppage or disruption that could adversely affect the Company's operating results and financial condition.

To support local communities at the onset of the COVID-19 pandemic, the NA segment used 3D printers and an injection molding machine in Saginaw, USA to help make PPE for local medical workers and first responders – producing more than 30,000 face masks and 6,000 ear savers in total. The NA segment worked closely with local government and medical organisations, such as Michigan Health Improvement Alliance, Inc. and other local healthcare institutions to donate the supplies to nearby medical facilities.

Asia Pacific (APAC)

In 2020, the APAC segment successfully launched 32 programmes in the region, including Changan UNI-T, Great Wall H6, Lincoln Aviator and Buick Enclave. The segment also won several key NEV customer programmes, providing further future growth opportunities.

While the overall revenue performance of the APAC segment for the full year 2020 was about equal to 2019, the segment's revenue outperformed the market by 11%. The three primary reasons for this performance in excess of market were: Bookings from past years commencing serial production and converting to incremental revenue; favorable customer and platform mix; and the growth of China's DL business.

After a brief impact at the beginning of the year due to the onset of COVID-19, the segment's China operations returned to work in February 2020. Throughout the year, Nexteer's APAC segment conducted cost optimisation activities through on-going implementation of lean production techniques and capacity utilisation management. The team also worked with suppliers to improve their production systems for enhanced competitiveness of the entire supply chain.

In January 2020, Nexteer further expanded its footprint in the region by opening a new APAC Technical Centre in Suzhou, China. This Technical Centre provides in-house ownership of comprehensive engineering processes and capabilities in one site for regional customers. In addition, the new System and Software Validation Lab at the India Software Centre and Electrical Lab in Suzhou, China further enhanced our engineering, software and electronics capabilities within the region.

Nexteer also relocated Customer Service Centres in Japan and Korea to be closer to our customers in each country and enhanced customer service and responsiveness. These latest changes to our global footprint promote Nexteer's globalisation of engineering expertise alongside local technical support, while capitalising on emerging market growth opportunities in Asia Pacific.

The APAC Nexteer Production System (**NPS**) Academy opened in Suzhou, China in December 2020, followed by the opening of the Liuzhou, China NPS Academy. The NPS Academy will help us provide growing customers in APAC and around the world with best-in-class products and service in a more systematic, agile and economical way.

In addition to the business success, the APAC segment also gained a wide range of recognition from customers, government and society organisations in appreciation of excellent products and service, CSR activities and positive social impact. These included: three customer awards for the excellent performance in 2020 from GM, Chery and SGM; three awards for being an employer of choice; and three awards from leading trade media recognising Nexteer's capabilities in innovation and products R&D.

Nexteer continues to integrate a sustainability mindset and conduct various CSR activities in the APAC segment – including face mask donation in India, caring for senior citizens in Singapore, donations of goods in Korea and the second Nexteer Library in a rural area in China.

Suzhou Technical Centre Opening in January 2020

Europe, Middle East, Africa and South America (EMEASA)

In 2020, Nexteer EMEASA segment continued its path of growth and product diversification. Despite a challenging environment resulting from the COVID-19 pandemic, the EMEASA segment commenced serial production of nine new programmes across all sites, including the Fiat 500 EV and Strada, as well as the Opel Mokka X. These 2020 product launches, and the carry over benefit of launches executed in 2019, enabled the EMEASA segment to achieve 2020 full year revenue about equal to last year, out performing the market by 22%. We continue to work with European customers such as Groupe PSA and FCA (now Stellantis), BMW and RNM to grow our SPEPS and DL revenue in the region.

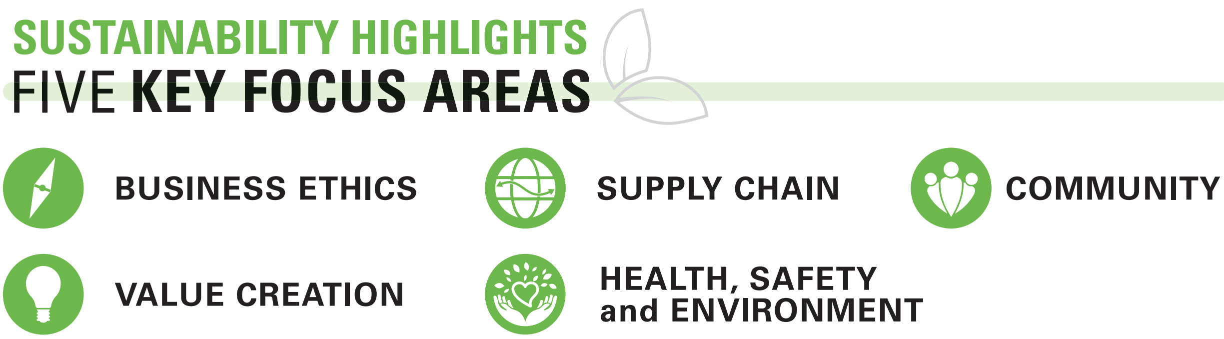
While still ramping-up new customer programmes, the Kenitra, Morocco facility was further expanded in 2020 to accommodate new business that had been conquested in recent years and which will start production in 2021. After the successful launch of EPS in 2019, the Morocco facility launched multiple DL start of productions (**SOPs**) that will ultimately serve three customers: FCA, Groupe PSA and RNM (FCA and Groupe PSA now Stellantis). This extension supports the overall growth prospects of the EMEASA segment.

To ensure the full development of engineering capabilities in the region for current and future customers, we continue to grow our technical and infrastructure capability at our Tychy, Poland Technical Center. These capabilities enable us to drive efficiency and customer responsiveness with our engineering and software operations and is recognised as a great place to work. This innovative culture and environment continues to attract highly qualified industry experts from around the region.

In 2020, the EMEASA segment also supported local communities in the fight against COVID-19 by providing local health service organizations with over 5,000 face shields and 6,000 masks.

SUSTAINABILITY REPORTING

In addition to product and technology expertise, Nexteer continues to demonstrate industry leadership as a business partner and employer-of-choice through our commitment to corporate social responsibility. We believe through sustainable practices, we can continue to improve our performance and provide greater value to all our stakeholders, including shareholders, employees, customers, suppliers, local communities and society. We continue to integrate sustainability into our global business strategies and operations to help drive performance in five key areas:



We publish an annual Sustainability Report in accordance with the Environmental, Social and Governance Reporting Guide, as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**).

We invite you to learn more about our culture and the strides we are making to improve our sustainable performance by visiting our Corporate Sustainability website at https://www.nexteer.com/sustainability/.

CELEBRATING NEXTEER'S 10 YEAR ANNIVERSARY

In 2010, the Company was reborn with the name of "Nexteer" – carrying with it more than 100 years of automotive heritage. These past 10 years have created a recent history of profitable growth and industry leadership.

nexteer AUTOMOTIVE

10 YEARS

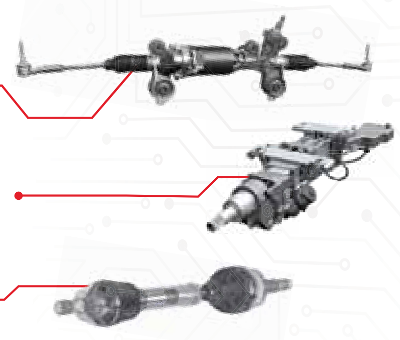
CELEBRATING A HISTORY OF EXCELLENCE

OVER THE PAST 10 YEARS NEXTEER HAS PRODUCED MORE THAN...

75M EPS Systems

100M Steering Columns

96M Halfshafts



The past 10 years have also been fueled by Nexteer's continued expansion of our global footprint from 20 manufacturing locations to 27 as of this year. We opened new plants in China, India, Indonesia, Mexico and Morocco, and expanded our technical capabilities within new technical and software centres in Poland, China, and India. These years have also showcased new innovations – from launching the first full-size truck REPS system in 2011 to unveiling our suite of advanced steering technology in 2018 and more.

As Nexteer heads into the next 10 years, the Company remains highly focused on aligning with industry megatrends, leveraging our deep technical competencies in developing innovative products and value propositions as well as remaining committed to our six-point strategy to drive profitable growth and shareholder value.

Financial Highlights

Results (US$'000)	**2020**	2019	Change
Revenue	**3,032,210**	3,575,657	(15.2%)
Gross profit	**411,376**	538,702	(23.6%)
Profit before income tax	**114,462**	263,933	(56.6%)
Income tax benefit (expense)	**7,841**	(29,275)	126.8%
Profit attributable to equity holders of the Company	**116,766**	232,445	(49.8%)
Profit for the year	**122,303**	234,658	(47.9%)
Adjusted EBITDA	**378,012**	525,096	(28.0%)

Assets and Liabilities (US$'000)	**2020**	2019	Change
Non-current assets	**1,809,734**	1,739,345	4.0%
Current assets	**1,496,007**	1,519,627	(1.6%)
Non-current liabilities	**277,218**	542,751	(48.9%)
Current liabilities	**1,107,538**	864,565	28.1%
Capital and reserves attributable to equity holders of the Company	**1,882,002**	1,811,981	3.9%

These financial highlights should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2020 (the **Consolidated Financial Statements**).

MANAGEMENT DISCUSSION & ANALYSIS

The following management discussion and analysis should be read in conjunction with the Consolidated Financial Statements, included herein, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

FINANCIAL REVIEW

Financial Summary

The Group faced an unprecedented operating environment during 2020 as a result of the COVID-19 pandemic which had a significantly adverse impact on the Group's financial performance when compared with a year ago. The Group's revenue declined by 15.2% in 2020 compared with the same period in 2019, with two of its three geographical segments reporting lower revenue than 2019. The automotive industry was severely impacted by the effects of the COVID-19 pandemic, driving a sudden and sharp decline in OEM production volume and the suspension of the Group's manufacturing and other operating facilities in compliance with government orders and mandates across every region of operation during the first half of 2020. Although the Group implemented cost and cash flow measures in response to production suspensions, these efforts only partially mitigated the decline in revenue resulting in a significant earnings decline in the first half of 2020 when compared with 2019. The Group's financial performance significantly improved in the second half of 2020 as OEM production demand recovered from the lows of the second quarter across all regions served. The recovery in the demand environment in the second half of 2020, and the Group's continued cost and capital allocation discipline, provided strong sequential financial performance when compared with the first half of 2020. The Group's full-year of 2020 earnings were also negatively impacted by the impairment of previously capitalised product development costs reflecting customer announced programme cancellations and reduced production volume projections for specific programmes as a result of the COVID-19 pandemic. As a consequence of the significantly adverse earnings impact on the overall business, in particular the Group's US operations, the Group recorded a significant income tax benefit in 2020 reflecting the carryback of a US tax loss generated during the current year to prior tax years as provided for under the provisions of the US CARES Act (as defined below) which was enacted in March 2020.

While the Company experienced a significant net use of cash during the first half of 2020 as a result of the sudden and significant decline in revenue and the impact of manufacturing and other facility shut-downs, the Group generated significant positive cash flow in the second half of 2020. Despite lower earnings for the full year of 2020, cash flow was favourably impacted by working capital management and lower investments in engineering and product development and capital spending.

A summary comparison of the Group's financial performance for the first half of 2020 compared with the second half of 2020 for selected metrics is provided in the table below:

Results (US$'000)	H1 2020	H2 2020	Change
Revenue	1,210,720	1,821,489	610,769
Gross profit	122,029	289,346	167,317
Gross profit margin (as % of revenue)	10.1%	15.9%	580 bps
Profit attributable to equity holders	1,301	115,465	114,164
Profit margin (as % of revenue)	0.1%	6.3%	620 bps
EBITDA	115,666	262,346	146,680
EBITDA margin (as % of revenue)	9.6%	14.4%	480 bps
Net (decrease) increase in cash and cash equivalents	(218,645)	163,545	382,190

Operating Environment

Changes in the global automotive industry have a direct impact on our business and operating results. Factors affecting the industry include macro-economic influences such as consumer confidence, fluctuations in commodity prices, currency, fuel prices and regulatory environments. The Company operates primarily in the US, Mexico, China, Poland, India, Morocco and Brazil.

Global OEM light vehicle production fell dramatically during 2020 when compared with 2019 as a result of the COVID-19 pandemic. Mandated business shut-downs and shelter-in-home orders enacted by nations to stem the spread of the health crisis throughout the first half of 2020 impacted all regions in which the Group operates. The Group's operating performance was most heavily impacted in the second quarter of 2020, as OEM's and suppliers executed production shut-downs in compliance with government mandates. Under such mandates, the Group's North America and EMEASA operations suspended production with effect from mid-March through late-May of 2020.

According to IHS Markit Ltd. (January 2021), global OEM light vehicle production for the year ended December 31, 2020 decreased 16% compared to the year ended December 31, 2019, with production in the second half of 2020 about equal compared with the same period in 2019. The following table highlights the percentage change in OEM light vehicle production for the first half, second half and year ended December 31, 2020 compared with the same periods in 2019 for key markets served by the Group:

	H1 2020	H2 2020	Full-Year 2020
North America	(39)%	0%	(20)%
North America full-size truck	(38)%	(2)%	(20)%
China	(19)%	8%	(4)%
India	(50)%	8%	(23)%
Europe	(38)%	(2)%	(22)%
South America	(51)%	(12)%	(32)%
Global	(32)%	0%	(16)%

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 the Chinese renminbi (**RMB**). The Group's financial results were favourably impacted by foreign currency translation as the US dollar weakened against the RMB at a larger rate than it strengthened against the Euro during 2020 compared to the same period a year ago.

During the year ended December 31, 2020, the Group successfully launched 47 new customer programmes – 32 programmes in Asia Pacific, 9 programmes in EMEASA and 6 programmes in North America. Of the 47 customer programme launches, 38 represented new conquest business for the Group and 9 represented incumbent business.

Revenue

The Group's revenue for the year ended December 31, 2020 was US$3,032.2 million, a decrease of US$543.4 million, or 15.2%, compared with US$3,575.7 million for the year ended December 31, 2019. As highlighted in the preceding narrative, the sharp decline in OEM production volume across all geographic markets served by the Group as a result of the COVID-19 pandemic of 16% was the principal factor driving significantly lower revenue for the year ended December 31, 2020 when compared with 2019. Foreign currency translation increased the Group's revenue by approximately US$0.7 million, principally impacting the Asia Pacific segment, given the weakening of the US dollar against the RMB which was principally offset by the strengthening of the US dollar against the Euro, principally impacting the EMEASA segment, during 2020 compared with a year ago.

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

Revenue by Geographical Segments

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

	For the year ended December 31, 2020 US$'000	**%**	For the year ended December 31, 2019 US$'000	%
North America	**1,905,132**	**62.8**	2,448,792	68.5
Asia Pacific	**641,429**	**21.2**	642,579	18.0
EMEASA	**485,649**	**16.0**	484,286	13.5
Total	**3,032,210**	**100.0**	3,575,657	100.0

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

- North America segment – Revenue decreased by US$543.7 million, or 22.2%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. Significant factors contributing to the decrease in revenue included lower North America OEM light vehicle and full-size truck production of 20% in 2020 compared with 2019, customer pricing and the loss of revenue arising from a customer vehicle platform transition impacting the Group's CIS product line which was completed during the first half of 2020.

- Asia Pacific segment – Revenue decreased by US$1.2 million, or 0.2%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. While Asia Pacific 2020 OEM production volumes were lower by 11%, with China and India OEM production volumes lower by 4% and 23%, respectively, compared with 2019. Revenue significantly outperformed the OEM market environment as the segment received the revenue upside associated with 32 new customer programmes implemented in 2020 as well as receiving the full year benefit of 28 customer programmes launched in 2019; the new programme revenue mitigated the impact from the lower production volume environment. Foreign currency translation provided a benefit of US$4.1 million as the US dollar weakened against the RMB during 2020 compared with 2019.

- EMEASA segment – Revenue increased by US$1.4 million, or 0.3%, for the year ended December 31, 2020 when compared with the year ended December 31, 2019. While Europe and South America OEM production volume declined year over year by 22% and 32%, respectively, as the benefit from on-going customer programme launches, principally from the segment's new Morocco facility of US$68.4 million provided an offset to the lower demand environment. The EMEASA segment also experienced US$3.4 million of unfavourable foreign currency translation as the US dollar strengthened against the Euro during the year ended December 31, 2020 compared with the same period in 2019.

Revenue by Products

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

	For the year ended December 31, 2020		For the year ended December 31, 2019	
	US$'000	**%**	US$'000	%
EPS	**2,058,184**	**67.9**	2,409,070	67.4
CIS	**343,521**	**11.3**	495,754	13.8
HPS	**120,020**	**4.0**	138,216	3.9
DL	**510,485**	**16.8**	532,617	14.9
	3,032,210	**100.0**	3,575,657	100.0

The Group experienced a decline in EPS revenue of US$350.9 million, or 14.6%, for the year ended December 31, 2020 compared with 2019, largely reflecting customer production suspensions and lower OEM demand during the first half of the year due to the COVID-19 pandemic, with the North America segment most notably given the Group's strong market position in the region. These factors were partially offset by higher volumes from several key customers in the North America and EMEASA segments, including the current and carry-over impact from customer programme launches. CIS revenue declined by US$152.2 million, or 30.7% for the year ended December 31, 2020 compared with 2019, reflecting the lower overall demand environment as well as the loss of revenue of US$100.4 million associated with a customer vehicle platform transition which was completed in the first half of 2020. DL revenue declined by US$22.1 million, or 4.2%, for the year ended December 31, 2020 compared with 2019, with lower North America OEM light vehicle production partially mitigated by increasing demand in the Asia Pacific region. The decrease in HPS revenue resulted from lower production demand from a key customer as expected given the life-cycle maturity of this product line.

Profit Attributable to Equity Holders

The Group's profit attributable to equity holders of the Company for the year ended December 31, 2020 was US$116.8 million or 3.9% of total revenue, a decrease of US$115.6 million, or 49.8%, compared to the year ended December 31, 2019 of US$232.4 million, or 6.5% of total revenue. The decrease was principally attributable to significantly lower OEM light vehicle production across all regions served by the Group as a result of the COVID-19 pandemic, partially offset by cost reduction actions and an income tax benefit of US$9.8 million in 2020 reflecting the ability to carryback to prior tax years the US tax loss generated during 2020.

Cost of Sales

The Group's cost of sales for the year ended December 31, 2020 was US$2,620.8 million, a decrease of US$416.2 million, or 13.7%, from US$3,037.0 million for the year ended December 31, 2019.

Raw material costs represent a significant portion of the Group's total cost of sales and for the year ended December 31, 2020 totaled US$1,823.5 million, or 60.1% of revenue, compared with US$2,096.4 million, or 58.6% of revenue, for the same period last year, reflecting a decline of US$272.9 million, or 13.0%. The Group effectively managed material costs as a percent of revenue given the significant decline in the demand environment and temporary suspensions of production across all of its manufacturing facilities experienced during the course of the year.

Depreciation and amortisation, including amortisation of capitalised product development costs, charged to cost of sales for the year ended December 31, 2020 was US$207.9 million, an increase of US$0.2 million, or 0.1% from US$207.7 million for the year ended December 31, 2019.

For the year ended December 31, 2020, the Group recorded a reversal of impairment in the amount of US$3.4 million related to property, plant and equipment that had been impaired in a prior year as a result of a customer programme cancellation where an alternative use was subsequently identified and the related assets were placed in production during 2020. For the year ended December 31, 2019, the Group recorded impairment of property, plant and equipment included in cost of sales in the amount of US$6.5 million related to assets deployed in support of certain customer programmes in China as a result of declining production volumes.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$90.5 million for the year ended December 31, 2020, representing 3.0% of revenue, a decrease of US$2.1 million, or 2.3%, from US$92.6 million, representing 2.6% of revenue, for the year ended December 31, 2019. We expect amortisation to increase in future years with the launch of new customer programmes that are currently in development.

For the year ended December 31, 2019, the Group recognised a product development intangible asset impairment of US$19.6 million related to declining volumes on specific customer programmes and programme suspensions in China. The impairment is recorded in the consolidated income statement as cost of sales in the amount of US$3.7 million and in engineering and product development costs in the amount of US$15.9 million in the Asia Pacific (US$6.9 million) and North America (US$12.7 million) segments. The intangible asset impairment recognised in the North America segment associated with customer programmes in China is a result of the Company's US domiciled intellectual property holdings. There were no product development intangible asset impairments recorded to cost of sales for the year ended December 31, 2020.

As a percent of revenue, cost of sales increased to 86.4% for the year ended December 31, 2020 compared with 84.9% for the same period a year ago. Excluding raw material costs, depreciation and amortisation and fixed and intangible asset impairments, remaining manufacturing costs of US$592.9 million for the year ended December 31, 2020 were lower by US$129.8 million, or 18.0%, when compared with US$722.7 million for the same period last year reflecting cost actions taken by the Group to partially mitigate the impact of a significantly lower revenue environment.

Gross Profit

The Group's gross profit for the year ended December 31, 2020 was US$411.4 million, a decrease of US$127.3 million, or 23.6%, from US$538.7 million for the year ended December 31, 2019. Gross profit margin for the year ended December 31, 2020 was 13.6% compared with 15.1% for the year ended December 31, 2019. The decline in gross profit was a direct result of the sharp decline in OEM light vehicle production and mandated shut-downs due to the COVID-19 pandemic in the first half of 2020, which were partially mitigated by cost reduction actions. Strong revenue recovery across all regions served and continued cost discipline in the second half of 2020 provided a gross profit margin of 15.9%, representing a 580 basis point improvement when compared with the first half of 2020 of 10.1%.

Engineering and Product Development Costs

For the year ended December 31, 2020, the Group's engineering and product development costs charged to the income statement were US$153.6 million, representing 5.1% of revenue, an increase of US$24.5 million, or 19.0%, as compared to US$129.1 million, or 3.6% of revenue for the year ended December 31, 2019. For the year ended December 31, 2020, the Group recognised product development intangible asset impairments of US$34.1 million related to customer programme cancellations and lower volume production expectations for specific programmes. The impairments were recorded as engineering and product development costs in the Asia Pacific segment and the North America segment in the amount of US$5.1 million and US$29.0 million, respectively. The intangible asset impairments recorded in the North America segment were a result of the Group's US domiciled intellectual property holdings arrangement.

Capitalised interest related to engineering development costs totalled US$16.3 million for the year ended December 31, 2020 and US$14.6 million for the year ended December 31, 2019. Depreciation and amortisation charged to engineering and product development costs for the year ended December 31, 2020 was US$10.9 million, an increase of US$1.1 million, or 11.2%, from US$9.8 million for the year ended December 31, 2019.

The Group's aggregate investment in engineering and product development costs is defined as the sum of costs charged to the consolidated income statement (excluding impairment charges associated with costs capitalised in prior 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 year ended December 31, 2020, the Group incurred an aggregate investment in engineering and product development costs of US$273.7 million, a decrease of US$22.6 million, or 7.6%, compared with US$296.3 million for the year ended December 31, 2019, reflecting cost actions taken to temper the earnings impact of a lower revenue environment.

Selling, Distribution and Administrative Expenses

The Group's selling, distribution and administrative expenses for the year ended December 31, 2020 were US$129.5 million, representing 4.3% of revenue, a decrease of US$9.0 million, or 6.5%, as compared to US$138.5 million, or 3.9% of revenue, for the year ended December 31, 2019. Discretionary cost reduction actions and lower employee performance incentive costs were the principal factors contributing to the decrease. Depreciation and amortisation charged to administrative expense for the year ended December 31, 2020 was US$9.8 million, an increase of US$1.0 million, or 10.6%, from US$8.8 million for the year ended December 31, 2019.

Other (Losses) Gains, net

Other (losses) gains, net represents gains attributable to foreign exchange transactions, losses on disposal of property, plant and equipment and other items. Other (losses) gains, net for the year ended December 31, 2020 were a loss of (US$9.5 million), a decrease of US$11.0 million compared to a gain of US$1.5 million for the year ended December 31, 2019. The decrease was principally attributable to a loss on foreign exchange transactions of US$6.3 million for the year ended December 31, 2020 compared to a gain of US$1.2 million in 2019. Also contributing to the decrease were losses on the disposal of property, plant and equipment which amounted to US$9.6 million for the year ended December 31, 2020 compared to US$6.8 million for the year ended December 31, 2019, primarily related to the on-going right-sizing of the Group's US DL business.

Finance Costs, net

Finance costs, net, consist of interest income and expense reduced by interest capitalised on qualifying assets and product development. The Group's net finance costs for the year ended December 31, 2020 were US$5.1 million, an increase of US$0.2 million, or 2.3%, as compared to US$4.9 million from the year ended December 31, 2019. On-going debt repayments, including the early repayment in full of the Group's remaining outstanding term loans of US$60.0 million in January 2020, mostly offset the finance cost associated with periodic borrowings under the Group's US revolving line of credit during the year.

Share of Income (Loss) of Joint Ventures, net

Share of income (loss) of joint ventures, net relates to the Group's investments in CNXMotion, Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd. (**Dongfeng Nexteer**) and Chongqing Nexteer Steering Systems Co., Ltd. (**Chongqing Nexteer**). For the year ended December 31, 2020, the Group's share of income (loss) in joint ventures amounted to US$3.1 million, (US$2.0 million) and (US$0.3 million) related to Chongqing Nexteer, CNXMotion and Dongfeng Nexteer respectively (year ended December 31, 2019: US$0.7 million, (US$3.5 million) and (US$1.0 million). CNXMotion was formed during the first half of 2017 and has incurred R&D costs 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 Company from the development and transfer of R&D that may be commercialised and used in the manufacture of future products. Dongfeng Nexteer was formed during 2017 and while production began during 2019, the joint venture has not yet commenced significant customer production to offset the current cost structure and investment as at December 31, 2020. Chongqing Nexteer's profitability during the year ended December 31, 2020 increased compared with the prior year due to increased revenue related to on-going programme launches.

Income Tax Benefit (Expense)

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

The Group's income tax benefit (expense) was US$7.8 million for the year ended December 31, 2020, representing 6.9% of the Group's profit before income tax, an increased benefit of US$37.1 million from (US$29.3 million), or (11.1%) of profit before income tax, for the year ended December 31, 2019. The change was primarily the result of both changes in the mix of income generated by US and non-US operations, a reduction in non-deductible interest and the benefit of an anticipated US taxable loss which is available for carryback to prior years at a tax rate of 35% compared to the current statutory tax rate of 21%. The permanent income tax benefit of US$9.8 million in 2020 reflects the ability to carryback to prior tax years such US tax loss generated during 2020. This US tax loss is expected to generate cash refunds of US$16.2 million and release previously used tax credits that can be carried forward to future years.

Provisions

As at December 31, 2020, the Group had provisions for restructuring, litigation, environmental liabilities, warranties and decommissioning of US$78.1 million, a decrease of US$6.0 million as compared to US$84.1 million as at December 31, 2019. The decrease in provisions was principally due to the net change in warranty reserves reflecting US$18.3 million in cash payments on historical warranty provisions partially offset by net warranty additions of US$10.7 million during 2020. Additionally, the Company has continued its efforts and focus on improving product quality and manufacturing traceability and, as a result of these initiatives, the reversal of historical warranty provisions due to lower customer warranty settlements and future claims estimates partially offset new warranty provisions recorded during 2020.

Liquidity and Capital Resources

Cash Flows

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

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

	For the year ended December 31, 2020 US$'000	For the year ended December 31, 2019 US$'000
Cash (used in) generated from:		
Operating activities	**419,845**	491,241
Investing activities	**(288,002)**	(373,356)
Financing activities	**(186,943)**	(184,160)
Net decrease in cash and cash equivalents	**(55,100)**	(66,275)

Cash Flows Generated from Operating Activities

For the year ended December 31, 2020, the Group's net cash generated from operating activities was US$419.8 million, a decrease of US$71.4 million compared with US$491.2 million for the year ended December 31, 2019. The decrease in cash flows from operating activities was primarily attributable to lower net earnings resulting from the COVID-19 pandemic partially offset by favourable working capital during 2020 when compared with 2019.

Cash Flows Used in Investing Activities

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

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

	For the year ended December 31, 2020 US$'000	For the year ended December 31, 2019 US$'000
Purchase of property, plant and equipment	**(149,741)**	(200,607)
Addition of intangible assets	**(137,734)**	(167,720)
Investment in joint ventures	**(1,980)**	(6,349)
Other	**1,453**	1,320
Net cash used in investing activities	**(288,002)**	(373,356)

Cash Flows Used in Financing Activities

For the year ended December 31, 2020, the Group's net cash flow used in financing activities was US$186.9 million, an increase of US$2.7 million compared with US$184.2 million for the year ended December 31, 2019. Net cash flows used in financing activities for 2020 included the net repayment of borrowings of US$60.2 million, repayments of lease liabilities of US$13.7 million, finance costs paid of US$23.1 million, dividends paid to shareholders of the Company of US$81.5 million and dividends paid to non-controlling interests of US$8.5 million.

Indebtedness

As at December 31, 2020, the Group's total borrowings was US$248.6 million, a decrease of US$59.1 million from US$307.7 million as at December 31, 2019. This decrease was primarily due to the net repayment of existing debt, including the early repayment in full of outstanding term loans of US$60.0 million.

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

	December 31, 2020 US$'000	December 31, 2019 US$'000
Current borrowings	**248,636**	58,825
Non-current borrowings	**–**	248,829
Total borrowings	**248,636**	307,654

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

	For the year ended December 31, 2020 US$'000	For the year ended December 31, 2019 US$'000
Within 1 year	**248,636**	58,825
Between 1 and 2 years	**–**	249,112
Between 2 and 5 years	**–**	(283)
Over 5 years	**–**	–
Total borrowings	**248,636**	307,654

Details of the borrowings of the Group during the year are set out in note 16 to the Consolidated Financial Statements.

Pursuant to the terms of the indenture of the US$250,000,000 notes due November 2021 (**Notes**), the Company informed the trustee on February 24, 2021 and the holders of the Notes on March 1, 2021 that all outstanding Notes, including accrued and unpaid interest, will be paid in full on April 2, 2021 utilising available cash on hand and borrowings on the Company's US revolving line of credit facility. The Company will recognise a loss of US$448,000 related to the expensing of remaining unamortised debt issuance costs upon repayment.

Pledge of Assets

The Group has several secured borrowings at certain subsidiaries. Assets securing the borrowings differ by site and include accounts receivable, inventories, property, plant and equipment. As at December 31, 2020, the Group had approximately US$866.2 million total assets pledged as collateral, an increase of US$374.9 million as compared with US$491.3 million as at December 31, 2019. The increase in collateral pledged was primarily related to the pledge of property, plant and equipment to an existing revolving line of credit at a subsidiary of the Group in order to supplement available collateral.

Exposure to Currency Rate Fluctuations and Related Hedges

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

Gearing Ratio

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

The gearing ratio as at December 31, 2020 was 12.9%, a decrease of 370 basis points as compared to 16.6% as at December 31, 2019. The gearing ratio decreased as a result of lower total borrowings associated with the repayment of the Group's term loans and increased total equity due to the Group's net profit partially offset by the declaration and payment of an external dividend of US$81.5 million.

Realisability of Long-Lived Assets and Other Considerations

The COVID-19 pandemic and government actions and measures taken to prevent its spread continue to affect our operations. In response to COVID-19, we previously suspended the majority of our global manufacturing operations. By May 2020, we had resumed our global manufacturing operations. Government-imposed restrictions on businesses, operations and travel, and the related economic uncertainty, have impacted demand for our customers' vehicles in most global markets. The extent of COVID-19's impact on our future operations, liquidity and the demand for our products will depend upon, among other things, the duration and severity of the outbreak or subsequent outbreaks, related government responses, such as required physical distancing or restrictions on business operations and travel, the pace of recovery of economic activity and the impact to our customers, the effectiveness of available vaccines and any potential supply disruptions, all of which are uncertain and difficult to predict in light of the rapidly evolving landscape.

As a result of the COVID-19 pandemic and other factors, the automotive industry and the Company are currently experiencing global shortages in the supply of various sub-components and raw materials, including semi-conductors. These supply shortages have impacted multiple customers and suppliers resulting in reductions or suspension of vehicle production. We expect these supply shortages will have a short-term impact on our business, however, there can be no assurance that these supply shortages will not continue longer than expected or expand to other materials used by the Company, its suppliers or its customers and may have a significant impact on our future operations and liquidity.

The Group assessed certain accounting matters that require consideration of forecasted financial information, including, but not limited to, its allowance for credit losses, the carrying value of the Group's intangible assets and other long-lived assets, and valuation allowances in context with the information reasonably available to the Group and the unknown future impacts of COVID-19 as at December 31, 2020 and through the date of this report. As a result of these assessments, there were no material increases in credit allowances or valuation allowances that impacted the Group's Consolidated Financial Statements as at and for the year ended December 31, 2020. However, the Group's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to the consolidated financial statements in future reporting periods. The Group recorded impairments to programme development intangible assets for the year ended December 31, 2020, as set out in note 8 to the Consolidated Financial Statements.

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

OTHER INFORMATION

Future Prospects

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

1. Relentless innovation

2. Depth and breadth of our product portfolio

3. Systems integration experience

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

5. Global manufacturing footprint and prowess

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

Employees and Remuneration Policy

As at December 31, 2020, 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 Company's performance and are reviewed regularly. Our full-time employees participate in various employee benefit plans including retirement benefits, extended disability benefits and workers' compensation. In addition, we have adopted employee incentive plans designed to attract, retain, motivate and encourage employees to commit to enhancing value for us and our shareholders as a whole. For example, the Group has 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 requirements and contractual obligations.

The Group also uses contract personnel to support the workload of the business where considered the most efficient. As at December 31, 2020, we had approximately 1,000 personnel engaged on a contract basis.

FORWARD LOOKING STATEMENTS

Any forward-looking statements and opinions contained within this Annual 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 annual 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.

Directors and Senior Management

DIRECTORS

The Board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information concerning the Directors of the Company (the **Directors**) during the year ended December 31, 2020 and as at the date of this annual report:

Name	Age	Position title	Date of appointment(s)	Roles and responsibilities
Executive Directors				
ZHAO, Guibin (趙桂斌)	56	Executive Director, Chief Executive Officer and Vice Chairman	June 15, 2013, June 2012 and June 3, 2019 (formerly Chairman on June 15, 2013), respectively	Overseeing our Group's strategic vision, direction and goals and overseeing the overall execution of our Group's strategy
RICHARDSON, Michael Paul[1]	64	Executive Director and President	June 15, 2013 and October 1, 2016, respectively	Overseeing our Group's strategic planning
MILAVEC, Robin Zane[2]	53	Executive Director and Senior Vice President, Chief Technology Officer & Chief Strategy Officer	June 30, 2020 and July 1, 2019, respectively	Responsible for integrating corporate strategy, Global Engineering
FAN, Yi (樊毅)	54	Executive Director, Vice President and Company Secretary	August 21, 2012, November 14, 2013 and October 19, 2018	Managing our Group's operations and handling of company secretarial duties
Non-Executive Directors				
WANG, Jian (王堅)	59	Chairman and Non-Executive Director	June 3, 2019	As a non-Executive Director
LIU, Ping (劉平)	52	Non-Executive Director	June 3, 2019	As a non-Executive Director
ZHANG, Jianxun (張建勛)[3]	41	Non-Executive Director	March 13, 2018	As a non-Executive Director
ZHANG, Wendong (張文冬)[4]	44	Non-Executive Director	November 13, 2020	As a non-Executive Director
Independent Non-Executive Directors				
LIU, Jianjun (劉健君)	52	Independent non-Executive Director	June 15, 2013	As an Independent non-Executive Director
WEI, Kevin Cheng (蔚成)	53	Independent non-Executive Director	June 15, 2013	As an Independent non-Executive Director
YICK, Wing Fat Simon (易永發)	62	Independent non-Executive Director	August 15, 2017	As an Independent non-Executive Director

Notes:

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

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

(3) Mr. ZHANG, Jianxun resigned as our non-Executive Director with effect November 13, 2020 due to personal work adjustment.

(4) Ms. ZHANG, Wendong was appointed as our non-Executive Director with effect from November 13, 2020.

Executive Directors

ZHAO, Guibin (趙桂斌) ***(Vice Chairman and Chief Executive Officer)***, aged 56, was appointed as our Executive Director on June 15, 2013 and has successively acted as Chairman of the Board from June 15, 2013 and as Vice Chairman from June 3, 2019. Mr. ZHAO is also our Chief Executive Officer since June 2012. Mr. ZHAO has over 20 years of relevant experience in the automotive industry. As the Vice Chairman of the Board, Mr. ZHAO is primarily responsible for assisting the Chairman to arrange and convene shareholder and Board meetings, supervising the implementation of the relevant resolutions and acting on behalf of the Chairman upon delegation by the Chairman or when the Chairman is incapable to act. As the Chief Executive Officer, he is primarily responsible for leading Nexteer's Global Strategy Council (**GSC**), setting our strategic vision, direction and goals and overseeing the overall execution of our Group's strategy. He sets the strategic direction of the Company, acts as a "bridge" between senior management and the Board, is responsible for the Company's new product lines and advanced engineering (business development), joint ventures and M&A activities, maintains relationships with major external stakeholders, chooses and manages the senior management team, determines overall incentive compensation targets and communicates internally. Mr. ZHAO is also the chief executive officer and the chairman of the board of directors of Nexteer Automotive Corporation, one of our indirectly wholly-owned subsidiaries. He held the position as deputy chief economist of Aviation Industry Corporation of China, Ltd. (**AVIC**), our controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Hong Kong Stock Exchange**)), from February 2010 to June 2016. He held the positions as general manager and chairman of the board of directors of AVIC Automotive Systems Holding Co., Ltd. (**AVIC Auto**), a subsidiary of AVIC, our controlling shareholder, from 2009 to October 2018. Mr. ZHAO had been the chairman of the board of directors of Pacific Century Motors, Inc. (**PCM China**), our controlling shareholder, from December 2010 to February 2019 and was the president of PCM China from February 2019 to November 2020. From August 2016 to November 2019, Mr. ZHAO has been chairman of the board of directors of AVIC Hande (Beijing) Investment Holding Co., Ltd. and Henniges Automotive Holdings, Inc., both of which are non wholly-owned subsidiaries of AVIC Auto. From December 2015 to March 2017, Mr. ZHAO had been a director of AVIC Capital Co., Ltd., a non wholly-owned subsidiary of AVIC, a company listed on the Shanghai Stock Exchange (stock code: 600705). From April 2010 to April 2013, Mr. ZHAO was the chairman of the board of directors of AVIC Heavy Machinery Co. Ltd., a non wholly-owned subsidiary of AVIC, and a company listed on the Shanghai Stock Exchange (stock code: 600765). From 1997 to 2003, Mr. ZHAO was the general manager of Sichuan Lingfeng Aeronautics Hydraulic Machinery Co., Ltd., a wholly-owned subsidiary of AVIC, where he was in charge of corporate governance and operational management. He held the positions as general manager, director and chairman of AVIC Chengdu Engine (Group) Co., Ltd., a wholly-owned subsidiary of AVIC, and as a director and the chairman of the board of its non wholly-owned subsidiary, Sichuan Chengfa Aero Science and Technology Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600391) from August 2003 to January 2009. Mr. ZHAO became a first-tier senior economist in September 2004, awarded by AVIC. He was awarded an executive master's degree in business administration by the University of Electronic Science and Technology of China, China, in June 2007. Mr. ZHAO has received numerous awards in recognition of his achievements, including the Government Special Allowance awarded by the People's Republic of China State Council in 2000.

MILAVEC, Robin Zane, aged 53, was appointed as our Executive Director on June 30, 2020. He was appointed as Senior Vice President, Chief Technology Officer and Chief Strategy Officer of the Company on July 1, 2019. He is responsible for integrating corporate strategy, driving product and process innovation, and positioning the Company as a technology leader with new market opportunities. He also has responsibility for Global Engineering, including research and development, technology, product portfolio and production support. Mr. MILAVEC is a member of the Company's GSC. He has over 31 years of relevant experience in the automotive industry, including positions in Product Engineering, Manufacturing Engineering, Operations and Quality. At the Company, he served as Vice President of Global Engineering from January 2018 to July 2019, Vice President of Global Current Product Engineering from June 2017 to January 2018, Executive Director of Global Product Engineering from August 2016 to June 2017, Director of Corporate Engineering and Global Programme Office from 2012 to 2016 and Chief Product Engineer for electric power steering from 2009 to 2012. At Delphi Saginaw Steering Systems, he served as Chief Product Engineer for driveline from 2005 to 2009, Chief Manufacturing Engineer for driveline from 2003 to 2005, and as Quality Manager for Saginaw plants 4 and 5 from 2000 to 2003. He served as an Engineering Supervisor at the Delphi Automotive Mexico Technical Centre in Juarez, Mexico from 1995 to 1997. Mr. MILAVEC began his career with General Motors in 1989 as a Product Engineer at the former Saginaw Steering Gear Division, and held several positions in engineering, quality and operations prior to his Mexico assignment in 1995. He obtained a bachelor's degree in mechanical engineering from New Mexico State University in Las Cruces, the US, in 1989 and a master's degree in mechanical engineering from the University of Michigan in Ann Arbor, the US, in 1992.

FAN, Yi (樊毅), aged 54, was appointed as our Director on August 21, 2012 and was designated as our Executive Director on June 15, 2013. He was appointed as our Vice President on November 14, 2013. He had served as our Joint Company Secretary since January 28, 2013 until he became the sole Company Secretary with effect from October 19, 2018. He is responsible for the management of our operations and handling of Company secretarial duties. Mr. FAN is also a member of the GSC. Mr. FAN has approximately 20 years of relevant experience in the automotive industry. Mr. FAN currently serves as a director of our three directly held subsidiaries, Nexteer UK Holding Ltd., Nexteer (China) Holding Co., Ltd., PCM (Singapore) Steering Holding Pte. Limited and as a director of several of our other subsidiaries. Mr. FAN has held the following positions in our controlling shareholders, namely, deputy general manager of AVIC Auto from January 2012 to February 2019; general manager from July 2013 to February 2019 and director and secretary to the board of directors of PCM China from 2010 to November 2020; and the sole director of Nexteer Automotive (Hong Kong) Holdings Limited (**Nexteer Hong Kong**) from August 2012 to November 2020. From 1992 to 1999, Mr. FAN worked at the economic research centre of AVIC. From 1999 to 2005, Mr. FAN served as managing director of the automotive department of China Aviation Industry Corporation II. In 2005, he started working in the automotive department of AviChina Industry & Technology Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 2357), a non wholly-owned subsidiary of AVIC, where he was initially deputy manager, and was later appointed as manager in 2007. Mr. FAN graduated in 1987 from Beijing Aviation Institute of Aeronautics and Astronautics, China (now known as Beijing University of Aeronautics and Astronautics, China) with a bachelor's degree in engineering from the Faculty of Automatic Control, and completed a master's research course in education, economics and management from Beijing University of Aeronautics and Astronautics, China, from 1999 to 2001. Mr. FAN was certified as a researcher in natural sciences by AVIC in September 2007.

Non-Executive Directors

WANG, Jian (王堅) ***(Chairman)***, aged 59, was appointed as our non-Executive Director and Chairman of the Board on June 3, 2019. Mr. WANG has over 26 years of relevant experience in the automotive industry. As the Chairman of the Board, Mr. WANG is primarily responsible for chairing Board and shareholder meetings and setting agendas, as well as facilitating communication between the Board and management. Mr. WANG has been appointed as chief economist of AVIC, our controlling shareholder, since January 2018. Mr. WANG served as the chairman of the board of AVIC Auto (a subsidiary of AVIC), our controlling shareholder, since August 2020. From May 2014 to September 2018, he was a director and the chairman of the board of AVIC Electromechanical Systems Co., Ltd. (Stock Code: 002013.SZ), a wholly-owned subsidiary of AVIC. From February 2010 to September 2018, he was a director, executive director and general manager of Aviation Electromechanical Systems Co., Ltd., a wholly-owned subsidiary of AVIC. From January 2013 to May 2014, he was the chairman of the board of Hubei Aviation Precision Machinery Technology Co., Ltd. (known as AVIC Electromechanical Systems Co., Ltd. since February 2014), a non wholly-owned subsidiary of AVIC. From February 2009 to February 2010, he was the deputy general manager of AVIC Electromechanical Systems Co., Ltd., a wholly-owned subsidiary of AVIC. From March 2006 to May 2012, he was a director of China National Aero-Technology Import & Export Corporation, a wholly-owned subsidiary of AVIC, and AVIC International Holding Corporation, a non wholly-owned subsidiary of AVIC, respectively. From October 1998 to February 2010, he was the head of the research center of the Jincheng Nanjing Engineering Institute of Aircraft Systems, a non wholly-owned subsidiary of AVIC. From October 1998 to February 2010, he successively served as a director, deputy general manager, general manager, vice chairman of the board, as well as chairman of the board and general manager of Jincheng Group Co. Ltd., a wholly-owned subsidiary of AVIC. From August 1982 to September 1998, he successively acted as a technician, head of technical section, head of technical transformation section, head of planning department, head of production department, general manager and chief economist of motor business division, director of technical centre, director of quality control centre, deputy general manager and general manager of Jincheng Machinery Co., Ltd. (金城機械有限公司) (formerly as Jincheng Machinery Plant (金城機械廠)), a wholly-owned subsidiary of AVIC. Mr. WANG holds a postgraduate master's degree. He graduated in July 1982 from Nanjing Aeronautical Institute, China (now known as Nanjing University of Aeronautics and Astronautics, China) with a bachelor's degree majoring in machinery manufacturing engineering. He graduated in March 2003 from Beijing University of Aeronautics and Astronautics, China with a master's degree in economics and obtained a master's degree in business administration from Cheung Kong Graduate School of Business, China in December 2010.

LIU, Ping (劉平), aged 52, was appointed as our non-Executive Director on June 3, 2019. From January 2019 to August 2020, Mr. LIU served as the chairman of the board of AVIC Auto (a subsidiary of AVIC), our controlling shareholder. From September 2014 to January 2019, he was the general manager of AVIC Asset Management Co., Ltd., a wholly-owned subsidiary of AVIC. From January 2009 to September 2014, he successively served as the general manager and chairman of the board of AVIC Sichuan Assets Operation and Management Co., Ltd. (formerly known as AVIC Sichuan Bureau (中航工業四川局)). From April 2004 to January 2009, he was the deputy general manager and general counsel of Chengdu Engine (Group) Co., Ltd., a wholly-owned subsidiary of AVIC. From May 2003 to April 2004, he was the deputy manager, capital finance department of Sichuan Provincial Investment Group Co., Ltd. From February 2001 to May 2003, he was an assistant to the chief accountant of Chengdu Engine (Group) Co., Ltd. From September 1997 to February 2001, he successively served as chief accountant and head of finance department, deputy general manager and the chief accountant of Chengdu Xinxing Electrical Appliance Co., Ltd. From July 1987 to September 1997, he successively acted as accountant in finance division, chief of finance in supply division and deputy director of finance of Chengdu Engine (Group) Co., Ltd.. Mr. LIU holds a postgraduate master's degree. He graduated in July 1987 from Zhengzhou Institute of Aeronautical Industry Management, China and obtained an executive master's degree in business administration from the University of Electronic Science and Technology of China, China in 2012.

ZHANG, Wendong (張文冬), aged 44, was appointed as our non-Executive Director on November 13, 2020. Ms. ZHANG has served as the deputy general manager of Beijing E-Town International Investment & Development Co., Ltd. since July 2018. Since November 2017, Ms. ZHANG has also been appointed as the non-executive director, the member of audit committee, the member of compensation committee and the member of nominating and corporate governance committee of the board of UTStarcom Holdings Corp, a company listed on NASDAQ (ticker symbol: UTSI). Ms. ZHANG also held various positions in Beijing E-Town International Investment & Development Co., Ltd., including assistant to the general manager from June 2015 to July 2018, the director of asset management department from January 2014 to June 2015 and the deputy director of asset management department from December 2012 to January 2014. From October 2007 to December 2012, she served as the head of the corporate development department of Dongfang Cultural Asset Management Company; from July 2000 to September 2007, she served as the manager of the project department of Beijing Shengandi Investment Management Consulting Company. Ms. ZHANG is currently a senior economist. Ms. ZHANG graduated with a major in economics and obtained a bachelor's degree from Minzu University of China in May 2005. She obtained a master's degree in business administration (MBA) from University of Chinese Academy of Sciences, China in July 2016.

Independent Non-Executive Directors

LIU, Jianjun (劉健君), aged 52, was appointed as our Independent non-Executive Director on June 15, 2013. Mr. LIU was in the legal department of China Ocean Shipping (Group) Company container lines (中國遠洋運輸集團總公司集裝箱運輸) from July 1993 to March 1999, a partner at Zhong Sheng Law Firm, Beijing (北京中盛律師事務所), from April 2001 to October 2006, a senior associate in Zhong Lun Law Firm, Beijing (北京中倫律師事務所) from November 2006 to May 2007, and has been a partner at Zhonglun W&D Law Firm, Beijing (北京中倫文德律師事務所), since June 2007. Mr. LIU started practicing as lawyer in China in August 2001. He obtained a master's degree in law from Peking University, China, in July 1998, and a law degree from Washington University in St. Louis, the USA, in May 2004.

WEI, Kevin Cheng (蔚成), aged 53, was appointed as our Independent non-Executive Director on June 15, 2013. Mr. WEI is currently a managing partner of a company focused on corporate finance advisory business. Mr. WEI has held the following independent non-executive directorships in publicly listed companies: as an independent non-executive director, the chairman of the audit committee and member of the remuneration committee of the board of Alphamab Oncology, a company listed on the Hong Kong Stock Exchange (stock code: 9966), since December 12, 2019; and as an independent non-executive director and the chairman of audit committee and a members of nomination committee and remuneration committee of Tibet Water Resources Ltd., a company listed on Hong Kong Stock Exchange (stock code: 1115), since March 2011, and was appointed as the chairman of the board and ceased to be a member of the risk management committee with effect from May 27, 2020, and was re-designated as a non-executive director, was appointed as chairman of nomination committee, and ceased to be the chairman of audit committee on October 9, 2020. Mr. WEI's prior directorship include the chairman of audit committee of the board of Hunter Maritime Acquisition Corp., a company which was listed on NASDAQ (ticker symbol: HUNT) and delisted from NASDAQ in 2019 from April 2019 to July 2019, and as an independent director and the audit committee chair of Alpha Peak Leisure Inc., a company listed on the Toronto Stock Exchange (TSX-V: AAP), from November 2017 to June 22, 2020. Mr. WEI served as a chief financial officer of IFM Investments Limited, a real estate services company headquartered in Beijing, from December 2007 to September 2013. IFM Investments Limited was delisted from NYSE in 2015. Prior to that, from 2006 to 2007, Mr. WEI served as the chief financial officer of Solarfun Power Holdings Co., Limited (ticker symbol: SOLF), a NASDAQ listed solar company (now known as Hanwha SolarOne Co., Ltd. and relisted on NASDAQ as Hanwha SolarOne (ticker symbol: HSOL). Mr. WEI became a member of the American Institute of Certified Public Accountants in February 1999. He graduated in June 1991 from Central Washington University, the USA, where he received his Bachelor of Science degree (cum laude) with a double major in accounting and business administration.

YICK, Wing Fat Simon (易永發), aged 62, was appointed as our Independent non-Executive Director on August 15, 2017. Mr. YICK has over 33 years of experience in audit, direct investment, investment banking and corporate advisory services. Since October 1, 2019, Mr. YICK has also been appointed as the independent non-executive director, chairman of audit committee and remuneration committee, member of nomination committee of Modern Media Holdings Limited (Stock code: 72). Mr. YICK currently serves as an independent non-executive director, chairman of the audit committee and member of remuneration committee and member of nomination committee of China Singyes Solar Technologies Holdings Limited (Stock Code: 750), Shenzhen Neptunus Interlong Bio-technique Co., Ltd. (Stock Code: 8329) and Shanghai International Shanghai Growth Investment Limited (Stock Code: 770) (all of which are listed on the Hong Kong Stock Exchange). Mr. YICK served as an independent non-executive director, convener of the remuneration and assessment committee and a member of the strategy committee of Chengdu Xingrong Environment Co., Ltd. (Stock Code: 000598.SZ), a company listed on the Shenzhen Stock Exchange from August 17, 2015 to August 4, 2020. Mr. YICK was a director of the following Hong Kong incorporated private companies limited by shares which were dissolved by way of deregistration: China Q-Buy Food Company Limited (dissolved on March 2, 2012, which was dormant), Grace Silver Investments Limited (dissolved on October 3, 2008, which was dormant), Daytune Corporate Services Limited (dissolved on August 20, 2004, which provided corporate secretarial services), and Continental Race Limited (dissolved on October 27, 2000, which principally engaged in the leasing of office premises). Mr. YICK confirmed that the aforementioned companies were solvent at the time of dissolution by deregistration and that no misconduct or misfeasance on his part as director led to the relevant company's dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of any of the above dissolutions. Mr. YICK holds a bachelor's degree in business administration, majoring in accounting, from the Chinese University of Hong Kong. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants in the United Kingdom.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company (collectively, the **Senior Management**) during the year ended December 31, 2020 and as at the date of this annual report:

Name	Age	Position/Title
LIU, Tao (柳濤)	55	President and Global Chief Operating Officer
QUIGLEY, William G.	59	Senior Vice President and Chief Financial Officer
HOEG, Dennis Steven	65	Vice President and Divisional President – North America Division
BOYER, Herve Paul	50	Vice President and Divisional President – EMEASA Division
FAN, Jianqiang David (樊堅強)	52	Vice President and Divisional President – APAC Division
LI, Jun (李軍)	49	Vice President, Global Product Line
PASTOR, Ricardo Antonio	55	Vice President, Global Quality and Programme Launch
ZIPARO, Peter Michael	51	Vice President and General Counsel
BENSON, OT	46	Vice President, Global Sales and Marketing
XU, Cathy (許瑩)	51	Vice President, Global Human Resources
ORSINI, Salvatore Dino	51	Vice President, Global Chief Supply Chain Management Officer
BYERS, David Michael	55	Vice President, Global Electric Power Steering Product Line
DRALLE, Jill Annette	49	Vice President, Chief Operating Officer – USA
GONZALEZ, Luis Ricardo	61	Vice President, Chief Operating Officer – Mexico

LIU, Tao (柳濤), aged 55, was appointed as our President and Global Chief Operating Officer on March 29, 2020. Mr. LIU has approximately 20 years of relevant experience in the automotive industry. He is a member of the Company's GSC. He is responsible for reporting to the Chief Executive Officer and overseeing our Group's global functions including sales, engineering, operations and global supply management and is in charge of overseeing our Group's product lines. After October 1, 2016, Mr. LIU served as our Senior Vice President and Global Chief Operating Officer. From August 2013 to October 2016, Mr. LIU served as our Vice President and Chief Operating Officer – China Division. He was responsible for the business plan, the overall financial position and advising on strategic direction of the division. From May 2012 to July 2013, Mr. LIU was an Executive Director of the China Division, where he was responsible for the business plan and the overall financial position of the China Division. He served as the China Operations Manager and Executive Director of China Operations from October 2009 to May 2012 and Managing Director of Saginaw Steering (Suzhou) Co., Ltd. from February 2008 to October 2009. Prior to this, Mr. LIU worked at Delphi Automotive Systems (China) Holding Co., Ltd., where he served as China Operations Manager of Delphi Steering, responsible for the manufacturing facilities in Suzhou and overseeing manufacturing operations of the China Division from 2006 to 2008. He served as General Manager of China Operations of Metaldyne Powertrain Group from January 2005 to May 2006, and was the Asia Pacific Delphi Manufacturing System Manager of Energy, Chassis and Steering System and a Manufacturing Manager of Delphi Shanghai Dynamics & Propulsion Systems Co., Ltd. from 2001 to 2004 and from 1997 to 2001, respectively. He also worked at Shanghai Machine Tool Works Plant from August 1987 to December 1996. Mr. LIU obtained a bachelor's degree in industrial automation from Tsinghua University, China, in 1987 and a master's degree in business administration from Purdue University, the USA, in 2001.

QUIGLEY, William G., aged 59, was appointed as our Senior Vice President and Chief Financial Officer on June 6, 2016. He is responsible for overseeing investor relations, treasury, capital funding and structure, mergers and acquisitions, accounting, tax and financial reporting, financial planning and analysis and information technology. Mr. QUIGLEY is also a member of the GSC. He is also a Director and Audit Committee Chairman at The Safariland Group. He previously served as Executive Vice President and Chief Financial Officer at Dana Holding Corporation from March 2012 to March 2016. Additionally, he held various managerial positions at Visteon Corporation, including Vice President and Chief Accounting Officer from January 2005 to 2007 and Executive Vice President and Chief Financial Officer from 2007 to 2011. Mr. QUIGLEY obtained a Bachelor of Arts degree in accounting from Michigan State University, the USA, in 1983 and became a member of the American Institute of Certified Public Accountants in 1986.

HOEG, Dennis Steven, aged 65, was appointed as our Vice President and Divisional President – North America Division on November 16, 2017. He is responsible for the entire North America business, gaining commitments from the business lines and leveraging corporate functions to meet the business plan of the division. He was previously Vice President of Global Operations, Manufacturing Engineering and Capital Enterprise Systems since December 2012. He has 40 years relevant automotive experience and is also a member of the GSC. Mr. HOEG served as Vice President of Engineering at Nexteer Automotive from June 2011 to November 2012. He was Executive Director of Global Supply Management from 2007 to 2011, Director of Global Manufacturing Engineering from 2002 to 2007, and Plant Manager from 1999 to 2002 at Delphi Saginaw Steering Systems. Mr. HOEG began his automotive career with GM in 1978 as a Manufacturing Engineer at the former Saginaw Steering Gear Division. In 1997, he was Programme Manager for the GMT800 and L/N/P90 programmes in Plant 7, Chief Manufacturing Engineer for Hydraulic Steering in 1994, and Staff Engineer for integral gears in 1992. Following a number of assignments that included Plant Engineer, Process Engineer, Advanced Manufacturing Engineer, and Assistant Staff Engineer, he served as the Value Stream Manager for steering valves at Plant 7 in 1988. He obtained a bachelor's degree in mechanical engineering from Iowa State University, the USA, in May 1978, and a Master of Science from Purdue University, the USA, in May 1983.

BOYER, Herve Paul, aged 50, was appointed as our Vice President and Divisional President – EMEASA Division in March 2016. He is responsible for gaining commitments from the business lines and leveraging corporate functions to meet the business plan of the division. He is also a member of the GSC. Mr. BOYER has over 23 years of relevant experience in the automotive industry. From May 2015 to February 2016, Mr. BOYER held the position of Executive Director of the NBHX Electronics group where he had the responsibility to run the Interior Trims business. Prior to this, Mr. BOYER spent several years within the Faurecia group where he served as President of North America Operations from June 2012 to July 2014 for the Interior Systems business group. From January 2009 to June 2012, Mr. BOYER was Vice President of the South Europe perimeter of Faurecia Interior Systems and previously served as Vice President for French, US and Japanese Divisions, from May 2008 to December 2008. Mr. BOYER has also served as Director for the Renault-Nissan Division from January 2006 to May 2008. From 2001 to 2005, Mr. BOYER held several sales and marketing positions at Faurecia Interior Systems and served as Programme Manager from September 1994 when he joined Sommer Allibert Industrie which was acquired by Faurecia group in late 2000. Mr. BOYER earned a degree in manufacturing engineering from L'Ecole Centrale de Nantes, France, in 1994 and attended the Advance Management Programme of Harvard Business School, the USA, in 2014.

FAN, Jianqing David (樊堅強), aged 52, was appointed as our Vice President and Divisional President – APAC Division on March 29, 2020. He is responsible for the entire Asia Pacific business, gaining commitments from the business lines and leveraging corporate functions to meet the business plan of the division. He is also a member of the GSC. Mr. FAN has over 23 years of relevant experience in the automotive industry. Prior to joining Nexteer, he spent several years within the Delphi Group where he served as Vice President and President of China operations from July 2019 to December 2019. He also served as Managing Director of Asia Pacific for Delphi ICE from 2017 to 2019, Managing Director of Asia Pacific for Delphi Powertrain FIS from 2016 to 2017, and Managing Director of China for Delphi Diesel Systems from 2015 to 2016. Prior to this, Mr. FAN spent 17 years within Tenneco where he served as General Manager of Asia Pacific from January 2015 to August 2015. He served as General Manager of China from 2011 to 2015, and previously served as Commercial and Sales Director of China from 2007 to 2011. Following a number of assignments that included Project Engineer, Engineering Manager and Director of Engineering, he served as General Manager of Tenneco's technical center in China from 2006 to 2007. Mr. FAN obtained a bachelor's degree from the University of Science and Technology of China in 1991, a doctorate degree in mechanical engineering from the University of Pittsburgh, the USA, in 1997, and a master's degree in business administration from the University of Michigan, the USA, in 2005.

LI, Jun (李軍), aged 49, was appointed as our Vice President, Global Product Line on January 1, 2020. He is also a member of the GSC. Mr. LI offers over 20 years of relevant experience in the automotive industry. Prior to his current role, Mr. LI was Vice President and Divisional President – Asia Pacific Division from November 2017 to January 2020 and he was responsible for overseeing our Asia Pacific Division business and operations, gaining commitments from the business lines and leveraging corporate functions to meet the business plan of the division. From October 2016 to November 2017, Mr. LI was Executive Director and Chief Operating Officer – Asia Pacific Division with the same responsibility. Before that, he served as Asia Pacific Steering Business Director from February 2015 to October 2016 and was responsible for developing the overall business plan and competitiveness. From May 2012 to January 2015, Mr. LI held the position as General Manager to oversee the operations of Nexteer Automotive (Suzhou) Co., Ltd. (**Nexteer Suzhou**). From 2010 to May 2012, Mr. LI served as Plant Manager and was responsible for the overall operational management of Nexteer Suzhou Plant 53. During 2008 and 2010, he took the role as Programme Manager of China's first EPS Programme at Saginaw Steering (Suzhou) Co., Ltd. From 2004 to 2007, Mr. LI served as Programme Launch Manager and Engineering Manager at Delphi Automotive in Shanghai. Prior to joining Nexteer and Delphi Automotive, he held various supervisory positions in manufacturing, project management and engineering at Dongfeng Motor Group for 6 years, and 5 years at China Aerospace Science and Technology Corporation. He obtained a Diploma in Science and Technology in mechanical engineering from Huazhong University of Science & Technology, China in 1991, and a master's degree in business administration from the University of Electronic Science & Technology of China, China, in 2004.

PASTOR, Ricardo Antonio, aged 55, was appointed as our Vice President, Global Quality and Programme Launch on November 16, 2017. He is responsible for all facets of the Global Quality function including strategic planning, execution, measurement and administration of Quality systems and controls. He is also in charge of Customer Programme Implementation (**CPI**) where he leads the optimisation of the CPI process and oversees programme launches to ensure successful performance. Mr. PASTOR is a member of the GSC. Mr. PASTOR brings over 33 years of experience in the automotive industry. Mr. PASTOR served as Executive Director of Global Quality at Nexteer since June 2015. Prior to leading the Global Quality function, he was Quality Director for the International and China Divisions from 2010 to 2015. Mr. PASTOR was senior manager in manufacturing planning in 2009, Director of footprint expansion for Asia Pacific from 2006 to 2009 and Chief Engineer for Europe from 2004 to 2006 at Delphi Automotive. Mr. PASTOR held many other leadership positions in engineering quality and programme launch prior to 2006. Over his career, Mr. PASTOR had nine years of expatriate assignments between Europe and China. Mr. PASTOR began his automotive career with General Motors in 1984 at the former Saginaw Steering Gear Division. He obtained a Bachelor of Science degree in electrical engineering with minors in mathematics and chemistry, summa cum laude, from Saginaw Valley State College, the USA, in 1987 and a Master of Science degree in electrical engineering from Oakland University, the USA, in 1990.

ZIPARO, Peter Michael, aged 51, was appointed as our Vice President and General Counsel on December 1, 2016. He is responsible for managing all global legal and compliance matters for the Group. Mr. ZIPARO offers over 16 years of relevant experience in the automotive industry and over 24 years of legal experience. Mr. ZIPARO is also a member of the GSC. Prior to joining Nexteer, he served as Vice President and General Counsel of Visteon Corporation, a Tier-One automotive supplier from April 2014 to March 2016, an Assistant General Counsel from 2005 to 2014 and an Associate General Counsel from 2002 to 2005. Mr. ZIPARO's experience also includes posts as Corporate Associate with international law firms, Morrison & Foerster LLP and Chadbourne & Parke LLP. He obtained a bachelor's degree, with honors in mathematics, from Hamilton College, the USA, in May 1991 and a juris doctor degree, magna cum laude, from Albany Law School, the USA, in May 1994.

BENSON, OT, aged 46, was appointed as our Vice President, Global Sales and Marketing on January 2, 2019 and is responsible for global sales and marketing – leading cross functional teams to achieve strategic sales goals. Mr. BENSON is a member of the GSC. He offers almost 15 years of service in the automotive industry, primarily within global supply chain management, in addition to 8 years of active duty service in the United States Air Force. Mr. BENSON most recently served as Vice President, Global Supply Management (**GSM**) since June 2018 and Director of North America GSM since 2013. In these roles, Mr. BENSON was responsible for managing supply chain operations, developing supplier relationships and delivering benchmark material cost, quality and launch performance to our North America plants in the US and Mexico. In 2017, Mr. BENSON rejoined Nexteer after serving two years as Vice President of Global Procurement at Nidec Motor Corporation. Mr. BENSON began his career with Delphi Steering's GSM team in 2005, where he held positions including China Business Line Purchasing Manager, Suzhou Steering Purchasing Manager and Enterprise Commodity Manager. Mr. BENSON holds a Bachelor of Science in marketing and Asian studies from Utah State, the USA; a Master of Business Administration in international management from East Carolina University, the USA; and a Master of Arts in Chinese linguistics from the University of Hawaii at Manoa, the USA.

XU, Cathy (許瑩), aged 51, was appointed as our Vice President, Global Human Resources (**HR**) on June 4, 2018 and is responsible for all HR activities, including leading the global HR team to cultivate our "One Nexteer" culture at all levels of the organisation. Ms. XU is a member of the GSC. She offers more than 12 years of service in the automotive industry and the HR function. Ms. XU most recently served as Executive Director, Global HR since June 2017. In this role, Ms. XU was responsible for establishing global HR strategies and enhancing the global HR team's competencies. Ms. XU joined the Company in 2006, based in Suzhou, China, where she has served as Divisional HR Director of Asia Pacific, Country HR Director of China and Plant HR Manager of Suzhou, China. Ms. XU holds a Bachelor of Science in business administration and a Master of Executive Business Administration from Nanjing University, China.

ORSINI, Salvatore Dino, aged 51, was appointed as our Vice President, Global Chief Supply Chain Management Officer on March 17, 2021. He is responsible for managing all aspects of Nexteer's global supply chain operations, including Direct Material, Indirect Material, Product Line Purchasing, Strategic Commodity Management, and Supplier Quality & Development objectives. Mr. ORSINI is a member of the GSC. He brings over 25 years of global supply chain management experience from the automotive and aerospace industries. Prior to his current role, he was Executive Director, Global Supply Chain Management from June 2020 to March 2021. Before Mr. ORSINI joined Nexteer, he was the Director of Purchasing, Chassis at General Motors Company from 2013 to 2019. His experience also includes global leadership roles at Rolls-Royce Aerospace, Aptiv, and Delphi. Mr. ORSINI obtained a bachelor's degree in business administration from Central Michigan University, the USA, in 1993.

BYERS, David Michael, aged 55, was appointed as our Vice President, Global Electric Power Steering Product Line on March 17, 2021. He is responsible for developing the overall global EPS product line business plan, strategy and competitiveness. He is a member of the GSC. Mr. BYERS has over 33 years of automotive engineering experience. He previously served as Product Line Executive Director – Global EPS from December 2019 to March 2021. He has been an impactful leader at Nexteer, Delphi and GM serving in different roles such as Product Line Executive Director for Rack EPS, Chief Manufacturing Engineer and other leadership roles within engineering. Overall, Mr. BYERS has 15 years of product engineering experience, 15 years of manufacturing engineering/operations experience and 3 years of Product Line Management experience. He has been responsible for 11 US patents and 4 defensive publications throughout his career. Mr. BYERS began his automotive career with General Motors in 1987 at the former Saginaw Steering Gear Division. He obtained a Bachelor of Science degree in mechanical engineering from Clarkson University, the USA, in 1987 and a Master of Business Administration from the University of Michigan – Flint, the USA, in 1993.

DRALLE, Jill Annette, aged 49, was appointed as our Vice President, Chief Operating Officer, USA on March 17, 2021. She is responsible for the entire USA business, gaining commitments from the business lines and leveraging corporate functions to meet the business plan of the division. Ms. DRALLE brings over 26 years of relevant automotive experience. Prior to her current role, she was Chief Operating Officer of US Operations with a dual role as General Manager of the Columns-HPS Business Unit in Saginaw from May 2019 to March 2021. Ms. DRALLE has held many essential positions at Nexteer since 2008. She was Executive Director of Operational Excellence & Strategy for North America from 2014 to 2018, Plant Manager of Driveline from 2012 to 2014, Plant Operations Manager from 2011 to 2012, and Lean Change Agent for multiple plants from 2008 to 2011. Before Ms. DRALLE joined Nexteer she worked at Delphi Automotive Systems in varying key roles in industrial and manufacturing engineering, quality and operations management. Ms. DRALLE began her automotive career in 1994 with General Motors at the former Saginaw Steering Gear Division and held numerous assignments of increasing responsibility in manufacturing engineering. Ms. DRALLE obtained a bachelor's degree in engineering from Saginaw Valley State University, the USA, in 1993 and was honored as a distinguished alumni in 2019.

GONZALEZ, Luis Ricardo, aged 61, was appointed as our Vice President, Chief Operating Officer, Mexico on March 17, 2021. He is responsible for our Mexico Operations. He has over 36 years of operational experience and 28 years of automotive experience. Mr. GONZALEZ previously served as Chief Operating Officer, Mexico from 2017 to 2021. He was also the Mexico Operations Director from 2011 to 2017. Prior to joining Nexteer, Mr. GONZALEZ served as the Director of Mexico Manufacturing Operations and Country Manager at Autoliv Inc. He has also held impactful roles at Sensata, TRW Automotive, and Siemens. Mr. GONZALEZ holds a bachelor's degree in industrial and systems engineering from Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) (Monterrey Institute of Technology and Higher Education), Mexico, in 1980. He also obtained a master's degree in industrial engineering from Georgia Institute of Technology, the USA, in 1983 and a Master of Business Administration from Webster University, the USA, in 1993.

RELATIONSHIPS BETWEEN DIRECTORS AND SENIOR MANAGEMENT

None of the Directors or members of the Senior Management are related to any other Director or member of the Senior Management.

Directors' Report

The Directors are pleased to present their report together with the Consolidated Financial Statements.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on August 21, 2012 as an exempted company with limited liability under the Companies Laws (as amended), of the Cayman Islands (the **Companies Law**). The Company's shares (the **Shares**) were listed on the Hong Kong Stock Exchange on October 7, 2013.

PRINCIPAL ACTIVITIES

The Group develops, manufactures and supplies advanced steering and driveline systems to OEMs throughout the world.

BUSINESS REVIEW

A review of the business of the Group for the year ended December 31, 2020 and a discussion on the Group's future prospects are provided in the Management Discussion and Analysis on pages 37 through 48 and in the CEO Statement on pages 7 through 8. An analysis of the Group's performance during the year using financial key performance indicators is provided within the Financial Highlights on page 36. In addition, discussions on the Group's key policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report on pages 78 through 89 and in this Directors' Report.

KEY RISK AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks rests with every function at divisional and department levels. The Group recognises that operational risks cannot be eliminated completely and that it may not always be cost effective to do so.

Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. Functions such as, but not limited to, Internal Audit and Internal Control have the responsibility for providing assurance on the internal control framework. Key operational risk exposures are communicated to Senior Management as early as possible so that appropriate risk response can be taken.

Financial Risk

In the course of business activities, the Group is exposed to a variety of financial risks, including market, liquidity and credit risks. The currency environment, interest rate cycles and mark-to-market value of investment securities may pose significant risks to the Group's financial condition, results of operations and businesses. The financial risk management objectives and policies of the Group can be found in note 3 to the Consolidated Financial Statements.

Business Risks

Cyclical industry and a decline in production levels

Our sales are driven by the number of vehicles produced by the automotive manufacturers which is ultimately dependent on consumer demand. The automotive industry is cyclical and sensitive to general economic conditions, including the global credit markets, interest rates, consumer credit, and consumer spending and preferences. Automotive sales and production can also be affected by the age of the vehicle fleet and related scrappage rates, labour relation issues, fuel prices, regulatory requirements, government initiatives, trade agreements, restructuring actions of our customers and suppliers, increased competition and other factors.

Concentration of sales and terms and conditions of the agreement with GM

The supply of products to GM are governed by various agreements and standard terms and conditions applicable to each program. Certain limited programs also remain subject to a supply agreement, dated November 30, 2010, pursuant to which we have agreed to continue to manufacture and deliver certain products to GM. For the years ended December 31, 2019 and 2020, our largest customer, GM, accounted for approximately 37% and 35% of our consolidated revenues, respectively. A significant decrease in business from GM could materially and adversely impact our business, results of operations and financial condition.

Loss of business or lack of commercial success

Purchase orders generally provide for the supply of a customer's annual requirements for a particular vehicle model, and in some cases, for the supply of a customer's requirements for the life of a particular vehicle model, rather than for the purchase of a specific quantity of products. Lack of commercial success could reduce our revenues or margins and thereby adversely affect our financial condition, operating results and cash flows.

Inability to achieve product cost reductions

During negotiations with the customers, customers tend to demand price reduction over the life of a vehicle model. We also bear significant responsibility on the product design, development and manufacturing engineering. Our financial performance is largely dependent on our ability to achieve product cost reductions through product design enhancement and manufacturing efficiencies. If we fail to achieve cost reductions, it would adversely affect our financial condition, operating results and cash flows.

Increase in costs and restrictions on availability of raw materials and component supply

The cost of raw materials accounted for approximately 60.1% and 58.6% of our consolidated revenues for the years ended December 31, 2020 and 2019, respectively. Raw material, energy, and commodity costs can be volatile. If the costs of raw materials, energy, commodities, and product components increase or the availability thereof is restricted, it could adversely affect our financial condition, operating results and cash flows.

The COVID-19 pandemic and government actions and measures taken to prevent its spread continue to affect our operations. In response to COVID-19, we previously suspended the majority of our global manufacturing operations. By May 2020, we had resumed our global manufacturing operations. Government-imposed restrictions on businesses, operations and travel, and the related economic uncertainty, have impacted demand for our customers' vehicles in most global markets. The extent of COVID-19's impact on our future operations, liquidity and the demand for our products will depend upon, among other things, the duration and severity of the outbreak or subsequent outbreaks, related government responses, such as required physical distancing or restrictions on business operations and travel, the pace of recovery of economic activity and the impact to our customers, the effectiveness of available vaccines and any potential supply disruptions, all of which are uncertain and difficult to predict in light of the rapidly evolving landscape.

As a result of the COVID-19 pandemic and other factors, the automotive industry and the Company are currently experiencing global shortages in the supply of various sub-components and raw materials, including semi-conductors. These supply shortages have impacted multiple customers and suppliers resulting in reductions or suspension of vehicle production. We expect these supply shortages will have a short-term impact on our business, however, there can be no assurance that these supply shortages will not continue longer than expected or expand to other materials used by the Company, its suppliers or its customers and may have a significant impact on our future operations and liquidity.

Substantial international operations

As a result of our global presence, a significant portion of our revenues and expenses are denominated in currencies other than the US dollar. International operations are subject to certain risks inherent in doing business abroad, including exposure to local economic conditions; political, economic, and civil instability and uncertainty; labour unrest; an outbreak of a contagious disease, an epidemic or pandemic or other public health crises, which may cause us or our suppliers and/or customers to temporarily suspend operations in the affected city or country; currency exchange rate fluctuations and the ability to hedge currencies; and increases in working capital requirements related to long supply chains.

Highly competitive industry and efforts by our competitors to gain market share

We operate in a highly competitive industry and our competitors are seeking to expand market share with new and existing customers. Our competitors' efforts to grow market share could create downward pressure on our product pricing and margins. If we are unable to differentiate our products or maintain a low-cost footprint, we may lose market share or be forced to reduce prices, thereby lowering our margins. Any such occurrence could adversely affect our financial condition, operating results and cash flows.

Our existing indebtedness and the inability to access capital markets

As at December 31, 2020, we had approximately US$248.6 million of outstanding indebtedness, as well as US$379.4 million available but not yet drawn under our credit facilities. The debt instruments governing our indebtedness contain covenants that may restrict our business activities or our ability to execute our strategic objectives, and our failure to comply with these covenants could result in a default under our indebtedness. Additionally, any downgrade in the ratings that rating agencies assign to us and our debt may ultimately impact our access to capital markets. Our inability to generate sufficient cash flow to satisfy our debt and lease obligations, to refinance our debt obligations or to access capital markets on commercially reasonable terms could adversely affect our financial condition, operating results and cash flows.

Impairment charges relating to our long-lived assets

We regularly monitor our long-lived assets for impairment indicators. Our consolidated balance sheet as at December 31, 2020 reflects a carrying amount of capitalised engineering and product development costs of US$657.5 million, a carrying amount of property, plant and equipment of US$1,009.3 million and a carrying amount of right-to-use assets of US$57.3 million. In the event that we determine that our long-lived assets are impaired, we may be required to record a significant charge to earnings that could adversely affect our financial condition or operating results as set out in notes 2.8, 6 and 8 to the Consolidated Financial Statements.

Our intellectual property portfolio

We own intellectual property, including patents, trademarks, copyrights and trade secrets. In some cases, we enter into licensing agreements with respect to intellectual property. In addition, we rely on unpatented proprietary technology. These assets play an important role in maintaining our competitive position. We may assert claims against third parties that we believe are infringing on our intellectual property rights. These claims, regardless of their merit or resolution, are typically costly to pursue. Risks related to the protection of our intellectual property could have a material adverse effect on our business, results of operations and financial condition.

Significant product liability lawsuit or warranty claim

In the event that our products fail to perform as expected, whether alleged or due to an actual fault, we may be subject to product liability lawsuits and other claims or we may be required by our customers or regulators to participate in a recall or other corrective action involving such products. We have also entered into agreements with certain customers where these customers may pursue claims against us for all or a portion of the amounts sought in connection with product liability and warranty claims. We carry insurance for certain product liability claims, but such coverage may be limited. These types of claims could adversely affect our financial condition, operating results and cash flows. As at December 31, 2020, our consolidated balance sheet includes provisions totalling US$56.6 million related to estimated warranty and product liability obligations.

Information Technology

A failure of our information technology (**IT**) infrastructure could adversely impact our business and operations. We rely on the capacity, reliability and security of our IT systems and infrastructure. IT systems are vulnerable to disruptions, including those resulting from natural disasters, cyber-attacks or failures in third-party provided services. Disruptions and attacks on our IT systems pose a risk to the security of our systems and our ability to protect our networks and the confidentiality, availability and integrity of our third-party data. As a result, such attacks or disruptions could potentially lead to the inappropriate disclosure of confidential information, including our intellectual property, improper use of our systems and networks, manipulation and destruction of data, production downtimes and both internal and external supply shortages. This could cause significant damage to our reputation, affect our relationships with our customers and suppliers, lead to claims against the Company and ultimately, adversely affect our business.

Environmental laws and regulations

Our manufacturing facilities are subject to numerous laws and regulations designed to protect the environment. If we fail to comply with present and future environmental laws and regulations, we could be subject to future liabilities, which could adversely affect our financial condition, operating results and cash flows.

Global climate change and related emphasis on ESG matters by various stakeholders could negatively affect our business

Increased public awareness and concern regarding global climate change may result in more regional and/or federal requirements to reduce or mitigate the effects of greenhouse gas emissions. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. Such regulatory uncertainty extends to future incentives for energy efficient vehicles and costs of compliance, which may impact the demand for our products and our results of operations.

There is a growing consensus that greenhouse gas emissions are linked to global climate changes. Climate changes, such as extreme weather conditions, create financial risk to our business. For example, the demand for our products and services may be affected by unseasonable weather conditions. Climate changes could also disrupt our operations by impacting the availability and cost of materials needed for manufacturing and could increase insurance and other operating costs. These factors may impact our decisions to construct new facilities or maintain existing facilities in areas most prone to physical climate risks. The Company could also face indirect financial risks passed through the supply chain, and process disruptions due to physical climate changes could result in price modifications for our products and the resources needed to produce them.

Further, customer, investor, and employee expectations in areas such as the environment, social matters and corporate governance (**ESG**) have been rapidly evolving and increasing. Specifically, certain customers are beginning to require that the Company provide information on its plans relating to certain climate-related matters such as greenhouse gas emissions. The enhanced stakeholder focus on ESG issues relating to the Company requires the continuous monitoring of various and evolving standards and the associated reporting requirements. A failure to adequately meet stakeholder expectations may result in the loss of business, diluted market valuation, an inability to attract customers or an inability to attract and retain top talent.

Income Tax Legislation and Regulatory Environment

The Organisation for Economic Co-operation and Development (**OECD**), which represents a coalition of member countries, has recommended changes to numerous long-standing tax principles relating to Base Erosion and Profit Shifting (**BEPS**). These changes are being adopted and implemented by many of the countries in which we do business and may increase our taxes in these countries. In addition, the European Commission has launched several initiatives to implement BEPS actions including anti-tax avoidance directives (**ATAD I & II**), a proposal to address the allocation of taxing rights between jurisdictions (Pillar One) and a proposal that calls for the development of a coordinated set of rules to address ongoing risks from structures that allow multinational enterprises to shift profit to jurisdictions where they are subject to no or very low taxation (Pillar Two). It is unclear at present if and how these initiatives will be implemented by the European Union countries. The shape and implementation of this reform may adversely impact our consolidated effective tax rate.

In December 2017, the US enacted the Tax Cuts and Jobs Act of 2017 (**US Tax Act**). The US Tax Act includes a number of significant changes to existing US corporate tax laws that impact the Company. These changes include, among other things, a corporate income tax rate reduction from 35% to 21%, a deduction for Foreign-Derived Intangible Income (**FDII**), and the elimination or reduction of certain US deductions and credits including limitations on the deductibility of interest expense. The US Tax Act also transitions US international taxation from a worldwide system to a modified territorial system. This modified territorial system includes the establishment of a minimum tax on certain payments from the Company's US subsidiaries to related foreign persons as a base erosion and anti-abuse tax (**BEAT**) became effective in 2018. During 2018, 2019 and 2020, the US Internal Revenue Service issued various forms of guidance (e.g., Notices of proposed rulemaking and proposed/final Treasury regulations) implementing and clarifying aspects of the US Tax Act and other related topics, such as the BEAT, FDII, foreign tax credit computations, interest expense limitations under Section 163(j), and deductibility of interest and/or royalty payments made by US corporate taxpayers to foreign related parties in so-called "hybrid mismatch" arrangements under section 267A. The Company has considered all guidance issued and reflected any changes in the income tax provision for the year ended December 31, 2020. Additional guidance on other aspects of the US Tax Act, and the finalisation of certain proposed regulations, is still in process and expected to be released in the near future. In addition, newly elected US President Biden and his Administration may propose changes to the US Tax Act, the potential scope of these changes to the Company is not yet clear.

The preferential tax treatment that our PRC subsidiaries currently enjoy may be changed or discontinued, which may adversely affect our business, results of operations and financial condition. Nexteer Suzhou, Nexteer Lingyun Driveline (Zhuozhou) Co., Ltd. and Nexteer Lingyun Driveline (Wuhu) Co., Ltd. are expected to maintain high-tech certificates, which were scheduled to expire in 2020, 2022 and 2022, respectively. Early in 2021, Nexteer Suzhou will file an application for approval to extend its high-tech certificate through 2023. In order to maintain eligibility for the preferential income tax rate of 15%, the subsidiaries are obligated to meet on-going requirements. We cannot assure that we will maintain this preferential tax rate for future periods. Nexteer Automotive Systems (Liuzhou) Co., Ltd. receives a special "Go West" preferential 15% income tax rate, which was scheduled to end during 2020, but now has been extended through 2030.

Any of these changes could impact the Company, our shareholders, and affiliates, and could adversely affect the Company by changing our effective tax rate and limiting the Company's ability to utilise cash in a tax efficient manner.

Strategic Objectives Risk

Our financial performance depends, in part, on our ability to successfully execute our strategic objectives. Our strategy is to deliver superior long-term shareholder value by growing our business through investments and improving our competitive position, while maintaining a strong balance sheet and returning cash to our shareholders. Our failure to execute our strategic objectives could adversely affect our financial condition, operating results and cash flows.

Joint Venture Partners Risk

Some of the businesses of the Group are conducted through non wholly-owned subsidiaries, associates, joint ventures and joint operations in which the Group shares control with the joint venture partners. There is no assurance that any of these joint venture partners will continue their relationships with the Group in the future or whether their goals or strategies are in line with the Group. Such joint venture partners may have business interests or goals which are different from the Group. They may experience financial and other difficulties or may be unable to fulfill their obligations under the joint ventures which may affect the Group's businesses and operations.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of approximately US$23.6 million, or approximately US$0.0094 per Share, which represents approximately 20% of the Group's net profit attributable to equity holders for the year ended December 31, 2020, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the **AGM**).

The payment shall be made in US dollars, except that payment to shareholders whose names appear on the register of members in Hong Kong shall be paid in Hong Kong dollars. The relevant exchange rate shall be the opening buying rate of Hong Kong dollars to US dollars as announced by the Hong Kong Association of Banks (www.hkab.org.hk) on the day of the approval of the distribution at the AGM.

DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to approximately US$440.4 million (as at December 31, 2019: US$532.6 million).

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2020 are set out in note 33 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Amended and Restated Memorandum and Articles of Association of the Company (the **Articles of Association**) or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

EQUITY-LINKED AGREEMENTS

Details of the share options granted in prior years and current year are set out in note 24 of the Consolidated Financial Statements and 'Share Option Scheme' section contained in this Directors' Report. There were no share options granted during the year ended December 31, 2020. Except as disclosed above, the Company has not entered into any equity-linked agreements for the year ended December 31, 2020.

ESG SUMMARY

The Group is committed to conducting our business in an environmentally sound manner and has adopted the ESG Reporting Guide as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**). The Board will continue to monitor such policies to ensure the Company remains compliant with the relevant laws and regulations that have a significant impact on the Company in relation to the environment, employment, labour and operation. In addition to carrying out the corporate-wide programmes the Company has initiated, all of our employees are required to be familiar with environmental laws and regulations relevant to their employment responsibilities and to comply with them. In accordance with the ESG Reporting Guide, as set out in Appendix 27 to the Listing Rules, details of the above information will be set out in our ESG report (annual Sustainability Report), which is to be published on www.nexteer.com within 3 months of the issuance of this annual report.

CHARITABLE DONATIONS

During 2020, the charitable contributions and other donations made globally by us amounted to US$0.3 million.

In 2020, our employees volunteered more than 7,000 hours of time supporting local charitable efforts and creating brand awareness through the Company's philanthropic activities.

DIRECTORS

The Directors in office during the year ended December 31, 2020 and as at the date of this annual report were as follows:

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

Non-Executive Directors
WANG, Jian (王堅) *(Chairman)*
ZHANG, Jianxun (張建勛) (resigned with effect from November 13, 2020)
LIU, Ping (劉平)
ZHANG, Wendong (張文冬) (appointed with effect from November 13, 2020)

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

Further details of the Directors are set forth in the section headed 'Directors and Senior Management' in this annual report.

Pursuant to Article 16.2 of the Articles of Association, any Director appointed by the Board, either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next following AGM of the Company and shall then be eligible for election at that meeting.

Pursuant to Article 16.18 of the Articles of Association, at every AGM one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Details of the Directors to be re-elected at the AGM will be set out in the circular to the shareholders of the Company prior to its upcoming AGM.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Except as disclosed in the section headed 'Directors and Senior Management' in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the publication of the 2020 interim report of the Company.

SERVICE CONTRACTS OF DIRECTORS

Executive Directors

Each of the Executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as Executive Directors for a term of three years with effect from June 15, 2019, June 3, 2019 or June 30, 2020, which shall be renewed as determined by the Board or the shareholders of the Company. The appointment of each of the Executive Directors may be terminated by either party by giving at least three months' written notice to the other.

Non-Executive Directors

Each of the non-Executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as a non-Executive Director for a term of three years with effect from June 3, 2019 or November 13, 2020, which shall be renewed as determined by the Board or the shareholders of the Company. The appointment of each of the non-Executive Directors may be terminated by either party by giving at least three months' written notice to the other.

Independent Non-Executive Directors

Each of the Independent non-Executive Directors has been appointed for a term of three years with effect from June 15, 2019 or August 15, 2020, which shall be renewed as determined by the Board or the shareholders of the Company. The appointment of each of the Independent non-Executive Directors may be terminated by either party giving at least three months' written notice to the other.

All of the appointments of Directors are subject to the provisions of the Articles of Association with regard to vacating the office of Directors, removal and retirement by rotation of Directors. Except for directors' fees, none of the Independent non-Executive Directors is expected to receive any other remuneration for holding their office as an Independent non-Executive Director.

None of the Directors who are proposed for re-election at the forthcoming AGM has or is proposed to have a service contract that is not terminable by the Company within one year without the payment of compensation (other than statutory compensation).

DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

There were no transactions, arrangements and significant contracts with any member of the Group as the contracting party and in which the Directors and the Directors' connected party possessed direct or indirect substantial interests, and which was still valid on December 31, 2020 or at any time during such year and related to the business of the Group.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

During the year ended December 31, 2020, none of the Directors are considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY

Article 33 of the Articles of Association provides that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or willful defaults. The Company has arranged for appropriate insurance coverage in respect of potential legal actions against its Directors and Senior Management.

PRINCIPAL SUBSIDIARIES

The Group's operations are conducted on a global basis through its direct or indirect subsidiaries. Details of the subsidiaries of the Company as at December 31, 2020 are set out in note 35 to the Consolidated Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2020, the percentages of purchases attributable to the Group's major suppliers are as follows:

- the largest supplier: 10%
- five largest suppliers in aggregate: 34%

During the year ended December 31, 2020, the percentages of revenue attributable to the Group's major customers are as follows:

- the largest customer: 35%
- five largest customers in aggregate: 86%

As far as the Company is aware, none of the Directors nor any of his associates and none of the shareholders possessing over 5% of the interest in the share capital of the Company possessed any interests in the abovementioned suppliers and customers.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on June 5, 2014, the Company adopted a share option scheme (the **Share Option Scheme**).

1. **Purpose**
   The purposes of the Share Option Scheme are: (1) to align the interests of the Company's Directors and senior management with the Company's performance and strategic objectives so as to lay a foundation for the Company's future development and maximise the shareholders' value and (2) to attract, retain and motivate employees in key positions required for attaining the Company's strategic objectives by offering competitive general remuneration in the human resources market.

2. **Participants**
   The Board may, at their discretion, invite any Directors (excluding Independent non-Executive Directors), senior management, as well as other key employees approved by the Board (which means those who are responsible for the decision-making, operation and management of the Company) as the Participants (as defined under the Share Option Scheme).

3. **Maximum number of shares subject to Options (as defined under the Share Option Scheme)**

(a) The shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option scheme(s) adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not in aggregate exceed 249,780,400 shares (the **Scheme Mandate Limit**), representing approximately 9.96% of the issued share capital of the Company as at the date of this report.

(b) The Company may refresh the Scheme Mandate Limit at any time subject to prior approval of the shareholders in a general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the shares in issue as at the date of the aforesaid approval by the shareholders in a general meeting. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed.

(c) The Company may also seek separate approval of the shareholders in a general meeting to grant Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before the aforesaid shareholders' meeting at which such approval is sought.

(d) Subject to the requirements of the Listing Rules, the number of securities may be issued upon the exercise of all outstanding Options granted under the Share Option Scheme and any other schemes shall not exceed 30% of the relevant class of securities in issue of the Company (or its related subsidiaries) from time to time.

(e) Unless approved by the shareholders in the manner set out in this paragraph, the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted under the Share Option Scheme of the Company to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the **Individual Limit**). Any further grant of Options to a Participant which would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of the shareholders in a general meeting with such Participant and his associates abstaining from voting.

(f) Each grant of Options to any Director, Chief Executive Officer of the Company (**Chief Executive** or **Chief Executive Officer**) or substantial shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the Independent non-Executive Directors of the Company. Where any grant of Options to a substantial shareholder, or any of its respective associates, would result in the number of shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

(i) Representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Hong Kong Stock Exchange) of the shares in issue; and

(ii) Having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange on the date on which the Board resolves to make an Offer (as defined under the Share Option Scheme) of that Option to the Participant or such other date as designated by the Board (the **Date of Grant**), in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Hong Kong Stock Exchange), such further grants of Options shall be subject to the prior approval by the shareholders (voting by way of poll) in a general meeting. The Company shall send a circular to the shareholders in accordance with the Listing Rules and all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour of the resolution at such general meeting.

4. **Acceptance period**
   A Share Option may be accepted by a Participant within a certain number of days from the date of the offer of the grant of the Option as indicated in the offer.

5. **Exercise period**
   The period within which the Options may be exercised must expire no later than 10 years from the relevant Date of Grant.

6. **Minimum holding period**
   The Option must be held for one year from the Date of Grant before it can be exercised. The vesting period shall be three years and one-third shall be vested at each anniversary from the Date of Grant.

7. **Consideration for acceptance**
   The consideration payable for acceptance of the Option of grant by each Participant is HK$1.00. If the Participant does not accept such grant of Option pursuant to the procedures specified in the respective grant agreement or notice within the stipulated timeframe, such Option shall be regarded as unaccepted and lapsed.

8. **Subscription Price**
   The Subscription Price (as defined under the Share Option Scheme) shall be such price determined by the Board in its absolute discretion and notified to the Participant in the Offer and shall be no less than the higher of:

   (a) the closing price of a share as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange on the Date of Grant;

   (b) the average closing price of the shares as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange for the five business days immediately preceding the Date of Grant; or

   (c) the nominal value of a share.

9. The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme was adopted and has a remaining term of approximately 3 years as at the date of this report.

The summary of the Options granted under the Share Option Scheme that were still outstanding as at December 31, 2020 are as follows (there were no Options granted during the year ended December 31, 2020):

	Grant date	Options Granted	Options held at January 1, 2020	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year	Options held at December 31, 2020	Exercise period[1]	Exercise price per share (HK$)	Share price on the grant date[2] (HK$)	Share price on the exercise date (HK$)	Weighted average closing price of the Company's shares immediately before the exercise date (HK$)
Director												
ZHAO, Guibin	June 11, 2014	1,667,970	1,667,970	–	–	–	1,667,970	June 11, 2014 – June 10, 2024	5.150	5.150	N/A	N/A
	June 10, 2015	1,667,970	1,667,970	–	–	–	1,667,970	June 10, 2015 – June 9, 2025	8.610	8.480	N/A	N/A
	June 10, 2016	1,667,970	1,111,980	–	–	–	1,111,980	June 10, 2016 – June 9, 2026	7.584	7.340	N/A	N/A
	May 29, 2017	1,667,970	1,111,980	–	–	555,990	555,990	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	1,667,970	1,667,970	–	–	555,990	1,111,980	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	1,667,970	1,667,970	–	–	555,990	1,111,980	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
RICHARDSON, Michael Paul[3]	May 29, 2017	2,633,650	877,880	–	–	877,880	–	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	2,633,650	2,633,650	–	–	2,633,650	–	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	2,633,650	2,633,650	–	–	2,633,650	–	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
MILAVEC, Robin Zane[4]	May 30, 2018	526,730	526,730	–	–	175,580	351,150	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	1,667,970	1,667,970	–	–	555,990	1,111,980	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
FAN, Yi	June 11, 2014	526,730	526,730	–	–	–	526,730	June 11, 2014 – June 10, 2024	5.150	5.150	N/A	N/A
	June 10, 2015	526,730	526,730	–	–	–	526,730	June 10, 2015 – June 9, 2025	8.610	8.480	N/A	N/A
	June 10, 2016	526,730	351,160	–	–	–	351,160	June 10, 2016 – June 9, 2026	7.584	7.340	N/A	N/A
	May 29, 2017	526,730	351,150	–	–	175,570	175,580	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	526,730	526,730	–	–	175,580	351,150	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	526,730	526,730	–	–	175,580	351,150	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
ZHANG, Jianxun[5]	May 30, 2018	351,150	351,150	–	–	351,150	–	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	351,150	351,150	–	–	351,150	–	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
LIU,Ping	August 21, 2019	351,150	351,150	–	–	117,050	234,100	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
WANG, Jian	August 21, 2019	702,300	702,300	–	–	234,100	468,200	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
Sub-total		25,019,600	21,800,700	–	–	10,124,900	11,675,800					
All Other Participants (in aggregate)	June 11,2014	9,042,160	351,150	–	–	–	351,150	June 11, 2014 – June 10, 2024	5.150	5.150	N/A	N/A
	June 10, 2015	8,164,290	526,720	–	–	–	526,720	June 10, 2015 – June 9, 2025	8.610	8.480	N/A	N/A
	June 10, 2016	8,407,790	1,031,700	–	–	–	1,031,700	June 10, 2016 – June 9, 2026	7.584	7.340	N/A	N/A
	May 29, 2017	7,090,960	2,749,650	–	–	1,602,810	1,146,840	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	7,266,540	6,037,510	–	–	2,129,570	3,907,940	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	5,774,150	5,247,420	–	–	1,749,160	3,498,260	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
Sub-total		45,745,890	15,944,150	–	–	5,481,540	10,462,610					
Total		70,765,490	37,744,850	–	–	15,606,440	22,138,410					

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 the share option.

(2) The exercise price for the Options granted on June 11, 2014 was the closing price of the shares quoted on the Hong Kong 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 day on the 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 the Grant of the Options. The closing price of the shares of the Company immediately before the Date of Grant of the Options (i.e. August 20, 2019 was HK$6.350).

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

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

(5) Mr. ZHANG, Jianxun resigned as our non-Executive Director with effect from November 13, 2020.

PENSION SCHEMES

The Group has both defined contribution and defined benefit plans. Various subsidiaries within the Group operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee administered funds, determined by periodic actuarial calculations.

More detailed information regarding pension schemes is set out in note 17 to the Consolidated Financial Statements.

NON-COMPETITION UNDERTAKING FROM OUR CONTROLLING SHAREHOLDERS

On June 15, 2013, each of AVIC, AVIC Auto, PCM China and Nexteer Hong Kong, (together the **Controlling Shareholders**) provided a non-competition undertaking (the **Non-competition Undertaking**), pursuant to which each of the Controlling Shareholders has unconditionally and irrevocably undertaken that apart from the Retained Business as defined in the prospectus of the Company dated September 24, 2013 (the **Prospectus**) it will not, and will procure its subsidiaries not to, whether directly or indirectly through third parties or the provision of support to such third parties, engage in any automotive steering systems and driveline systems business (the **Core Business**) that competes, or is likely to compete, directly or indirectly with our Group. Details of the Non-competition Undertaking were disclosed in the Prospectus under the section headed 'Relationship with our Controlling Shareholders'.

On August 21, 2020, Yubei Steering Systems (Xinxiang) Co., Ltd. (formerly known as Yubei Steering Systems Co., Ltd.) (**Yubei Steering**) notified the Company in writing that AVIC has approved the transfer of the 24.93% equity interest in Yubei Steering at a base price of RMB196,697,700, and would publicly list such equity and transfer it through the Beijing Equity Exchange. Pursuant to the Non-competition Undertaking, the Company can exercise the pre-emptive right of first refusal to acquire such interest. As of August 31, 2020, having taken into account the principal factors and considerations set out below, the Independent non-Executive Directors had resolved that the Company would not exercise the pre-emptive right of first refusal to acquire the 24.93% equity interest in Yubei Steering at the proposed transaction price:

(i) the management's determination that Yubei Steering's business strategy does not appear to be aligned with the Company's long-term strategy for profitable growth as the Company is focused on systems integration, aligned with the current industry megatrends of electrification, software as a product and ADAS technologies; and

(ii) the management's determination that continued investments in its internal R & D activities, which principally focus on increasing capabilities and competencies in electrical hardware, software, and motion control algorithms, are currently the best use of its limited capital resources to achieve long-term growth and return for its customers and shareholders, versus the purchase of the 24.93% equity interest in Yubei Steering at the proposed transaction price.

Except for the non-exercise of the pre-emptive right of first refusal to acquire the 24.93% equity interest in Yubei Steering held by AVIC as disclosed above and in the announcement of the Company dated September 8, 2020, for the year ended December 31, 2020, the Group has not (1) pursued or declined any new business opportunity referred to us by the Controlling Shareholders nor (2) exercised or waived the pre-emptive rights under the Non-competition Undertaking. Certain Controlling Shareholders have provided an annual confirmation of its compliance with the Non-competition Undertaking. The Independent non-Executive Directors have reviewed and were satisfied that such Controlling Shareholders have complied with the Non-competition Undertaking for the year ended December 31, 2020.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There were no contracts of significance (including for the provision of services) with any member of the Group as the contracting party and in which any of the Controlling Shareholders possessed direct or indirect substantial interests, and which was still valid on December 31, 2020 or any time during such year and related to the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARE AND UNDERLYING SHARES

As at December 31, 2020, the interests or short positions of the Directors or Chief Executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the **SFO**)) required to be notified to the Company and the Hong Kong 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the **Model Code**) are as follows:

Interest in the Company

Name	Capacity	Nature of interest	No. of underlying Shares of the Company held(1)	Approximate Percentage of Total issued Shares(2)
ZHAO, Guibin	Director and Chief Executive Officer	Beneficial owner	7,227,870 (L)	0.29%
FAN, Yi	Director	Beneficial owner	2,282,500 (L)	0.09%
MILAVEC, Robin Zane	Director	Beneficial owner	1,463,130 (L)	0.06%
WANG, Jian	Director	Beneficial owner	468,200 (L)	0.02%
LIU, Ping	Director	Beneficial owner	234,100 (L)	0.01%

Notes:

(L) Denotes a long position in 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 shares in issue as at December 31, 2020 of 2,507,544,833.

Except as disclosed above, as at December 31, 2020, none of our Directors and Chief Executive 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 Hong Kong 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 year ended December 31, 2020.

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

As at December 31, 2020, the following shareholders (excluding the Directors and Chief Executive 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	Capacity	No. of Shares	Approximate Percentage of Total Issued Shares[(1)]
Nexteer Automotive (Hong Kong) Holdings Limited (**Nexteer Hong Kong**)[(2)]	Beneficial Owner	1,680,000,000 (L)	67.00%
Pacific Century Motors, Inc. (**PCM China**)[(2)]	Interest of controlled corporation	1,680,000,000 (L)	67.00%
AVIC Automotive Systems Holding Co., Ltd. (**AVIC Auto**)[(3)]	Interest of controlled corporation	1,680,000,000 (L)	67.00%
Aviation Industry Corporation of China, Ltd. (**AVIC**)[(3)]	Interest of controlled corporation	1,680,000,000 (L)	67.00%
JPMorgan Chase & Co.	Interest of controlled corporation	131,365,332 (L) 18,198,270 (S) 19,683,512 (P)	5.23% 0.73% 0.78%

Notes:

(L) Denotes a long position in Shares.

(S) Denotes a short position in Shares.

(P) Denotes a lending pool in Shares.

(1) The calculation is based on the total number of 2,507,544,833 Shares in issue as at December 31, 2020.

(2) Nexteer Hong Kong is wholly-owned by PCM China, which is in turn owned as to 51% by AVIC Auto and as to 49% by Beijing E-Town International Automotive Investment & Management Co., Ltd. (北京亦莊國際汽車投資管理有限公司) (a directly wholly-owned subsidiary of Beijing E-Town International Investment & Development Co. Ltd). Each of PCM China and AVIC Auto is deemed to be interested in the 1,680,000,000 Shares held by Nexteer Hong Kong.

(3) AVIC Auto is owned as to 70.11% by AVIC. AVIC is deemed to be interested in the 1,680,000,000 Shares held by Nexteer Hong Kong.

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS OF OTHER MEMBERS OF OUR GROUP

So far as our Directors are aware, as at December 31, 2020, the persons other than our Directors and our Chief Executive who were directly interested in 10% or more of the issued and outstanding share capital of our subsidiaries carrying rights to vote in all circumstances at general meetings of each relevant subsidiary, were as follows:

Member of our Group	Person with 10% or more interest (other than the Company)	Capacity	Percentage of the substantial shareholder's interest
Nexteer Lingyun Driveline (Zhuozhou) Co., Ltd.	Lingyun Industrial Corp., Ltd.	Registered owner	40%
Nexteer Lingyun Driveline (Wuhu) Co., Ltd.	Lingyun Industrial Corp., Ltd.	Registered owner	40%
Chongqing Nexteer Steering Systems Co., Ltd.	Chongqing Jianshe Industry (Group) Co., Ltd.	Registered owner	50%
CNXMotion, LLC	Continental Automotive Systems, Inc.	Registered owner	50%
Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd.	Dongfeng Motor Parts and Components (Group) Co., Ltd.	Registered owner	50%

Except as disclosed above, as at December 31, 2020, our Directors are not aware of any person who, as at December 31, 2020, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of any other member of our Group.

CONNECTED TRANSACTIONS

The Group's related parties transactions for the year ended December 31, 2020 set out in note 31(a) to the Consolidated Financial Statements constitute continuing connected transactions (as defined in Chapter 14A of the Listing Rules) as stated below and the Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules.

Continuing Connected Transactions which are Exempted from Reporting, Announcement and Independent Shareholders' Approval Requirements of the Listing Rules

Guarantees from AVIC and Beijing E-Town

By way of two loan agreements dated October 29, 2012, PCM (Singapore) Steering Holding Pte. Limited and PCM (US) Steering Holding Inc., both of which were direct wholly-owned subsidiaries of the Company, agreed to borrow US$126.0 million and US$300.0 million, respectively, from Export-Import Bank of China (the **EXIM Guaranteed Bank Loans**). The EXIM Guaranteed Bank Loans were intended to repay previous loans and fund certain acquisitions and operations of the Group, which shall be repaid in 14 installments and which commenced in June 2014 and were scheduled to be fully settled in October 2020. The total amount of guarantees provided by AVIC and Beijing E-Town to our Group amounted to US$426.0 million. The balance of the EXIM Guaranteed Bank Loans as at December 31, 2019 was US$60.0 million and the balance was repaid in full during January 2020. AVIC and Beijing E-Town are substantial shareholders of the Company and therefore are connected persons under Rule 14A.07(1) of the Listing Rules.

Such guarantees as well as the associated lower financing costs of the EXIM Guaranteed Bank Loans, being financial assistance provided by AVIC and Beijing E-Town to our Group, were for our benefit on normal commercial terms and no security over our assets was granted. Accordingly, such guarantees of the EXIM Guaranteed Bank Loans, are exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

Details of these guarantees were fully disclosed in the Prospectus under the section headed "Connected Transactions".

Continuing Connected Transactions which are Exempted from the Independent Shareholders' Approval Requirement, but subject to the Reporting, Annual Review and Announcement Requirements of the Listing Rules

*Purchase Agreements with Xinxiang Addway Automotive Technology Co., Ltd. (**Addway**)*

References are made to the Prospectus and the announcements of the Company dated December 29, 2015 (as supplemented by the announcement dated January 5, 2016), September 19, 2016, September 23, 2016, and November 28, 2016 (collectively, the **Yubei Announcements**), in relation to the continuing connected transactions between Yubei Steering and the Group (**Yubei Transactions**) under the four nomination letters issued by Nexteer Suzhou and accepted by Yubei Steering on September 20, 2013 (and which were renewed on September 19, 2016) (the **Renewed Yubei Nomination Letters**). Reference is made to the announcement of the Company dated September 10, 2018 (the **Addway Announcement**), in relation to the continuing connected transactions between Addway and the Group (the **Addway Transactions**) under the one nomination letter issued by Nexteer Suzhou and accepted by Addway on September 10, 2018 (the **Original Addway Nomination Letter**). As disclosed in Addway Announcement, the Company was informed that Yubei Steering had transferred the rights to the business dealings with the Group to Yubei Steering's wholly-owned subsidiary, Addway. All future business dealings with Yubei Steering contemplated under the Yubei Transactions will be transacted with Addway. Except for disclosed above, all other terms in the Yubei Transactions had remained the same. Reference is also made to the announcement of the Company on September 19, 2019 (the **Renewed Addway Announcement**), in relation to the renewal of continuing connected transactions between Addway and the Group (the **Renewed Addway Transactions**) under the five nomination letters issued by Nexteer Suzhou and accepted by Addway on September 19, 2019 (the **Renewed Addway Nomination Letters**). The Renewed Yubei Nomination Letters and the Original Addway Nomination Letter had all expired on September 18, 2019.

Pursuant to the Renewed Addway Nomination Letters, Nexteer Suzhou agreed to purchase, and Addway agreed to supply, certain manual and hydraulic rack and pinion gears for a term of three years commencing from September 19, 2019 to September 18, 2022. The indicative unit price for each type of the rack and pinion gears to be provided by Addway is set out in the Renewed Addway Nomination Letters. Such unit price had been determined based on arm's length negotiations between the parties and with reference to the price offered by similar independent suppliers. During the term of the Renewed Addway Nomination Letters, quotations will be obtained from similar independent supplier(s) for manual gears of similar quantities and the Company's internal sourcing council will be responsible for assessing and choosing the supplier offering the most competitive terms and conditions. Separate purchase orders will be issued from time to time to indicate the quantities required by Nexteer Suzhou for the relevant period during the term of the Renewed Addway Nomination Letters. Nexteer Suzhou will fund the purchase of the rack and pinion gears out of its internal funds.

For the year ended December 31, 2020, the Group had complied with the foregoing pricing policies and guidelines.

The annual caps (the **Annual Caps**) for the Renewed Addway Transactions are as follows:

Period	Annual Caps (RMB)
Renewed Addway Transactions	
For the three months ended December 31, 2019	1,427,000
For the year ended/ending December 31,	
2020	13,444,000
2021	26,907,000
For the nine months ending September 30,	
2022	21,464,000

In arriving at the above Annual Caps, the Directors have considered the following factors:

(i) Estimated demand for parts to be purchased by the Group under the Renewed Yubei Nomination Letters for the relevant period, and the expected demand for the Group's CEPS systems and hydraulic rack and pinion gears from the OEM customers based on their expected production volume of the relevant vehicles;

(ii) the indicative prices set out in the Renewed Yubei Nomination Letters, the Original Addway Nomination Letter and the Renewed Addway Nomination Letters, and the expected demand for the parts to be purchased by Nexteer Suzhou during the term of the Original Addway Nomination Letter;

(iii) the Group's estimated production capacity and volume in response to the estimated sales demand;

(iv) the estimated increase in product mix and lifecycle expectations for the relevant vehicles in the PRC; and

(v) the estimated market demand for relevant vehicles according to an independent third-party industry forecast provider as reference.

As at the date of entering into the Renewed Addway Nomination Letters, Addway was a wholly-owned subsidiary of Yubei Steering and Yubei Steering was indirectly held as to 49.93% by AVIC, a substantial shareholder and Controlling Shareholder of the Company. As each of Addway and Yubei Steering was an associate of AVIC, pursuant to Chapter 14A of the Listing Rules, each of Addway and Yubei Steering was regarded as a connected person of the Company and the Addway Transactions, the Yubei Transactions and the Renewed Addway Transactions constituted continuing connected transactions of the Group under the Listing Rules.

As the applicable percentage ratios (other than the profit ratio) set out in Rule 14.07 of the Listing Rules in respect of the Annual Caps for (i) the Yubei Transactions and the Addway Transactions (after aggregation) and (ii) the Renewed Addway Transactions, respectively, are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the Annual Caps are subject to the reporting and announcement requirements, but are exempt from the circular and shareholders' approval requirements. The Addway Transactions and Yubei Transactions and the Renewed Addway Transactions are subject to the annual review requirements set out in Rule 14A.55 and Rule 14A.56 of the Listing Rules.

Details of the Addway Transactions, the Yubei Transactions and the Renewed Addway Transactions were fully disclosed in the Addway Announcement, the Yubei Announcements and the Renewed Addway Announcement.

On August 21, 2020, Yubei Steering notified the Company in writing that AVIC had approved the transfer of the 24.93% equity interest in Yubei Steering at a base price of RMB196,697,700, and would publicly list such equity and transfer it through the Beijing Equity Exchange. It was reported that AVIC transferred its 24.93% equity interest in Yubei Steering as of October 23, 2020 and publicised such change on November 3, 2020. As a result, Addway and Yubei Steering ceased to be regarded as connected persons of the Company and the Addway Transactions, the Yubei Transactions and the Renewed Addway Transactions ceased to constitute continuing connected transactions of the Group under the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditor of the Company to perform review procedures on the aforesaid continuing connected transactions. Based on the work performed, the auditor of the Company had provided a letter to the Board confirming that the aforesaid continuing connected transactions:

(i) Have been approved by the Board;

(ii) Were entered into in accordance with the pricing policies of the Group;

(iii) Were entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iv) Did not exceed the Annual Cap for the year ended December 31, 2020.

A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) In the ordinary and usual course of the business of the Group;

(ii) On normal commercial terms; and

(iii) According to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended December 31, 2020, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed for the year ended December 31, 2020.

PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules up to the date of this annual report.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to the Shares of the Company, they are advised to consult an expert.

AUDITOR

The Consolidated Financial Statements have been audited by PricewaterhouseCoopers, the Company's external auditor. There had been no changes to the auditor of the Company during the past three years.

CLOSURE OF REGISTER OF MEMBERS

The Company's AGM will be held on June 8, 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from June 3, 2021 to June 8, 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on June 2, 2021.

The final dividend is payable on June 28, 2021 and the record date for entitlement to the proposed final dividend is June 17, 2021. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from June 15, 2021 to June 17, 2021, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (address as per above) for registration no later than 4:30 p.m. on June 11, 2021.

On behalf of the Board
FAN, Yi
Executive Director and Company Secretary

Hong Kong, March 17, 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

In the opinion of the directors of the Board (the **Directors**), the Company has complied with all applicable code provisions set out in the Hong Kong CG Code and all applicable laws and regulations that have a significant impact on the business and operation of the Group throughout the year ended December 31, 2020.

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

Under the Code Provision A.2.1 of the Hong Kong CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman of the Board and the Chief Executive Officer are currently two separate positions held by Mr. WANG, Jian and as the Chairman of the Board and Mr. Mr. ZHAO, Guibin as Chief Executive Officer, with clear distinction in responsibilities. The chairman of the Board is responsible for providing overall strategic planning and business development of the Group, while the Chief Executive Officer is responsible for general business operation and the implementation of overall business strategy.

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 year ended December 31, 2020.

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

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

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

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

THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board is responsible for leadership and control of the Company and the Group and for promoting the success of the Group by directing and supervising the Group's affairs. The Board is responsible for overseeing ESG issues. In addition, the Board is responsible for overseeing the corporate governance and financial reporting of the Company and for reviewing the effectiveness of the Group's system of internal control and risk management. To assist it in fulfilling its duties, the Board has established two board committees: the Audit and Compliance Committee and the Remuneration and Nomination Committee.

The Group is managed collectively by our core management team, which is comprised of the Board and senior management of the Group. Members of our Senior Management are responsible for overseeing their respective divisions and functions and making day-to-day decisions of the Group. They meet regularly to discuss issues of their respective functions and make relevant decisions and report to our Board regularly and when necessary. Our Senior Management as a whole is also responsible for formulating the overall strategies, annual budget, key business, financial and other operational policies and preparing proposals of any key business, financial and other operational decisions of the Group taking into account inputs from different functions for the Board's approval. The Board will consult with our Senior Management on such proposals and discuss the same at the Board level with an aim to reach a consensus that is in the best interest of the Group. Once the key policies and decisions are formulated and made, our Senior Management as a whole will implement the same throughout the Group. Accordingly, the overall strategic and other key business, financial and operational policies and decisions of the Group are made collectively from its inception to implementation after thorough discussion at both Board and Senior Management levels.

The Board has established clear guidelines with respect to matters that must be approved or recommended by the Board, including, without limitation, approval and adoption of the Group's annual operating budget and capital expenditure budget; the hiring or dismissal of the Chief Executive Officer, Chief Financial Officer (the **CFO**), Company Secretary or certain other members of the senior management team; and approving and recommending significant transactions. The Group has arranged for appropriate insurance coverage in respect of potential legal actions against its Directors and senior management.

Composition of the Board, Number of Board Meetings and Directors' Attendance

As at December 31, 2020, the Board consists of nine Directors, including three Executive Directors, namely ZHAO, Guibin (Vice Chairman), MILAVEC, Robin Zane (appointed with effect from June 30, 2020) and FAN, Yi, three non-Executive Directors namely WANG, Jian (Chairman), LIU, Ping and ZHANG, Wendong (appointed with effect from November 13, 2020) and three Independent non-Executive Directors, namely LIU, Jianjun, WEI, Kevin Cheng and YICK, Wing Fat Simon. The biographical details of each current Director and their respective responsibilities and dates of appointment are included in the section headed 'Directors and Senior Management' of this annual report. None of the Directors or chief executive is related to one another.

The following is the attendance record of the Directors at the Board and committee meetings, and the annual general meeting held for the year ended December 31, 2020:

	Attendance/number of Meetings in 2020			
Name of Director	Board	Remuneration and Nomination Committee	Audit and Compliance Committee	Annual General Meeting
ZHAO, Guibin (趙桂斌)	4/4	N/A	N/A	1/1
RICHARDSON, Michael Paul(1)	N/A	N/A	N/A	N/A
MILAVEC, Robin Zane(2)	3/3	N/A	N/A	N/A
FAN, Yi (樊毅)	4/4	N/A	N/A	1/1
WANG, Jian (王堅)	4/4	N/A	N/A	1/1
ZHANG, Jianxun (張建勛)(3)	4/4	5/5	N/A	1/1
ZHANG, Wendong (張文冬)(4)	N/A	N/A	N/A	N/A
LIU, Ping (劉平)	2/4	N/A	1/3	1/1
LIU, Jianjun (劉健君)	4/4	4/5	N/A	1/1
WEI, Kevin Cheng (蔚成)	4/4	N/A	3/3	1/1
YICK, Wing Fat Simon (易永發)	4/4	5/5	3/3	1/1

Notes:

(1) Mr. RICHARDSON, Michael Paul retired as our Executive Director with effect from January 1, 2020 due to his decision to retire.

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

(3) Mr. ZHANG, Jianxun resigned as our non-Executive Director with effect from November 13, 2020 due to personal work adjustment.

(4) Ms. ZHANG, Wendong was appointed as our non-Executive Director with effect from November 13, 2020.

PRACTICES AND CONDUCT OF MEETINGS

Notice of regular Board meetings is given to all Directors at least 14 days in advance, and reasonable notice is generally given for other Board meetings. Annual meeting schedules and the draft agenda of each meeting are normally made available to Directors in advance. Arrangements are in place to allow Directors to include items in the agenda, and final agendas together with relevant supporting documents are sent to Directors at least 3 days before each regular Board meeting, and as soon as practicable before other Board meetings, so that the Board can make informed decisions on matters placed before it. Each Director also has separate and independent access to the senior management where necessary. Minutes of the Board meetings are kept by the Company Secretary. Draft minutes are circulated to Directors for comment within a reasonable time after each meeting.

If a Director or any of their associates has a material interest in a transaction, that Director is required to abstain from voting and not to be counted in the quorum at the meeting for approving the transaction.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended December 31, 2020, the Board met the requirements of the Listing Rules relating to the appointment of at least three Independent non-Executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written confirmation from each of the Independent non-Executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all Independent non-Executive Directors to be independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company uses a formal and transparent procedure for the appointment, election and removal of Directors, which is set out in the Company's Articles of Association and is led by the Remuneration and Nomination Committee, which will make recommendations on appointment of new Directors to the Board for approval.

Further details relating to the appointment, election and removal of Directors and the service contracts of Directors are set out in the sections headed 'Directors' and 'Service Contracts of Directors' in the Directors' Report included in this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director receives a comprehensive introduction to the Company in order to ensure his understanding of the business and operations of the Group and awareness of a director's responsibilities and obligations. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge by attending internal training and external seminars. For the year ended December 31, 2020, the Company arranged in-house training for all Directors relating to ongoing compliance obligations, corporate governance and other related topics. In compliance with Rule 3.29 of the Listing Rules, Mr. FAN, Yi, our Executive Director and Company Secretary, has undertaken not less than 15 hours of relevant professional training during the year ended December 31, 2020.

During the year ended December 31, 2020, the Directors participated in the following training:

Directors	Types of training
Executive Directors	
ZHAO, Guibin *(Vice Chairman)*	A, B, C, D
MILAVEC, Robin Zane (appointed with effect from June 30, 2020)	A, B, C, D
FAN, Yi	A, C, D
Non-Executive Directors	
WANG, Jian *(Chairman)*	A, B, C, D
ZHANG, Jianxun (resigned with effect from November 13, 2020)	A, C, D
LIU, Ping	A, C, D
ZHANG, Wendong (appointed with effect from November 13, 2020)	A, C, D
Independent Non-Executive Directors	
LIU, Jianjun	A, C, D
WEI, Kevin Cheng	A, C, D
YICK, Wing Fat Simon	A, C, D

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: attending in-house training relating to the ongoing compliance obligations, corporate governance and other related topics

D: reading newspapers, journals, Company's newsletters and updates relating to the economy, general business, automotive component manufacturing industry or Directors' duties and responsibilities, etc.

COMMITTEES

The Board has established the Audit and Compliance Committee, and the Remuneration and Nomination Committee for overseeing particular aspects of the Group's affairs. All Board committees are established with defined written terms of reference which are posted on the Company's website, the Hong Kong Stock Exchange's website and are available to shareholders upon request. Meetings of the Board committees generally follow the same procedures as meetings of the Board.

THE AUDIT AND COMPLIANCE COMMITTEE

The Board established the Audit and Compliance Committee on June 15, 2013 and had provided clear written terms of reference as required by Code Provisions in section D.2 of the Hong Kong CG Code. The terms of reference (as revised on March 12, 2019) are in compliance with Rule 3.21 of the Listing Rules and Code Provisions in sections C.3 and D.3 of the Hong Kong CG Code. The Audit and Compliance Committee consists of Mr. WEI, Kevin Cheng, Mr. LIU, Ping and Mr. YICK, Wing Fat Simon. All members of the Audit and Compliance Committee are non-Executive Directors, among whom Mr. WEI, Kevin Cheng and Mr. YICK, Wing Fat Simon are Independent non-Executive Directors. The chairman of the Audit and Compliance Committee is Mr. WEI, Kevin Cheng who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit and Compliance Committee include, without limitation, assisting our Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Board recognises that corporate governance should be the collective responsibility of the Directors and delegates the corporate governance duties to the Audit and Compliance Committee which include:

- reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors;
- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board and report to the Board on matters;
- reviewing the Company's compliance with the Hong Kong CG Code and disclosure in the Corporate Governance Report; and
- considering any other topics, as determined by the Board.

There were three meetings of the Audit and Compliance Committee held for the year ended December 31, 2020, the attendance record of the committee members is set out above. The following is a summary of the major work performed by the Audit and Compliance Committee during 2020:

- reviewed the reports and findings from management including Internal Audit on the implementation and refinement of the risk management and internal control measures;
- reviewed the Internal Audit plan;
- confirmed the independence and objectivity of the Company's external auditor, PricewaterhouseCoopers;
- met with the external auditor and reviewed their 2020 audit plan;
- reviewed the annual results and the adequacy of the risk management and internal control system for the year ended December 31, 2020; and
- reviewed the interim results for the six months ended June 30, 2020.

Subsequent to December 31, 2020 and up to the date of this annual report, a meeting of the Audit and Compliance Committee was held on March 16, 2021 to review the annual results and the adequacy of the risk management and internal control system for the year ended December 31, 2020.

THE REMUNERATION AND NOMINATION COMMITTEE

The Board established the Remuneration and Nomination Committee on June 15, 2013 and had provided clear written terms of reference as required by Code Provisions in section D.2 of the Hong Kong CG Code. The terms of reference (as revised on August 15, 2017) are in compliance with Code Provisions in sections A.5 and B.1 of the Hong Kong CG Code. These terms of reference include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skill as well as time commitments of members. The Remuneration and Nomination Committee consists of, Mr. LIU, Jianjun, Mr. YICK, Wing Fat Simon, Mr. ZHANG, Jianxun (resigned with effect from November 13, 2020) and Ms. ZHANG, Wendong (appointed with effect from November 13, 2020). All members of the Remuneration and Nomination Committee are non-Executive Directors, among whom Mr. YICK, Wing Fat Simon and Mr. LIU, Jianjun are Independent non-Executive Directors. The chairman of the Remuneration and Nomination Committee is Mr. YICK, Wing Fat Simon. The primary functions of the Remuneration and Nomination Committee include, without limitation, (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and Senior Management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) making recommendations on the remuneration packages of Executive and non-Executive Directors and senior management; (iii) reviewing and approving Senior Management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time; (iv) reviewing the structure, size, composition and diversity of the Board; (v) assessing the independence of Independent non-Executive Directors; and (vi) making recommendations to the Board on matters relating to the appointment of Directors.

The remuneration of Directors and Senior Management is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance. No Director or any of their associates takes part in any discussion about their own remuneration.

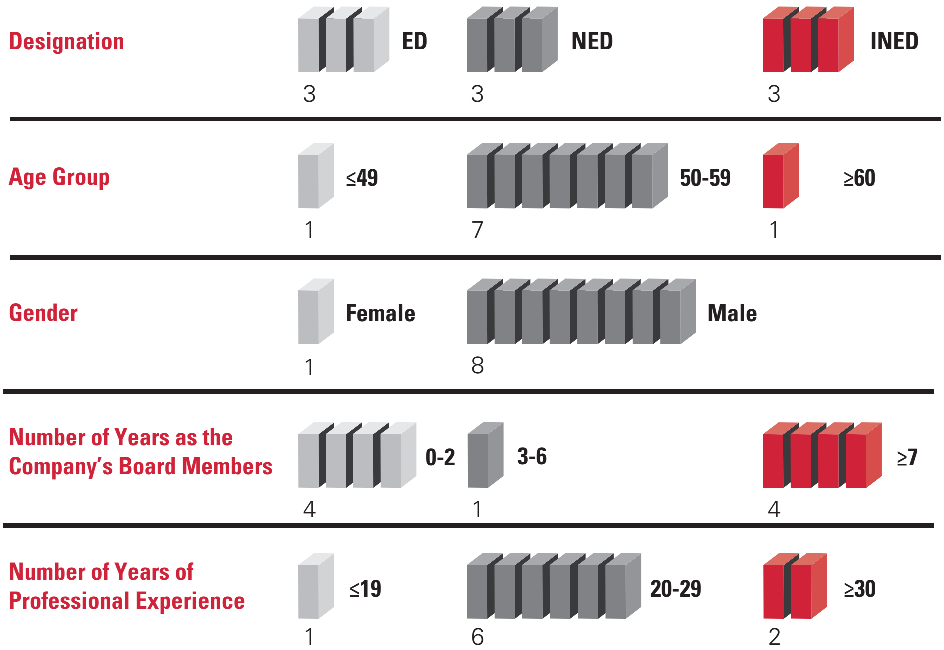
There were five meetings of the Remuneration and Nomination Committee held for the year ended December 31, 2020, the attendance record of the committee members is set out above. The following is a summary of the major work performed by the Remuneration and Nomination Committee during 2020:

- nominated one Executive Director and one non-Executive Director;
- reviewed and made a recommendation to the Board regarding the fees of the Independent non-Executive Directors and the Senior Management;
- reviewed the Board structure, size, composition and board diversity (including ability, knowledge and experience etc.);
- confirmed the independence of the Independent non-Executive Directors; and
- considered the retirement and re-nomination of Directors for re-election at the AGM.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. To that end, the Company has adopted a Board diversity policy to set out the approach to achieve diversity on the Board. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, ethnicity, years of work experience, and professional experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Company continues to pursue board diversity in multiple aspects, including appointment of a female Director to the Board in 2020. A visual snapshot of the Board's diversity and certain measurable objectives as at December 31, 2020 is shown on this page.

DIVERSITY SNAPSHOTS



Directors	Professional experiences include
ZHAO, Guibin	automotive, aviation technology, strategy, corporate governance, operation management, economics, business administration
MILAVEC, Robin Zane	automotive, engineering strategy, operations, business administration
FAN, Yi	automotive, company secretary, aviation technology, engineering, economics, management
WANG, Jian	automotive, aviation technology, strategy, corporate governance, operation management, finance, economics
ZHANG, Wendong	investment, strategy, international marketing management, finance, business administration, economics
LIU, Ping	finance, accounting, legal, operation management
LIU, Jianjun	legal, transportation
WEI, Kevin Cheng	accounting, auditing, finance, investment banking, corporate finance advisory, real estate, energy, sports, business administration
YICK, Wing Fat Simon	accounting, auditing, remuneration, investment banking, corporate advisory services, environment, bio-tech, business administration

NOMINATION POLICY

The Remuneration and Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as directors of the Company at general meetings or to appoint as directors to fill casual vacancies. The Remuneration and Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

The factors listed below would be used as reference by the Remuneration and Nomination Committee in assessing the suitability of a proposed candidate: reputation for integrity and good character; judgment and diversity of experience in all its aspects, including but not limited to gender, age, ethnicity, years of work experience, and professional experience – including educational background, skills and knowledge; commitment to the Company in respect of available time and relevant interest; ability to provide insight in relation to the Company's line of business; requirement for the Board to have independent non-executive directors in accordance with the Listing Rules; whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules, taking into account factors like the candidate's relationship with the existing directors and any substantial interest in the Company; understanding of the fiduciary duties required; and compliance with the Board Diversity Policy and any measurable objectives adopted by the Remuneration and Nomination Committee for achieving diversity on the Board. These factors are for reference only, and not meant to be exhaustive and decisive. The Remuneration and Nomination Committee has the discretion to nominate any person, as it considers appropriate. Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director. The Remuneration and Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

The secretary of the Remuneration and Nomination Committee shall call a meeting of the Remuneration and Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Remuneration and Nomination Committee prior to its meeting. For filling a casual vacancy, the Remuneration and Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Remuneration and Nomination Committee shall make nominations to the Board for its consideration and recommendation. Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting. Nomination procedures to be followed by the shareholders shall be in accordance with the Articles of Association (as amended and/or from time to time). A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

DIVIDEND POLICY

The declaration of dividends is subject to the discretion of the Board and the approval of the Company's shareholders. Subject to applicable laws and regulations, the Company currently intends to pay dividends of not less than 20% of its net profits available for distribution. The Board may recommend a payment of dividends in the future after taking into account the Company's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditures and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to the Company's constitutional documents and the Companies Law (as amended) of the Cayman Islands including the approval of the Company's shareholders. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of the Board.

AUDITOR'S REMUNERATION

The Company's external auditor is PricewaterhouseCoopers. A breakdown analysis of the remuneration paid to PricewaterhouseCoopers for the year ended December 31, 2020 is set out below. The Audit and Compliance Committee has confirmed the independence and objectivity of the external auditor.

Service Category	Fees Paid US$'000
Audit Services	2,256
Non-audit Services	1,963
Total	4,219

Non-audit services include allowable tax consulting and compliance services.

COMPANY SECRETARY

Mr. FAN, Yi had served as the Joint Company Secretary since January 28, 2013 until he became the sole Company Secretary with effect from October 19, 2018. The biographical details of Mr. FAN, Yi are set out under the section headed 'Directors and Senior Management' of this annual report.

During 2020, in accordance with Rule 3.29 of the Listing Rules, Mr. FAN, Yi undertook no less than 15 hours of professional training to update his respective skills and knowledge.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. Except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules. Poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each general meeting. There are no provisions under the laws of the Cayman Islands or the Articles of Association that allows shareholders to make proposals or move resolutions at an annual general meeting. Shareholders of the Company who wish to make proposals or move a resolution may, however, request the Board to convene an extraordinary general meeting by following the procedures below.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Extraordinary general meetings may be convened on the written request of any two or more shareholders of the Company deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requestors, provided that such requestors held as at the date of deposit of the request not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

Extraordinary general meetings may also be convened on the written request of any one shareholder of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requestor, provided that such requestor held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the request proceed duly to convene the extraordinary general meeting to be held within a further 21 days, the requestor(s) themselves, or any of them representing more than one-half of the total voting rights of all of them, may convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the request, and all reasonable expenses incurred by the requestor(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

SHAREHOLDERS' ENQUIRIES

Enquiries about corporate governance or other related matters (including enquiries to be put to the Board) should be directed to the Company Secretary by email at company.secretary@nexteer.com or at the Company's headquarters address: 1272 Doris Road, Auburn Hills, Michigan 48326, USA.

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar as follows:

By Mail:	17M Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Hong Kong Customer Service Phone:	+852 2862 8555
Email:	hkinfo@computershare.com.hk

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group has established a formal and transparent procedure for formulating policies on remuneration of Directors and Senior Management of the Group. Details of the remuneration of each of the Directors for the year ended December 31, 2020 are set out in note 24 to the Consolidated Financial Statements. The remuneration of Directors is determined by the Board, which receives recommendations from the Remuneration and Nomination Committee after considering the experience, knowledge and performance of the Directors. Under the Company's current compensation arrangements, the Executive Directors and Senior Management receive cash compensation in the form of salaries as well as bonuses that are subject to performance targets.

Remuneration paid to the Senior Management (including three Executive Directors) for the year ended December 31, 2020 is within the following bands:

Band of remuneration in US$	No. of person
US$1 – US$500,000	1
US$500,001 – US$750,000	7
US$750,001 – US$1,000,000	3
US$1,000,001 – US$1,250,000	1
US$1,750,001 – US$2,000,000	1
US$3,250,001 – US$3,500,000	1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company has implemented a series of reports intended to allow the Board to assess the Group's financial and operational performance, as well as business results. On a monthly basis, management of the Group provides the Board with sufficient and adequate information to support its decision-making and oversight responsibilities.

The Board understands and acknowledges its responsibility for overseeing the preparation of the financial information in accordance with IFRS and for the internal control system necessary to enable the preparation of financial information that is free from material misstatement. This responsibility extends to annual and interim reports, other announcements and other financial disclosures required under the Listing Rules and/or statutory requirements. As at the date of this annual report, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's or the Group's ability to continue as a going concern.

The Company's external auditor is responsible for expressing an opinion on whether the Consolidated Financial Statements give a true and fair view of the state of affairs of the Group as at December 31, 2020, and of the Group's profit and cash flows for the year then ended in accordance with IFRS.

The auditor's statement about their reporting responsibilities on the Consolidated Financial Statements is set out in the section headed 'Independent Auditor's Report' of this annual report.

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.

The responsibility for safeguarding the assets, for the prevention and detection of fraud and error, and for ensuring compliance with all applicable laws and regulations rests with the Board, the Audit and Compliance Committee and management of the Group. This responsibility includes implementing and ensuring the continued operation of the Group's risk management and internal control system which is designed to prevent and detect fraud and error.

The Board is responsible for maintaining an adequate system of risk management and internal control and for reviewing its effectiveness. Oversight over risk management and internal control is led by the Audit and Compliance Committee. While Senior Management is responsible for the implementation of such system of risk management and internal control, the Group has established an Internal Audit department to assist the Board and the Audit and Compliance Committee in their oversight and review responsibilities to monitor the compliance and effectiveness of the risk management and internal control measures. This will enable the Board and the Audit and Compliance Committee to conduct necessary reviews and to report to shareholders, at least on an annual basis, on the effectiveness of the Group's system of risk management and internal control. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and only provide reasonable and not absolute assurance against material misstatement or loss.

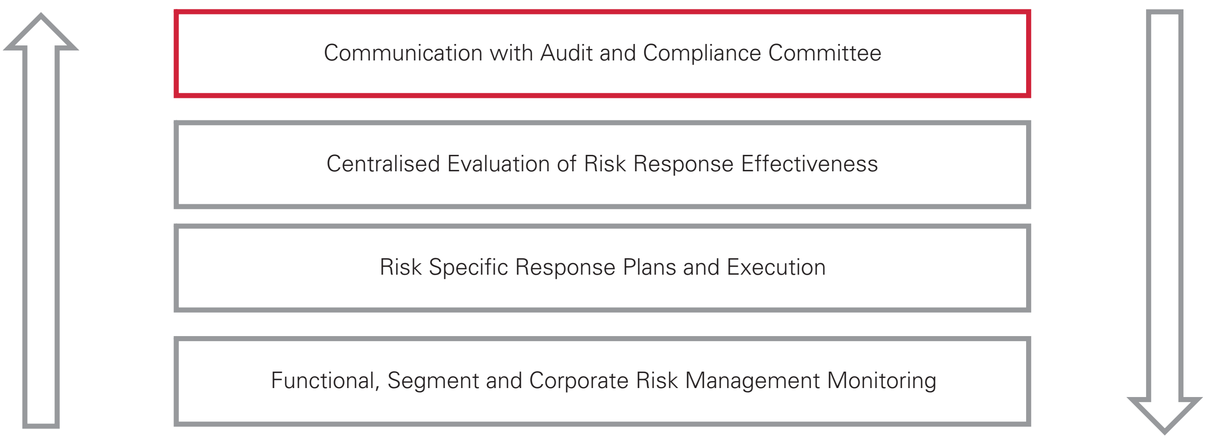
The head of the Internal Audit department has direct access to the Board through direct communication to the Chairman of the Audit and Compliance Committee. The head of the Internal Audit department has the right to consult the Audit and Compliance Committee without reference to management. With this independence, the Internal Audit department is able to perform key tasks, such as: (a) assessing and monitoring compliance with policies and the effectiveness of risk management and internal control measures with unrestricted direct access to any level of management whenever deemed necessary; and (b) conducting comprehensive internal audits to evaluate the system of financial, operation and compliance controls on a regular basis.

The Internal Audit department has completed a risk assessment process and developed an Internal Audit plan that focuses on the key risks to the Company. The Company reviewed the risk assessment and Internal Audit plans with the Audit and Compliance Committee in 2020. The Internal Audit department executed the Internal Audit plan and conducted a review of the effectiveness of the system of risk management and internal control for key high risk frameworks. The Internal Audit department reported a summary of audit findings and recommendations to the Audit and Compliance Committee. Management is responsible for ensuring that identified control weaknesses are rectified within a reasonable period.

Management and the CFO, in conjunction with the Board and the Audit and Compliance Committee, continue to evaluate the adequacy of resources, qualifications and experience of staff in the Group's accounting and financial reporting and Internal Audit functions, as well as that function's training programmes and budget. This exercise continues to result in the hiring of accounting and finance professionals to help ensure that the Group maintains adequate and sufficient staffing levels required for a public company. The Board has delegated to the Audit and Compliance Committee the responsibility for reviewing the Group's system of risk management and internal control and reporting the findings to the Board. The Audit and Compliance Committee conducted a review of (1) the findings and recommendations of the Internal Audit function; (2) the implementation status of recommended internal control recommendations; and (3) the reports and findings from management on the implementation of the internal control measures. Based on its annual review, the Board and the Audit and Compliance Committee are not aware of any material deficiencies in the effectiveness of risk management and internal control for the year ended December 31, 2020 and consider them effective and adequate.

Management identifies, evaluates and manages significant risks to the Group. Management annually self-assesses the effectiveness of the risk management and internal control activities. The Group's risk management and internal control policies and procedures are designed and updated (as necessary) in consideration of jurisdictional regulations, customer requirements and industry practice. The Group has successfully redesigned and continues to operate under its Business System meeting the International Automotive Task Force (IATF) and customer requirements, as well as promoting and focusing on continual improvements to its business processes and practices.

The risk management process facilitates the following sequence of activities and communication:



Risk management is a continuous process, occurring within functional departments, geographic segments and corporate oversight bodies. Management regularly assesses the nature, extent and magnitude of the identified risks and corresponding risk response plans. Management periodically evaluates the comparative significance of risk occurrence and consequences when considering risk response plans and associated plan effectiveness.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There was no change in the Articles of Association of the Company for the year ended December 31, 2020.

Independent Auditor's Report

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NEXTEER AUTOMOTIVE GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Nexteer Automotive Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 96 to 169, which comprise:

- the consolidated balance sheet as at December 31, 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Capitalised product development costs
- Provision for warranties

Key Audit Matters	How our audit addressed the Key Audit Matters
Capitalised product development costs	
Refer to notes 2.7 and 8 to the consolidated financial statements. The Group incurs significant costs and efforts on research and development activities, which include costs to develop customer-specific applications, prototypes and testing. As disclosed in note 8 to the consolidated financial statements, US$655.2 million of development costs have been capitalised within intangible assets as at December 31, 2020. Our audit was focused on this area given the significance of the development costs capitalised as at December 31, 2020, as well as the complexity of the process used by management to account for these costs. Management uses significant judgement as part of this process including assessing whether costs are appropriately identified for capitalisation and that such costs are appropriately associated with programs in the development phase of production in accordance with the capitalisation criteria as set out in note 2.7 to the consolidated financial statements. The key inputs utilised by management to calculate the development costs to be capitalised include labour hours and labour rates applied, as well as material costs.	We obtained an analysis prepared by management of all individual development projects costs capitalised in the period and agreed this analysis to the amounts recorded in the general ledger. We considered the product development cost components included in the analysis for capitalisation and assessed the determination for capitalisation of such costs by comparing the nature of the expenses capitalised by management to the capitalisation criteria as set out in note 2.7 to the consolidated financial statements. We also tested a sample of projects as follows: • We met with finance management, inquired of engineers, and reviewed program documentation to determine whether the programs had entered the development phase of the projects and whether the associated costs were thus eligible for capitalisation. We conducted interviews with individual project managers responsible for the projects selected to corroborate management's explanations and to obtain an understanding of the development phase of the specific projects. We also inspected agreements between the Group and their customers to support existence of the development programs. These procedures enabled us to assess whether the projects would allow for the underlying expenditure to meet the criteria for capitalisation as set out in note 2.7 to the consolidated financial statements. • To determine whether costs were directly attributable to projects, we obtained detailed listings of hours worked on individual projects and selected a sample of the employees' hours recorded. We obtained timesheets signed by the appropriate project managers to check that the employees selected for testing were involved on the projects and to evaluate the nature of the work they had been performing. We also recalculated the amount of costs capitalised for the projects selected, by applying a labour rate per employee to the timesheet hours.

Key Audit Matters	How our audit addressed the Key Audit Matters
	• We also compared the labour rates, referred to above, that had been applied to the hours identified as appropriate for capitalisation to the employee costs within the general ledger. • To test whether material costs were directly attributable to projects and capitalisable, we tested a sample of capitalised material costs to assess whether the programs to which they were being applied were in the development phase. We then agreed the sample selected to underlying supplier invoices to assess that the sample was capitalised for the correct amount and was a capitalisable cost. Based on the above, we believe that the judgments applied by management in determining development costs to be capitalised were reasonable and consistent with the audit evidence we obtained.
Provision for warranties	
Refer to notes 4(b) and 18 to the consolidated financial statements. The Group recognises expected warranty costs for products sold principally at the time of sale of the product or when it is determined that such obligations are probable and can be reasonably estimated. As disclosed in note 18 to the consolidated financial statements, the ending warranties provision balance is US$56.6 million as at December 31, 2020. Management estimates the amount that will eventually be required to settle such obligations and those estimates are based on a variety of factors.	We obtained an analysis prepared by management of the individual warranty provisions at the beginning and ending of the year and the movement in such provisions. We then agreed this analysis to the amounts recorded in the general ledger and tested significant reconciling items to supporting documentation. We tested a sample by performing the following: • We obtained an understanding of the management's internal control and assessment process of provision for warranty and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. • We recalculated the mathematical accuracy of the provision calculation (product volume multiplied by the estimated repair cost per unit). • We traced the volume data to the related sales records for each product selected for testing, also determining whether the provision for the selected product was recorded in the appropriate period.

Key Audit Matters	How our audit addressed the Key Audit Matters
We focused on this area given the significance of the provision and the longer period of time between when the initial estimates are recorded and warranty obligations are settled. These estimates require ongoing monitoring to determine the continued appropriateness of the recorded provision. The key judgments used by management in determining the warranty provision include the estimated per unit repair cost. Key inputs used in deriving this estimate include the customer's overall cost to repair each product, the estimated percentage of products that will be subject to defect and the agreed upon cost sharing arrangement between the Group and the customers.	• We agreed estimated customer product repair cost, the estimated percentage of defective parts and the nature of the cost sharing arrangement to third party customer data and supply arrangements to evaluate whether the cost-per-unit estimates appropriately reflected the Group's obligations with respect to the repair or replacement of such products. For a sample of warranty provisions previously recorded and settled during the year, we inspected the customer approved settlement agreements and checked the related payments made during the year, as applicable, to the relevant credit memo or cash payment to evaluate the reasonableness of the Group's historical estimates of repair cost per unit. Furthermore, we selected a sample of products from the sales listings to determine whether the products sold were appropriately included or excluded from the warranty based upon the customer's contractual warranty terms. We also reviewed regulatory filings for those involving the Group to determine whether or not there was a potential warranty provision which had not been recorded. We also met with finance management and individuals within the Group responsible for monitoring product defects to identify the existence of any indicators subsequent to the year-end which could lead to adjustment of the provision for warranties at the year-end date. Based on the above, we believe that judgments applied by management in determining the provision for warranties were reasonable and consistent with the audit evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT AND COMPLIANCE COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit and Compliance Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Compliance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Compliance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Compliance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tsun Ng.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 17, 2021

Consolidated Balance Sheet

As at December 31, 2020

	Notes	As at December 31, 2020 US$'000	2019 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,009,333**	989,754
Right-of-use assets	7	**57,339**	61,159
Intangible assets	8	**657,493**	627,147
Deferred income tax assets	9	**11,805**	11,829
Investments in joint ventures	31b	**22,282**	19,507
Other receivables and prepayments	12	**51,482**	29,949
		1,809,734	1,739,345
Current assets			
Inventories	10	**234,047**	266,046
Trade receivables	11	**593,027**	544,675
Other receivables and prepayments	12	**115,497**	107,068
Restricted bank deposits	13	**12**	11
Cash and cash equivalents	14	**553,424**	601,827
		1,496,007	1,519,627
Total assets		**3,305,741**	3,258,972

The notes on pages 102 to 169 are an integral part of these Consolidated Financial Statements.

	Notes	As at December 31, 2020 US$'000	2019 US$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	33	**32,347**	32,347
Other reserves	15	**58,652**	22,184
Retained earnings		**1,791,003**	1,757,450
		1,882,002	1,811,981
Non-controlling interests		**38,983**	39,675
Total equity		**1,920,985**	1,851,656
LIABILITIES			
Non-current liabilities			
Borrowings	16	**–**	248,829
Lease liabilities	7	**43,827**	49,381
Retirement benefits and compensations	17	**25,061**	22,856
Deferred income tax liabilities	9	**62,848**	73,786
Provisions	18	**59,429**	61,804
Deferred revenue	19	**69,071**	76,474
Other payables and accruals	21	**16,982**	9,621
		277,218	542,751
Current liabilities			
Trade payables	20	**657,155**	592,020
Other payables and accruals	21	**132,105**	128,630
Current income tax liabilities		**12,392**	19,302
Retirement benefits and compensations	17	**3,381**	3,385
Provisions	18	**18,697**	22,269
Deferred revenue	19	**21,645**	27,843
Lease liabilities	7	**13,527**	12,291
Borrowings	16	**248,636**	58,825
		1,107,538	864,565
Total liabilities		**1,384,756**	1,407,316
Total equity and liabilities		**3,305,741**	3,258,972

The notes on pages 102 to 169 are an integral part of these Consolidated Financial Statements.

The Consolidated Financial Statements on pages 96 to 169 were approved by the Board of Directors on March 17, 2021 and were signed on its behalf.

ZHAO, Guibin
Director

FAN, Yi
Director

Consolidated Income Statement

For the year ended December 31, 2020

	Notes	For the year ended December 31, 2020 US$'000	2019 US$'000
Revenue	5	**3,032,210**	3,575,657
Cost of sales	23	**(2,620,834)**	(3,036,955)
Gross profit		**411,376**	538,702
Engineering and product development costs	23	**(153,576)**	(129,074)
Selling and distribution expenses	23	**(16,934)**	(18,385)
Administrative expenses	23	**(112,603)**	(120,101)
Other (losses) gains, net	22	**(9,536)**	1,520
Operating profit		**118,727**	272,662
Finance income	25	**4,096**	9,297
Finance costs	25	**(9,156)**	(14,241)
Finance costs, net	25	**(5,060)**	(4,944)
Share of income (loss) of joint ventures, net	31b	**795**	(3,785)
Profit before income tax		**114,462**	263,933
Income tax benefit (expense)	26	**7,841**	(29,275)
Profit for the year		**122,303**	234,658
Profit attributable to:			
Equity holders of the Company		**116,766**	232,445
Non-controlling interests		**5,537**	2,213
		122,303	234,658
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in US$ per share)			
– Basic and diluted	27	**US$0.05**	US$0.09

The notes on pages 102 to 169 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

	For the year ended December 31, 2020 US$'000	2019 US$'000
Profit for the year	**122,303**	234,658
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit plans, net of tax	**(1,718)**	(2,628)
Items that may be reclassified subsequently to profit or loss		
Exchange differences, net of tax	**38,698**	(13,668)
	36,980	(16,296)
Total comprehensive income for the year	**159,283**	218,362
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**151,509**	216,721
Non-controlling interests	**7,774**	1,641
	159,283	218,362

The notes on pages 102 to 169 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Attributable to equity holders of the Company								
	Share capital US$'000	Share premium US$'000 (note 15)	Merger reserve US$'000 (note 15)	Share-based compensation reserve US$'000 (note 15)	Exchange reserve US$'000 (note 15)	Retained earnings US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
As at January 1, 2019	32,324	38,289	113,000	6,940	(84,636)	1,565,893	1,671,810	38,034	1,709,844
Adoption of IFRS 16	–	–	–	–	–	(2,227)	(2,227)	–	(2,227)
Comprehensive income									
Profit for the year	–	–	–	–	–	232,445	232,445	2,213	234,658
Other comprehensive loss									
Exchange differences, net of tax	–	–	–	–	(13,096)	–	(13,096)	(572)	(13,668)
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	(2,628)	(2,628)	–	(2,628)
Total other comprehensive loss	–	–	–	–	(13,096)	(2,628)	(15,724)	(572)	(16,296)
Total comprehensive (loss) income	–	–	–	–	(13,096)	229,817	216,721	1,641	218,362
Transactions with owners									
Value of employee services provided under Share Option Scheme (note 24(a))	–	–	–	946	–	–	946	–	946
Transfer to share premium under exercise of share options	–	970	–	(970)	–	–	–	–	–
Proceeds from exercise of share options	23	2,442	–	–	–	–	2,465	–	2,465
Dividends paid to shareholders	–	(41,701)	–	–	–	(36,033)	(77,734)	–	(77,734)
Total transactions with owners	23	(38,289)	–	(24)	–	(36,033)	(74,323)	–	(74,323)
As at December 31, 2019	32,347	–	113,000	6,916	(97,732)	1,757,450	1,811,981	39,675	1,851,656
Comprehensive income									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**116,766**	**116,766**	**5,537**	**122,303**
Other comprehensive income (loss)									
Exchange differences, net of tax	**–**	**–**	**–**	**–**	**36,461**	**–**	**36,461**	**2,237**	**38,698**
Actuarial losses on defined benefit plans, net of tax	**–**	**–**	**–**	**–**	**–**	**(1,718)**	**(1,718)**	**–**	**(1,718)**
Total other comprehensive income (loss)	**–**	**–**	**–**	**–**	**36,461**	**(1,718)**	**34,743**	**2,237**	**36,980**
Total comprehensive income	**–**	**–**	**–**	**–**	**36,461**	**115,048**	**151,509**	**7,774**	**159,283**
Transactions with owners									
Value of employee services provided under Share Option Scheme (note 24(a))	**–**	**–**	**–**	**7**	**–**	**–**	**7**	**–**	**7**
Dividends paid to shareholders (note 28)	**–**	**–**	**–**	**–**	**–**	**(81,495)**	**(81,495)**	**–**	**(81,495)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,466)**	**(8,466)**
Total transactions with owners	**–**	**–**	**–**	**7**	**–**	**(81,495)**	**(81,488)**	**(8,466)**	**(89,954)**
As at December 31, 2020	**32,347**	**–**	**113,000**	**6,923**	**(61,271)**	**1,791,003**	**1,882,002**	**38,983**	**1,920,985**

The notes on pages 102 to 169 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	Note	For the year ended December 31, 2020 US$'000	2019 US$'000
Operating activities			
Cash generated from operations	29(a)	**448,519**	509,016
Income tax paid, net		**(28,674)**	(17,775)
Net cash generated from operating activities		**419,845**	491,241
Investing activities			
Purchase of property, plant and equipment		**(149,741)**	(200,607)
Addition of intangible assets		**(137,734)**	(167,720)
Investments in joint ventures		**(1,980)**	(6,349)
Other		**1,453**	1,320
Net cash used in investing activities		**(288,002)**	(373,356)
Financing activities			
Proceeds from borrowings	29(b)	**106,086**	6,304
Repayments of borrowings	29(b)	**(166,248)**	(76,009)
Repayments of lease liabilities	7	**(13,672)**	(12,619)
Finance costs paid		**(23,148)**	(26,567)
Dividends paid to equity holders of the Company		**(81,495)**	(77,734)
Dividends paid to non-controlling interests		**(8,466)**	–
Proceeds from exercise of share options		**–**	2,465
Net cash used in financing activities		**(186,943)**	(184,160)
Net decrease in cash and cash equivalents		**(55,100)**	(66,275)
Cash and cash equivalents at beginning of year		**601,827**	674,526
Effect of exchange rate changes on cash and cash equivalents		**6,697**	(6,424)
Cash and cash equivalents at end of year		**553,424**	601,827

The notes on pages 102 to 169 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

1 GENERAL INFORMATION

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

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

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

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

These consolidated financial statements (the **Consolidated Financial Statements**) are presented in thousands of US dollars (US$'000), unless otherwise stated. The Consolidated Financial Statements were approved by the Board of Directors of the Company (the **Board**) for issue on March 17, 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board and requirements of the Hong Kong Companies Ordinance Cap. 622. The Consolidated Financial Statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The COVID-19 pandemic and government actions and measures taken to prevent its spread continue to affect our operations. In response to COVID-19, we previously suspended the majority of our global manufacturing operations. By May 2020, we had resumed our global manufacturing operations. Government-imposed restrictions on businesses, operations and travel and the related economic uncertainty have impacted demand for our customers' vehicles in most global markets. The extent of COVID-19's impact on our future operations, liquidity and the demand for our products will depend upon, among other things, the duration and severity of the outbreak or subsequent outbreaks, related government responses, such as required physical distancing or restrictions on business operations and travel, the pace of recovery of economic activity and the impact to our customers, the effectiveness of available vaccines and any potential supply disruptions, all of which are uncertain and difficult to predict in light of the rapidly evolving landscape.

As a result of the COVID-19 pandemic and other factors, the automotive industry and the Company are currently experiencing global shortages in the supply of various sub-components and raw materials, including semiconductors. These supply shortages have impacted multiple customers and suppliers resulting in reductions or suspension of vehicle production. We expect these supply shortages will have a short-term impact on our business, however, there can be no assurance that these supply shortages will not continue longer than expected or expand to other materials used by the Company, its suppliers or its customers and may have a significant impact on our future operations and liquidity.

The Group assessed certain accounting matters that require consideration of forecasted financial information, including, but not limited to, its allowance for credit losses, the carrying value of the Group's intangible assets and other long-lived assets, and valuation allowances in context with the information reasonably available to the Group and the unknown future impacts of COVID-19 as at December 31, 2020 and through the date of this report. As a result of these assessments, there were no material increases in credit allowances or valuation allowances that impacted the Group's Consolidated Financial Statements as at and for the year ended December 31, 2020. However, the Group's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to the Consolidated Financial Statements in future reporting periods. The Group recorded impairments to programme development intangible assets for the year ended December 31, 2020, as set out in note 8.

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

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. Upon consolidation, intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Consolidated Financial Statements of the subsidiary's net assets including goodwill.

2.3 Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and accounts for these as joint ventures using the equity method of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Any distributions the Group receives from the joint ventures reduce the carrying amount of the investment.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been aligned where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker who has been identified as the Chief Executive Officer (**CEO**). The CEO is responsible for resource allocation and assessing the performance of the operating segments.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using functional currency in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*. The Consolidated Financial Statements are presented in US dollars, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for those intercompany balances which are designated as being of a long-term investment nature.

(c) Group companies

The results of operations and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the related transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income and loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

Items of property, plant and equipment (including tools but excluding construction-in-progress) are measured at cost less accumulated depreciation and accumulated impairment losses. Improvements that materially extend the useful life of these assets are capitalised. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on items of property, plant and equipment is calculated using the straight-line basis to allocate their cost to their residual values over their estimated useful lives as follows:

Land improvements	3-20 years
Leasehold improvements	6-18 years or over lease term, whichever is shorter
Buildings	20-40 years
Machinery, equipment and tooling	3-20 years
Furniture and office equipment	3-18 years

Tooling represents tools, dies, jigs and other items used in the manufacturing of customer specific parts. Tools owned by the Group are capitalised as property, plant and equipment and depreciated to cost of sales over their useful lives.

The assets' residual values and useful lives are reviewed annually and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) gains, net in the income statement.

Construction-in-progress represents leasehold improvements, buildings, machinery and equipment under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes the costs of construction, installation, testing and other direct costs, and capitalised interest. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets

(a) Research and development

The Group incurs significant costs and effort on research and development activities, which include expenditures on customer-specific applications, prototypes and testing. Research expenditures are charged to the income statement as an expense in the period the expenditure is incurred. Development costs are recognised as assets if they can be clearly assigned to a newly developed product or process and all the following can be demonstrated:

(i) The technical feasibility to complete the development project so that it will be available for use or sale;

(ii) The intention to complete the development project to use it;

(iii) The ability to use the output of the development project;

(iv) The manner in which the development project will generate probable future economic benefits for the Group;

(v) The availability of adequate technical, financial and other resources to complete the development project and use or sell the intangible asset; and

(vi) The expenditure attributable to the asset during its development can be reliably measured.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalised in connection with the intangible asset include costs of materials and services used or consumed and employee costs incurred in the creation of the asset. Development expenditures not satisfying the above criteria are recognised in the income statement as incurred.

Capitalised development costs are amortised using the straight-line method over the life of the related production programme, usually four to eight years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets (Continued)

(b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

(i) It is technically feasible to complete the software product and use it;

(ii) Management intends to complete the software product and use it;

(iii) There is an ability to use the software product;

(iv) It can be demonstrated how the software product will generate probable future economic benefits;

(v) Adequate technical, financial and other resources to complete the development and to use the software product are available; and

(vi) The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overhead costs.

Development costs not satisfying the above criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives, which does not exceed five years.

2.8 Impairment of non-financial assets

Intangible development assets not ready to use are not subject to amortisation and are tested annually for impairment and whenever there is an indication of impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (**Cash Generating Units**). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets

(a) Classification

From January 1, 2019, the Group classified its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

As at December 31, 2020, the Group's financial assets primarily comprise notes receivable and receivables and all are measured at amortised cost.

Notes receivable, contract assets and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's notes receivable, contract assets and receivables comprise trade receivables (note 2.11) and other receivables and prepayments (note 2.11) in the consolidated balance sheet.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses) gains, net together with foreign exchange gains and losses. As at December 31, 2020, all of the Group's debt instruments are measured at amortised cost.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(d) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, *Financial Instruments* (**IFRS 9**), which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other receivables at amortised cost, the Group recognises a loss allowance equal to 12-month expected credit losses unless there has been a significant increase in credit risk of the financial assets since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Inventory cost includes direct material, direct labour and related manufacturing overhead costs (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.11 Trade receivables and other receivables and prepayments

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are included in equity as a deduction from the proceeds.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement as finance cost over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings outstanding during the period up to the amount of actual borrowing costs incurred during that period. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16 Retirement obligations

The Group has both defined contribution and defined benefit plans. Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, as determined by periodic actuarial calculations.

(a) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to prior or current employee services.

The Group pays contributions to, including but not limited to, publicly or privately administered pension insurance plans on a mandatory or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The salary level trend refers to the expected rate of salary increase, which is estimated annually depending on inflation and the career development of employees within the Group. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. A company-specific default risk is not taken into account.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Retirement obligations (Continued)

(b) Defined benefit plans (Continued)

The current service cost of the defined benefit plan is recognised in the income statement in employee benefit expense, except where included in the cost of an asset. The current service cost reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

2.17 Current and deferred income tax

The tax (benefit) expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

(i) Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(ii) Outside basis differences

Deferred income taxes are not recorded on temporary differences arising on investments in subsidiaries and joint arrangements, except in situations where the timing of the reversal of the temporary difference is not controlled by the Group and it is probable that the temporary difference will reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Provisions

Provisions for restructuring, litigation, environmental liabilities, warranties, decommissioning and other are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions primarily comprise employee payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.20 Revenue recognition

See note 5 for details on the Group's revenue recognition policy.

2.21 Leases

Effective January 1, 2019, the Group adopted IFRS 16, *Leases* **(IFRS 16)**. Accordingly, the Group applies the ROU model to recognise a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months.

For lease contracts entered into subsequent to the adoption of IFRS 16, lease liabilities are measured at the present value of the remaining lease payments, discounted using the applicable incremental borrowing rate at the beginning of the lease. IFRS 16 requires that the rate implicit in the lease be used if readily determinable. Generally, implicit rates are not readily determinable in our contracts and the incremental borrowing rate is used for each lease arrangement. The incremental borrowing rates are determined using rates specific to the term of the lease, economic environments where lease activity is concentrated, value of lease portfolio, and assuming full collateralisation of the loans.

ROU assets are measured at cost, less accumulated depreciation and any accumulated impairment losses. Any remeasurement of a specific lease liability results in a corresponding adjustment to the ROU asset. The adjustment can be positive or negative. Depreciation of the ROU asset is calculated in accordance with IAS 16, *Property, Plant and Equipment*, and is recorded straight-line over the shorter of the lease term and the useful life of the ROU asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Leases (Continued)

For all asset classes, the Group accounts for each lease component of a contract and its associated non-lease components as a single lease component, rather than allocate a standalone value to each component of the lease. The Group does not apply the use of hindsight when determining the lease term and assessing ROU assets for impairment. The Group does not recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For the purpose of calculating lease obligations, the Group's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise such option. The Group's leases do not contain material residual value guarantees or material restrictive covenants.

The majority of the Group's global lease portfolio represents leases of real estate, such as manufacturing facilities and office buildings, while the remainder represents leases of personal property, such as machinery and equipment and furniture and office equipment. The Group determines if an arrangement contains a lease at inception. The majority of the Group's lease arrangements are comprised of fixed payments and a limited number of these arrangements include a variable payment component based on certain index fluctuations.

2.22 Share-based payment

The Group established an equity-settled, share-based compensation plan in June 2014, under which the Group receives services from certain employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market performance and service vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The Group established a cash-settled, interim incentive plan in November 2020, under which the Group receives services from certain employees as consideration for performance awards that are indexed to the share price of the Group. The fair value of the employee services received in exchange for the grant of the performance award is recognised as an expense. The total amount to be expensed is determined by reference to the positive difference between the stock price on the vesting date and the initial stock price for the performance award.

Non-market performance, if any, and service conditions are included in assumptions about the number of options and performance awards that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options and performance awards that are expected to vest based on the non-market performance, if any, and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity for the options and liability for the performance awards.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Government grants

The Group periodically receives government grants in support of various business initiatives. Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants used to purchase, construct or otherwise acquire property, plant and equipment are deducted from the cost of the related asset. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which they become receivable.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.25 New/revised standards, amendments to standards and interpretations

(a) *New and amended standards adopted by the Group*

The Group has adopted the following amendments which are relevant to the Group and mandatory for the accounting period beginning on January 1, 2020.

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

The adoption of these amendments did not have a significant effect on the Consolidated Financial Statements.

In addition to the above mentioned standards and amendments adopted by the Group for the year ended December 31, 2020, all other new standards and interpretations have been evaluated and deemed to be either not applicable or immaterial to the Group's Consolidated Financial Statements.

(b) *New and amended standards and interpretations not yet adopted by the Group*

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

The Group's treasury department focuses on minimising potential adverse effects on the Group's financial performance.

(a) Market risk

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

(i) Foreign exchange risk

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

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

	Equity US$'000	**Post-tax result** US$'000
As at and for the year ended December 31, 2020		
Euro	**48,700**	**(41)**
RMB	**45,346**	**6,466**
As at and for the year ended December 31, 2019		
Euro	46,468	3,009
RMB	51,868	6,847

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk primarily arises from current and non-current borrowings. Changes in interest rates on borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. As at December 31, 2020, all of the Group's outstanding borrowings were in fixed rate instruments, however, the Group does have undrawn facilities with floating interest rates. As at December 31, 2019, 19% of the Group's borrowings were in floating rate instruments. In the event there is a change in market conditions the Group will assess the costs and benefits of both variable and fixed rate borrowings and entering into interest rate swaps. The Group does not currently hold any interest rate swaps.

As at December 31, 2020, if the interest rates had been 100 basis points higher (lower) than the prevailing rate, with all other variables held constant, profit before income tax for the year ended December 31, 2020 would have been US$425,000 (2019: US$1,022,000) lower (higher).

(iii) Price risk

Price risk relates to changes in the price of raw materials (including related transactional currency changes) purchased for production from the time of price quotation to customers through the production of saleable parts. The Group manages this risk primarily by negotiating recoveries from customers.

(b) Credit risk

The Group sells to automotive manufacturers throughout the world. Credit risk arises from deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables. The treasury department is responsible for managing and analysing the credit risk for each new customer before standard payment and delivery terms and conditions are offered. The customer's creditworthiness is assessed based on a number of variables.

The Company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. Financial assets are written off when there is no reasonable expectation of recovery, such as the debtor failing to engage in a repayment plan with the Company. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Group's largest customer is General Motors Company and Subsidiaries (**GM**) and its affiliates, which comprised 35% of revenues during the year ended December 31, 2020 (2019: 37%). Trade receivables from GM and its affiliates was 33% of total trade receivables as at December 31, 2020 (December 31, 2019: 41%).

The Group monitors the credit ratings of its banks and financial institutions. As at December 31, 2020, the Group holds approximately 82% (December 31, 2019: 84%) of its cash in financial institutions with credit ratings of A3 (Moody's) or higher, meaning the institutions have a very strong to extremely strong capacity to meet financial commitments. The majority of the remaining cash is held in banks within investment grade.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

The Group monitors forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining sufficient availability on its undrawn committed borrowing facilities as to not breach borrowing limits or covenants (where applicable) on any of its facilities. The Group's forecasting takes into consideration debt financing plans, covenant compliance and if applicable, external regulatory or legal requirements.

The tables below analyse the Group's financial liabilities. The categories are based on the remaining period as at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows including principal and interest.

	Within 1 year US$'000	**1–2 years US$'000**	**2–5 years US$'000**	**Over 5 years US$'000**
As at December 31, 2020				
Short-term borrowings	**264,688**	**–**	**–**	**–**
Lease liabilities	**16,475**	**14,331**	**25,878**	**10,361**
	281,163	**14,331**	**25,878**	**10,361**
Trade payables	**657,155**	**–**	**–**	**–**
Other payables and accruals	**63,334**	**5,683**	**–**	**–**

	Within 1 year US$'000	1–2 years US$'000	2–5 years US$'000	Over 5 years US$'000
As at December 31, 2019				
Short-term borrowings	164	–	–	–
Long-term borrowings	77,079	264,688	–	–
Lease liabilities	15,612	13,392	29,691	15,454
	92,855	278,080	29,691	15,454
Trade payables	592,020	–	–	–
Other payables and accruals	64,968	4,607	–	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and maintain an optimal capital structure to reduce the cost of capital. The Group monitors the gearing ratio to evaluate capital efficiency. Gearing ratio is a rate of total borrowings divided by total equity at the end of each year and is displayed as follows:

	As at December 31,	
	2020	2019
	US$'000	US$'000
Total borrowings (note 16)	**248,636**	307,654
Total equity	**1,920,985**	1,851,656
Gearing ratio	**12.9%**	16.6%

3.3 Fair value estimation

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

As set out in notes 11 and 20, the Group has notes receivable from customers and notes payable to suppliers measured at fair value through other comprehensive income (**FVOCI**) and included in Level 2 of the fair value hierarchy as at December 31, 2020 and December 31, 2019. The fair value of financial assets and liabilities 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 December 31, 2020 and December 31, 2019. The different levels are defined as follows:

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below.

(a) Intangible assets not available for use

(i) Capitalisation

Costs incurred on development projects are recognised as intangible assets when it is probable that the projects will be successful considering the criteria set out in note 2.7. The Group's development activities are tracked and documented to support the basis of determining if and when the criteria were met.

(ii) Impairment

The Group is required to test for impairment of intangible development assets not available for use on an annual basis. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the intangible development assets not available for use can be supported by the net present value of future cash flows specific to each development asset or Cash Generating Unit. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of future unlevered free cash flows and the selection of discount rates to reflect the risks involved.

The Group uses the most recent detailed calculation of that asset's recoverable amount made in a preceding period when all of the following criteria are met: the assets and liabilities of the Group have not changed significantly from the most recent calculation; the most recent calculation resulted in an amount that exceeded the asset's carrying amount by a substantial margin; and based on an analysis of events that have occurred and circumstances that have changed since the most recent calculation, the likelihood that a current recoverable amount determination would be less than the asset's carrying amount is remote.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Warranty Provisions

The Group recognises a provision when there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where these criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed or those which are not currently recognised or disclosed in the Consolidated Financial Statements could have a material effect on the Group's financial position.

The Group recognises expected warranty costs for products sold principally at the time of sale of the product or when it is determined that such obligations are probable and can be reasonably estimated. Amounts recorded are based on the Group's estimates of the amount that will eventually be required to settle such obligations. These accruals are based on factors such as specific customer arrangements, past experience, production changes, industry developments and various other considerations. The Group's estimates are adjusted from time to time based on facts and circumstances that impact the status of existing claims.

(c) Income taxes

The Group has received preliminary notice of tax assessments from a taxing authority related to a withholding tax audit of a subsidiary of the Group. The taxing authority claims that dividends declared and paid by the subsidiary are subject to withholding tax under the tax law at the time of the dividend payment. The Group believes these tax assessments are without merit and intends to appeal these assessments with the relevant tax authority and then with the administrative judicial court, as required. To proceed with an appeal within the administrative judicial court system, the Group may be required to post collateral of up to US$24,500,000, which may be in the form of letters of credit or cash and represents the maximum amount of potential loss associated with this matter plus interest on a go forward basis. Although the ultimate resolution of this tax assessment may take many years, based on the advice of the Group's relevant specialists, the Group has not accrued any amount related to this assessment as it believes it is probable that it will prevail in the appeal process.

Furthermore, the Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognised only if it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. This determination requires significant judgement regarding the realisability of deferred tax assets. For entities with a recent history of losses, there would need to be convincing other evidence that sufficient taxable profits would be available in the future. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5 REVENUE AND SEGMENT INFORMATION

5.1 Revenue from contracts with customers

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

Performance Obligations

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

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

5.1 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/prototype. The contract assets are reclassified into the receivables balance when the rights to receive payment become unconditional. There have been no impairment losses recognised related to contract assets arising from the Group's contracts with customers. Contract liabilities are associated with consideration received from customers in advance of transferring goods promised in a contract. Recognition of revenue is deferred until the related performance obligations are satisfied in the future. The following table provides information about contract assets and contract liabilities from contracts with customers.

	Contract assets (i) US$'000	Contract liabilities, Current (ii) US$'000	Contract liabilities, Non-Current (ii) US$'000
Balances as at December 31, 2020	**41,664**	**21,645**	**69,071**
Balances as at December 31, 2019	33,572	27,843	76,474
Change in account balance	8,092	(6,198)	(7,403)

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

(ii) Contract liabilities are recorded within deferred revenue.

5.2 Segment information

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's 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 2020, the Company restructured its internal organisation and management structure which resulted in a change in reportable segments. A Mexican holding company which was previously reported within the "Others" segment is now reported within the North America segment. Comparative information for the 2019 reporting periods has been restated under the new segment structure.

5 REVENUE AND SEGMENT INFORMATION (Continued)

5.2 Segment information (Continued)

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

- Operating income before interest, taxes, depreciation and amortisation (including impairment on property, plant and equipment and intangible assets) and share of results of joint ventures (**Adjusted EBITDA**).
- Total assets and total liabilities represent total current and non-current assets and total current and non-current liabilities of the segments and include assets and liabilities between operating segments.

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

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Others US$'000	Total US$'000
For the year ended December 31, 2020					
Total revenue	**1,919,325**	**662,675**	**487,457**	**–**	**3,069,457**
Inter-segment revenue	**(14,193)**	**(21,246)**	**(1,808)**	**–**	**(37,247)**
Revenue from external customers	**1,905,132**	**641,429**	**485,649**	**–**	**3,032,210**
Adjusted EBITDA	**234,748**	**125,157**	**25,537**	**(7,430)**	**378,012**
For the year ended December 31, 2019					
Total revenue	2,472,145	662,274	495,957	–	3,630,376
Inter-segment revenue	(23,353)	(19,695)	(11,671)	–	(54,719)
Revenue from external customers	2,448,792	642,579	484,286	–	3,575,657
Adjusted EBITDA	342,266	136,889	55,832	(9,891)	525,096

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

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 December 31, 2020					
Total assets	**1,940,556**	**1,071,161**	**499,523**	**(205,499)**	**3,305,741**
Total liabilities	**694,149**	**347,863**	**241,282**	**101,462**	**1,384,756**
As at December 31, 2019					
Total assets	2,041,797	973,646	410,491	(166,962)	3,258,972
Total liabilities	740,729	321,439	165,248	179,900	1,407,316

5 REVENUE AND SEGMENT INFORMATION (Continued)

5.2 Segment information (Continued)

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

	For the year ended December 31, 2020 US$'000	2019 US$'000
Adjusted EBITDA from reportable segments	**378,012**	525,096
Depreciation and amortisation expenses	**(228,575)**	(226,322)
Impairment on intangible assets and property, plant and equipment[(i)]	**(30,710)**	(26,112)
Finance costs, net	**(5,060)**	(4,944)
Share of income (loss) of joint ventures, net	**795**	(3,785)
Profit before income tax	**114,462**	263,933

Note:

(i) Impairment on intangible assets due to declining volumes and cancellations on specific customer programmes as set out in note 8 – partially offset by reversals of impairments on property, plant, and equipment recorded in prior years for which an alternative use was discovered as set out in note 6.

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

Adjusted EBITDA includes a non-cash component for deferred revenue amortisation. For the year ended December 31, 2020, the North America segment and Asia Pacific segment recognised US$21,640,000 (2019: US$23,057,000) and US$12,195,000 (2019: US$4,777,000), respectively.

The geographic distribution of revenue for the years ended December 31, 2020 and 2019 is as follows:

	For the year ended December 31, 2020 US$'000	2019 US$'000
North America:		
US	**1,092,048**	1,455,468
Mexico	**813,084**	993,324
Asia Pacific:		
China	**571,152**	569,361
Rest of Asia Pacific	**70,277**	73,218
EMEASA:		
Poland	**347,353**	410,503
Rest of EMEASA	**138,296**	73,783
	3,032,210	3,575,657

5 REVENUE AND SEGMENT INFORMATION (Continued)

5.2 Segment information (Continued)

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

	As at December 31, 2020 US$'000	2019 US$'000
North America:		
US	**973,702**	942,769
Mexico	**275,965**	280,232
Asia Pacific:		
China	**277,330**	270,342
Rest of Asia Pacific	**30,270**	27,370
EMEASA:		
Poland	**171,143**	153,927
Rest of EMEASA	**68,002**	52,579
Others	**1,517**	297
	1,797,929	1,727,516

Disaggregation of revenue

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Total US$'000
For the year ended December 31, 2020				
EPS	**1,165,793**	**431,064**	**461,327**	**2,058,184**
CIS	**326,242**	**12,351**	**4,928**	**343,521**
HPS	**106,398**	**3,088**	**10,534**	**120,020**
DL	**306,699**	**194,926**	**8,860**	**510,485**
	1,905,132	**641,429**	**485,649**	**3,032,210**

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Total US$'000
For the year ended December 31, 2019				
EPS	1,477,592	469,035	462,443	2,409,070
CIS	472,300	18,021	5,433	495,754
HPS	117,711	5,570	14,935	138,216
DL	381,189	149,953	1,475	532,617
	2,448,792	642,579	484,286	3,575,657

5 REVENUE AND SEGMENT INFORMATION (Continued)

5.2 Segment information (Continued)

Revenue by Type

	For the year ended December 31, 2020 US$'000	2019 US$'000
Production parts	**2,997,133**	3,538,368
Tooling	**29,553**	26,195
Engineering design and development/prototypes	**5,524**	11,094
	3,032,210	3,575,657

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

	For the year ended December 31, 2020 US$'000	2019 US$'000
GM	**1,069,939**	1,332,104
Customer A	**583,917**	773,407
Customer B	**524,104**	640,881
	2,177,960	2,746,392

Notes to the Consolidated Financial Statements

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and land improvement US$'000	Leasehold improvements US$'000	Buildings US$'000	Machinery, equipment and tooling US$'000	Furniture and office equipment US$'000	Construction in progress US$'000	Total US$'000
As at January 1, 2019							
Cost	12,777	19,426	62,223	1,254,098	4,425	128,276	1,481,225
Accumulated depreciation	(2,305)	(9,451)	(14,469)	(519,768)	(1,988)	–	(547,981)
Net book amount	10,472	9,975	47,754	734,330	2,437	128,276	933,244
Adoption of IFRS 16 (i)	(62)	–	(5,378)	(801)	–	–	(6,241)
Year ended December 31, 2019							
Opening net book amount	10,410	9,975	42,376	733,529	2,437	128,276	927,003
Additions, net (ii)	265	2,699	8,196	159,514	1,399	29,307	201,380
Impairment	–	–	–	(6,540)	–	–	(6,540)
Disposals	(22)	(68)	–	(10,001)	(19)	–	(10,110)
Depreciation	(160)	(3,964)	(1,704)	(109,671)	(547)	–	(116,046)
Exchange differences	(84)	(40)	(377)	(4,225)	(35)	(1,172)	(5,933)
Net book amount as at December 31, 2019	10,409	8,602	48,491	762,606	3,235	156,411	989,754
As at January 1, 2020							
Cost	12,855	20,469	64,563	1,378,037	5,665	156,411	1,638,000
Accumulated depreciation	(2,446)	(11,867)	(16,072)	(615,431)	(2,430)	–	(648,246)
Net book amount	10,409	8,602	48,491	762,606	3,235	156,411	989,754
Year ended December 31, 2020							
Opening net book amount	**10,409**	**8,602**	**48,491**	**762,606**	**3,235**	**156,411**	**989,754**
Additions, net (ii)	**457**	**1,962**	**27,701**	**141,496**	**2,484**	**(47,083)**	**127,017**
Reversal of impairment	**–**	**–**	**–**	**–**	**–**	**3,437**	**3,437**
Disposals	**–**	**(3)**	**(537)**	**(11,690)**	**(82)**	**–**	**(12,312)**
Depreciation	**(179)**	**(2,487)**	**(2,582)**	**(115,935)**	**(827)**	**–**	**(122,010)**
Exchange differences	**40**	**219**	**2,310**	**16,115**	**256**	**4,507**	**23,447**
Net book amount as at December 31, 2020	**10,727**	**8,293**	**75,383**	**792,592**	**5,066**	**117,272**	**1,009,333**
As at December 31, 2020							
Cost	**13,410**	**20,288**	**93,241**	**1,512,538**	**8,006**	**117,272**	**1,764,755**
Accumulated depreciation	**(2,683)**	**(11,995)**	**(17,858)**	**(719,946)**	**(2,940)**	**–**	**(755,422)**
Net book amount	**10,727**	**8,293**	**75,383**	**792,592**	**5,066**	**117,272**	**1,009,333**

Notes:

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

(ii) Upon completion, transfers from construction in progress to other classes of property, plant and equipment are included in additions, net.

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Certain of the Group's property, plant and equipment have been pledged as collateral under the Group's borrowing arrangements. The carrying amounts of property, plant and equipment pledged as collateral were US$389,056,000 as at December 31, 2020 (December 31, 2019: US$20,328,000). During the year ended December 31, 2020 one of the Group's existing revolving lines of credit was amended to include property, plant and equipment in order to supplement available collateral.

Depreciation has been charged to the following function of expenses:

	For the year ended December 31,	
	2020 US$'000	2019 US$'000
Cost of sales	**106,868**	103,635
Engineering and product development costs	**8,893**	7,498
Administrative expenses	**6,249**	4,913
	122,010	116,046

During the year ended December 31, 2020, the Group recorded a reversal of impairment of US$3,437,000 within costs of sales in the EMEASA segment on construction in progress related to items that had been impaired in prior years, for which an alternative use was identified in 2020 and the assets were placed in service. During the year ended December 31, 2019, the Group recorded impairment of US$6,540,000 within cost of sales in the Asia Pacific segment on machinery, equipment and tooling related to equipment that had been purchased for specific customer programmes. Due to a decline in volumes and cancellations on specific customer programmes the equipment was deemed to be impaired.

The additions for the year ended December 31, 2020 include US$280,000 of capitalised borrowing costs (2019: US$620,000). Borrowing costs were capitalised at the weighted average of the borrowing rates of 6.4% for the year ended December 31, 2020 (2019: 6.1%).

7 LEASES

The Company'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$'000	Other US$'000	Total US$'000
Balance as at December 31, 2019	53,589	7,570	61,159
Depreciation charge for the year ended December 31, 2019	10,707	1,857	12,564
Balance as at December 31, 2020	**48,883**	**8,456**	**57,339**
Depreciation charge for the year ended December 31, 2020	**11,366**	**1,842**	**13,208**

Additions to the right-of-use assets during the year ended December 31, 2020 were US$7,611,000 (year ended December 31, 2019: US$11,249,000).

7 LEASES (Continued)

Right-of-use assets (Continued)

Depreciation has been charged to the following function of expenses:

	For the year ended December 31, 2020 US$'000	2019 US$'000
Cost of sales	**8,678**	7,618
Engineering and product development costs	**2,038**	2,333
Administrative expenses	**2,492**	2,613
	13,208	12,564

Lease liabilities

(a) Gross lease liabilities – minimum lease payments

	As at December 31, 2020 US$'000	As at December 31, 2019 US$'000
Within 1 year	**16,475**	15,612
Between 1 and 2 years	**14,331**	13,392
Between 2 and 5 years	**25,878**	29,691
Over 5 years	**10,361**	15,454
	67,045	74,149
Less: future finance charges	**(9,691)**	(12,477)
	57,354	61,672

(b) Present value of lease liabilities:

	As at December 31, 2020 US$'000	As at December 31, 2019 US$'000
Within 1 year	**13,527**	12,291
Between 1 and 2 years	**11,850**	10,536
Between 2 and 5 years	**22,236**	24,669
Over 5 years	**9,741**	14,176
	57,354	61,672
Less: non-current portion	**(43,827)**	(49,381)
Current portion	**13,527**	12,291

For the year ended December 31, 2020, the Group recognised interest on lease liabilities of US$3,574,000 (year ended December 31, 2019: US$3,803,000) in the consolidated income statement.

For the year ended December 31, 2020, the Group recognised total cash outflow for leases of US$13,672,000 (year ended December 31, 2019: US$12,619,000) in the consolidated statement of cash flows.

8 INTANGIBLE ASSETS

	Product development costs US$'000	Computer software development costs US$'000	Total US$'000
Cost			
As at January 1, 2019	885,739	27,950	913,689
Additions	183,167	166	183,333
Impairment	(19,572)	–	(19,572)
Disposals	–	(910)	(910)
Exchange differences	(1,117)	–	(1,117)
As at December 31, 2019	1,048,217	27,206	1,075,423
Accumulated amortisation			
As at January 1, 2019	333,918	17,838	351,756
Amortisation	92,570	5,142	97,712
Disposals	–	(910)	(910)
Exchange differences	(282)	–	(282)
As at December 31, 2019	426,206	22,070	448,276
Net book amount			
As at December 31, 2019	622,011	5,136	627,147
Cost			
As at January 1, 2020	**1,048,217**	**27,206**	**1,075,423**
Additions	**154,249**	**46**	**154,295**
Impairment	**(34,147)**	**–**	**(34,147)**
Exchange differences	**5,588**	**–**	**5,588**
As at December 31, 2020	**1,173,907**	**27,252**	**1,201,159**
Accumulated amortisation			
As at January 1, 2020	**426,206**	**22,070**	**448,276**
Amortisation	**90,483**	**2,874**	**93,357**
Exchange differences	**2,033**	**–**	**2,033**
As at December 31, 2020	**518,722**	**24,944**	**543,666**
Net book amount			
As at December 31, 2020	**655,185**	**2,308**	**657,493**

The additions for the year ended December 31, 2020 include US$16,280,000 of capitalised interest related to the borrowings associated with product developmental costs (2019: US$14,585,000). Borrowing costs were capitalised at the weighted average of the borrowing rates of 6.4% for the year ended December 31, 2020 (2019: 6.1%).

8 INTANGIBLE ASSETS (Continued)

Amortisation has been charged to the following function of expenses:

	For the year ended December 31,	
	2020	2019
	US$'000	US$'000
Cost of sales	**92,319**	96,399
Administrative expenses	**1,038**	1,313
	93,357	97,712

Impairment tests

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

The recoverable amount of the Cash Generating Units is determined based upon value in use from the most recent detailed calculations. The value in use is estimated using the discounted cash flow approach. For significant Cash Generating Units, the pretax discount rates used for the year ended December 31, 2020 to estimate future cash flows range between 8% and 13% (year ended December 31, 2019: between 8.5% and 13.5%), which are based on an estimated weighted average cost of capital depending on geographical location and risk factors and includes estimates of country risk premiums. Estimated cash flows are based on the estimated useful life of the Cash Generating Unit.

In determining value in use, it is necessary to make a series of assumptions to estimate future cash flows. There is risk in future profitability such as customer volumes and commodity pricing. The assumptions for customer volumes and commodity pricing are reviewed annually as part of management's budgeting and strategic planning cycles.

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

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 year ended December 31, 2020, the Group recorded product development intangible asset impairments of US$34,147,000 related to programme cancellations and declining volumes on specific customer programmes. The impairment is recorded in the consolidated income statement as engineering and product development costs in the amount of US$34,147,000 in the Asia Pacific segment and the North America segment in the amount of US$5,100,000 and US$29,047,000, respectively. For the year ended December 31, 2019, the Group recorded product development intangible asset impairments of US$19,572,000 related to declining volumes and cancellations on specific customer programmes in China. The impairments were recorded in the consolidated income statement as cost of sales in the amount of US$3,651,000 and in engineering and product development costs in the amount of US$15,921,000 with US$6,928,000 recorded in the Asia Pacific segment and US$12,644,000 recorded in the North America segment. The intangible asset impairments in the North America segment associated with global customer programmes is due to the Company's US domiciled intellectual property holdings arrangement.

9 DEFERRED INCOME TAXES

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at December 31, 2020 US$'000	2019 US$'000
Deferred income tax assets:		
To be recovered after more than 12 months	**5,745**	5,803
To be recovered within 12 months	**18,336**	17,502
	24,081	23,305
Deferred income tax liabilities:		
To be settled after more than 12 months	**(75,124)**	(85,262)
	(75,124)	(85,262)
Deferred income tax liabilities, net	**(51,043)**	(61,957)

The reconciliation of deferred income tax liabilities, net to the consolidated balance sheet is as follows:

	As at December 31, 2020 US$'000	2019 US$'000
Deferred income tax assets	**11,805**	11,829
Deferred income tax liabilities	**(62,848)**	(73,786)
Deferred income tax liabilities, net	**(51,043)**	(61,957)

9 DEFERRED INCOME TAXES (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Property, plant and equipment US$'000	Retirement benefits and compensation US$'000	Provisions and accruals US$'000	Tax losses and credits US$'000	Intangible assets US$'000	Others US$'000	Total US$'000
Deferred income tax assets							
As at January 1, 2019	3,161	14,891	30,383	24,047	–	10,827	83,309
Credit (charged) to income statement	365	(4,228)	1,266	5,022	–	1,805	4,230
Credit to equity	–	1,064	–	–	–	–	1,064
Exchange differences	95	74	138	17	–	30	354
As at December 31, 2019	3,621	11,801	31,787	29,086	–	12,662	88,957
As at January 1, 2020	3,621	11,801	31,787	29,086	–	12,662	88,957
(Charged) credit to income statement	(152)	823	1,741	24,366	–	4,891	31,669
Credit to equity	–	539	–	–	–	–	539
Exchange differences	(119)	(92)	(172)	(22)	–	(37)	(442)
As at December 31, 2020	3,350	13,071	33,356	53,430	–	17,516	120,723
Deferred income tax liabilities							
As at January 1, 2019	(51,481)	(1,849)	(1,478)	–	(97,520)	(10,770)	(163,098)
Credit (charged) to income statement	5,208	1,717	385	–	7,214	(2,416)	12,108
Exchange differences	26	–	33	–	–	17	76
As at December 31, 2019	(46,247)	(132)	(1,060)	–	(90,306)	(13,169)	(150,914)
As at January 1, 2020	(46,247)	(132)	(1,060)	–	(90,306)	(13,169)	(150,914)
(Charged) credit to income statement	(10,646)	(24)	(719)	–	(11,582)	2,216	(20,755)
Exchange differences	(32)	–	(43)	–	–	(22)	(97)
As at December 31, 2020	(56,925)	(156)	(1,822)	–	(101,888)	(10,975)	(171,766)

9 DEFERRED INCOME TAXES (Continued)

Deferred income tax assets are recognised for tax loss carry-forwards and deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred income tax assets being calculated at applicable tax rates have not been recognised as management believes it is more likely than not that they would not be utilised before expiration as follows:

	As at December 31,	
	2020	2019
	US$'000	US$'000
Tax losses	**15,522**	13,825
Deductible temporary differences	**2,540**	2,345
	18,062	16,170

As at December 31, 2020, the Group has US$10,108,000 (December 31, 2019: US$10,108,000) of gross net operating loss (**NOL**) carry forwards in the US subject to certain annual utilisation limitations, which will expire in 2032. As at December 31, 2020, the Group has US$73,055,000 (December 31, 2019: US$61,978,000) of non-US gross NOL carry-forwards which have various expiration dates of which a significant amount is unlimited.

As at December 31, 2020, deferred income tax liabilities of US$7,250,000 (December 31, 2019: US$10,169,000) have been provided for withholding tax that would be payable on the portion of unremitted earnings of certain subsidiaries intended to be distributed in the foreseeable future and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax liabilities have not been recognised on the remaining unremitted earnings because the Group is able to control the timing of reversal of the temporary differences. Unremitted earnings totaled US$1,659,528,000 as at December 31, 2020 (December 31, 2019: US$1,657,057,000).

10 INVENTORIES

	As at December 31,	
	2020	2019
	US$'000	US$'000
Raw materials	**158,439**	179,902
Work in progress	**32,061**	33,579
Finished goods	**61,902**	68,616
	252,402	282,097
Less: provision for impairment losses	**(18,355)**	(16,051)
	234,047	266,046

The cost of inventories recognised as an expense and included in cost of sales for the year ended December 31, 2020 amounted to US$2,366,043,000 (2019: US$2,779,590,000).

The carrying amounts of inventories pledged as collateral were US$106,043,000 as at December 31, 2020 (December 31, 2019: US$138,306,000).

11 TRADE RECEIVABLES

	As at December 31, 2020 US$'000	2019 US$'000
Trade receivables, gross	**570,845**	540,546
Notes receivable	**24,747**	5,850
Less: provision for impairment	**(2,565)**	(1,721)
	593,027	544,675

Certain customers in China pay for goods and services through the use of notes receivable. Included in trade receivables, gross are notes received from customers in the amount of US$24,747,000 as at December 31, 2020 (December 31, 2019: US$5,850,000). As at December 31, 2020, notes receivable totalling US$9,235,000 (December 31, 2019: US$880,000) were pledged to guarantee notes payable in the same amount recorded within trade payables as set out in note 20. As set out in note 3.3, the bank notes receivable are valued at FVOCI.

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

	As at December 31, 2020 US$'000	2019 US$'000
0 to 30 days	**400,588**	305,117
31 to 60 days	**173,045**	215,942
61 to 90 days	**8,721**	20,412
Over 90 days	**13,238**	4,925
	595,592	546,396

Trade receivables of US$24,086,000 were past due but not impaired as at December 31, 2020 (December 31, 2019: US$26,895,000). These relate mainly to a number of customers for whom there is no history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	As at December 31, 2020 US$'000	2019 US$'000
Overdue up to 30 days	**14,828**	18,293
Overdue 31 to 60 days	**3,027**	2,410
Overdue 61 to 90 days	**321**	1,717
Overdue over 90 days	**5,910**	4,475
	24,086	26,895

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

11 TRADE RECEIVABLES (Continued)

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

Trade receivables of US$2,565,000 were impaired as at December 31, 2020 on which provisions were made (December 31, 2019: US$1,721,000).

Movement on the provision for the impairment of trade receivables is as follows:

	For the year ended December 31,	
	2020	2019
	US$'000	US$'000
As at January 1	**1,721**	1,653
Addition of provision	**689**	96
Exchange differences	**155**	(28)
As at December 31	**2,565**	1,721

The carrying amounts of trade receivables pledged as collateral were US$371,104,000 as at December 31, 2020 (December 31, 2019: US$332,631,000).

12 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2020	2019
	US$'000	US$'000
Income and other taxes recoverable(i)	**66,782**	53,387
Prepaid assets	**49,213**	39,571
Contract assets(ii)	**41,664**	33,572
Deposits to vendors	**6,783**	5,385
Others	**2,537**	5,102
	166,979	137,017
Less: non-current portion	**(51,482)**	(29,949)
Current portion	**115,497**	107,068

Notes:

(i) Balance mainly represents income and value-added tax recoverable and certain incentives granted to the Group for investing capital and maintaining jobs in the state of Michigan, USA, which expired during the year ended December 31, 2020 and is expected to be collected during 2021. The CARES Act allows a carryback of 2020 US tax loss and is expected to generate cash refunds of US$16,166,000.

(ii) As stated in note 5, the Group has contracts with customers that require revenue to be recognised over time as costs are incurred. Contract assets balance represents rights to consideration for work completed but not billed, related to production parts, reimbursable customer tooling and engineering services.

(iii) The Group evaluated the expected credit losses of other receivables. As at December 31, 2020 and 2019, no significant increase on credit risk was identified in other receivables and the 12-month expected credit losses are assessed to be not material.

13 RESTRICTED BANK DEPOSITS

As at December 31, 2020, restricted bank deposits of US$12,000 (December 31, 2019: US$11,000) are maintained with banks for issuance of letters of credit and pledges of bank borrowings.

14 CASH AND CASH EQUIVALENTS

The Group's RMB balances of US$163,299,000 are deposited with banks in China as at December 31, 2020 (December 31, 2019: US$240,307,000). The RMB is not a freely convertible currency. The conversion of these RMB denominated balances into foreign currencies in China is subject to rules and regulations of foreign exchange control promulgated by the China government. Cash balances denominated in RMB will be used as part of the normal operating activities in China and are classified as unrestricted cash on this basis.

15 OTHER RESERVES

	Share premium US$'000	Merger reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Total other reserves US$'000
As at January 1, 2019	38,289	113,000	6,940	(84,636)	73,593
Dividends paid to shareholders	(41,701)	–	–	–	(41,701)
Value of employee services provided under share-option scheme (note 24(a))	–	–	946	–	946
Transfer to share premium under exercise of share options	970	–	(970)	–	–
Exercise of options	2,442	–	–	–	2,442
Exchange differences, net of tax	–	–	–	(13,096)	(13,096)
As at December 31, 2019	–	113,000	6,916	(97,732)	22,184
Value of employee services provided under share-option scheme (note 24(a))	**–**	**–**	**7**	**–**	**7**
Exchange differences, net of tax	**–**	**–**	**–**	**36,461**	**36,461**
As at December 31, 2020	**–**	**113,000**	**6,923**	**(61,271)**	**58,652**

Notes:

(i) **Share premium**
Share premium of the Group represents the difference between the fair value of shares issued and their respective par value. Incremental costs directly attributable to the issue of new shares are shown as an increase in share premium.

A dividend of US$77,734,000 relating to the Group's year ended December 31, 2018 earnings was paid during the year ended December 31, 2019, US$41,701,000 was paid from share premium, with the remaining US$36,033,000 paid out of retained earnings. See Consolidated Statement of Changes in Equity.

(ii) **Merger reserve**
The Company was incorporated on August 21, 2012 and the Group's reorganisation was completed on January 30, 2013. The merger reserve in the consolidated balance sheets as at December 31, 2020 and 2019 represent the aggregate amount of share capital of PCM US Steering Holding LLC and PCM (Singapore) Steering Holding Pte. Limited.

(iii) **Share-based compensation reserve**
The share-based compensation reserve comprises the value of employee services provided under the share option scheme. The reserve is relieved when options are exercised in the amount of services recognised related to those option.

(iv) **Exchange reserve**
Exchange reserve arises from currency translations of all group entities that have a functional currency different from the US dollar being translated into the Group's presentation currency of US dollar.

16 BORROWINGS

	As at December 31, **2020** US$'000	2019 US$'000
Non-current		
Borrowings from banks		
– secured [1a]	–	–
– unsecured [1b]	–	–
Notes [1c]	–	250,000
Debt issuance costs [1d]	–	(1,171)
	–	248,829
Current		
Borrowings from banks		
– secured [1a]	–	157
Add: current portion of:		
– non-current unsecured borrowings [1b]	–	60,000
– Notes [1c]	**250,000**	–
– Debt issuance costs [1d]	**(1,364)**	(1,332)
	248,636	58,825
Total borrowings	**248,636**	307,654

(1) Notes:

(a) This primarily includes:

(i) A revolving line of credit of US$nil as at December 31, 2020 (December 31, 2019: US$nil) obtained by a subsidiary of the Group which bears interest at LIBOR (with a floor of 0.75% per annum) plus a range of 2.00% to 2.25% per annum, depending on borrowing type, matures in February 2023 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 December 31, 2020 the Company has availability of US$321,800,000 of the US$325,000,000 line of credit.

(ii) A factoring facility of US$nil (December 31, 2019: US$nil) with availability to borrow up to US$49,161,000 by a subsidiary of the Group which bears interest at EURIBOR plus 1.05% per annum, is secured by certain receivables. As of December 31, 2020, the Company has availability to borrow based on collateral up to US$30,645,000.

(iii) An overdraft facility of US$nil (December 31, 2019: US$nil) with availability to borrow up to US$21,509,000 by a subsidiary of the Group which bears interest at EURIBOR plus 1.60% per annum, is secured by property and certain receivables expires in August 2022. This facility was established in August 2020.

16 BORROWINGS (Continued)

(1) Note: (Continued)

(a) This primarily includes: (Continued)

(iv) A revolving line of credit of US$nil as at December 31, 2020 (December 31, 2019: US$157,000) with availability to borrow up to US$2,735,000 by a subsidiary of the Group which bears interest at the Marginal Cost of Funds Based Lending Rate + 0.8% per annum, is secured by property, plant and equipment, trade receivables and inventories expires in June 2021.

(v) A revolving line of credit of US$nil as at December 31, 2020 (December 31, 2019: US$nil) with availability to borrow up to US$2,735,000 by a subsidiary of the Group which bears interest at the Marginal Cost of Funds Based Lending Rate + 0.5% per annum, is secured by property, plant and equipment, trade receivables and inventories expires in September 2021.

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

(c) Notes of US$250,000,000 in aggregate principal amount of 5.875% senior unsecured notes maturing in November 2021 (**Notes**). As set out in note 34, in March 2021, the Company announced its plan to redeem all outstanding Notes on April 2, 2021.

(d) The Group capitalised debt issuance costs related to various borrowings as noted above. Amortisation of the debt issuance costs is recognised in the income statement as finance cost over the period of the borrowing using the effective interest method. The unamortised balance of debt issuance costs is US$1,364,000 as at December 31, 2020 (December 31, 2019: US$2,503,000).

16 BORROWINGS (Continued)

(2) Maturity of borrowings

	As at December 31, 2020 US$'000	2019 US$'000
Within 1 year	**248,636**	58,825
Between 1 and 2 years	**–**	249,112
Between 2 and 5 years	**–**	(283)
Over 5 years	**–**	–
	248,636	307,654

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

	As at December 31, Carrying Amount 2020 US$'000	Carrying Amount 2019 US$'000	Fair value 2020 US$'000	Fair value 2019 US$'000
Notes	**–**	249,373	**–**	252,676
	–	249,373	**–**	252,676

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

(4) Weighted average annual interest rates

	As at December 31, 2020	2019
Bank borrowings	**2.1%**	6.6%
Notes	**5.9%**	5.9%

16 BORROWINGS (Continued)

(5) Currency denomination

	As at December 31, 2020 US$'000	2019 US$'000
US$	**248,636**	307,497
Indian rupee	**–**	157
	248,636	307,654

17 RETIREMENT BENEFITS AND COMPENSATION

	As at December 31, 2020 US$'000	2019 US$'000
Pension – defined benefit plans [a]	**18,453**	15,949
Extended disability benefits [b]	**3,974**	3,808
Workers' compensation [c]	**6,015**	6,484
	28,442	26,241
Less: non-current portion	**(25,061)**	(22,856)
Current portion	**3,381**	3,385

(a) Pension – defined benefit plans

The Group sponsors various defined benefit plans that generally provide benefits based on negotiated amounts for each year of eligible service. The Group's most significant plans are under regulatory frameworks in Mexico, Germany, France, Korea and the US. The US Supplemental Executive Retirement Plan (**US SERP**) is a frozen plan. The plans had no curtailments or settlements affecting the defined benefit obligation.

17 RETIREMENT BENEFITS AND COMPENSATION (Continued)

(a) Pension – defined benefit plans (Continued)

The Group employs Mercer (U.S.) Inc., an independent qualified actuary, to measure pension costs using the projected unit credit method. The amounts recognised in the consolidated balance sheet are determined as follows:

	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Non-US plans US$'000	US SERP US$'000	Total US$'000	Non-US plans US$'000	US SERP US$'000	Total US$'000
Present value of funded obligations (i)	**18,658**	**1,519**	**20,177**	16,020	1,579	17,599
Fair value of plan assets (ii)	**(1,724)**	**–**	**(1,724)**	(1,650)	–	(1,650)
Deficit of funded plans	**16,934**	**1,519**	**18,453**	14,370	1,579	15,949

There is no current requirement for the Group to fund the deficit between the fair value of plan assets and the present value of the defined benefit plan obligations as at December 31, 2020.

(i) Movement in the present value of defined benefit obligations:

	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Non-US plans US$'000	US SERP US$'000	Total US$'000	Non-US plans US$'000	US SERP US$'000	Total US$'000
Opening balance	**16,020**	**1,579**	**17,599**	11,924	1,519	13,443
Current service cost	**1,086**	**–**	**1,086**	799	–	799
Past service cost	**(93)**	**–**	**(93)**	225	–	225
Interest cost	**660**	**33**	**693**	648	52	700
Losses from changes in financial assumptions	**1,908**	**56**	**1,964**	2,671	63	2,734
Experience losses (gains)	**309**	**(3)**	**306**	830	2	832
(Gains) losses from changes in demographic assumptions	**(33)**	**–**	**(33)**	66	–	66
Exchange differences	**158**	**–**	**158**	51	–	51
Benefits paid	**(1,357)**	**(146)**	**(1,503)**	(1,194)	(57)	(1,251)
Ending balance	**18,658**	**1,519**	**20,177**	16,020	1,579	17,599

17 RETIREMENT BENEFITS AND COMPENSATION (Continued)

(a) Pension – defined benefit plans (Continued)

(ii) Movement in the fair value of plan assets:

	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Non-US plans US$'000	US SERP US$'000	Total US$'000	Non-US plans US$'000	US SERP US$'000	Total US$'000
Opening balance	**(1,650)**	**–**	**(1,650)**	(1,498)	–	(1,498)
Interest income	**(45)**	**–**	**(45)**	(55)	–	(55)
Loss on plan assets, excluding amounts included in interest income	**21**	**–**	**21**	2	–	2
Administrative expenses	**4**	**–**	**4**	4	–	4
Employer contributions	**(1,332)**	**(146)**	**(1,478)**	(1,326)	(57)	(1,383)
Exchange differences	**(79)**	**–**	**(79)**	29	–	29
Benefits paid	**1,357**	**146**	**1,503**	1,194	57	1,251
Ending balance	**(1,724)**	**–**	**(1,724)**	(1,650)	–	(1,650)

Plan assets comprise as follows:

	As at December 31, 2020	2019
Equities	**2%**	5%
Bonds	**2%**	5%
Cash and cash equivalents	**2%**	4%
Other	**94%**	86%
	100%	100%

Amounts recognised in other comprehensive income:

	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Non-US plans US$'000	US SERP US$'000	Total US$'000	Non-US plans US$'000	US SERP US$'000	Total US$'000
Losses from changes in financial assumptions	**(1,908)**	**(56)**	**(1,964)**	(2,671)	(63)	(2,734)
Experience (losses) gains	**(309)**	**3**	**(306)**	(830)	(2)	(832)
Gains (losses) from changes in demographic assumptions	**33**	**–**	**33**	(66)	–	(66)
Loss on plan assets, excluding amounts included in interest income	**(21)**	**–**	**(21)**	(2)	–	(2)
Total	**(2,205)**	**(53)**	**(2,258)**	(3,569)	(65)	(3,634)

17 RETIREMENT BENEFITS AND COMPENSATION (Continued)

(a) Pension – defined benefit plans (Continued)

Amount recognised in the consolidated income statement:

	For the year ended December 31, 2020 Non-US plans US$'000	US SERP US$'000	Total US$'000	For the year ended December 31, 2019 Non-US plans US$'000	US SERP US$'000	Total US$'000
Current service cost	**1,086**	**–**	**1,086**	799	–	799
Past service cost	**(93)**	**–**	**(93)**	225	–	225
Interest cost	**615**	**33**	**648**	593	52	645
Administrative expenses	**4**	**–**	**4**	4	–	4
Total	**1,612**	**33**	**1,645**	1,621	52	1,673
Included in:						
Cost of sales	**990**	**–**	**990**	926	–	926
Engineering and product development costs	**399**	**–**	**399**	482	–	482
Selling and distribution costs	**48**	**–**	**48**	38	–	38
Administrative expenses	**175**	**33**	**208**	175	52	227
	1,612	**33**	**1,645**	1,621	52	1,673

Principal actuarial assumptions used were as follows:

	December 31, 2020 Non-US plans	US SERP	December 31, 2019 Non-US plans	US SERP
Discount rate	**4.56%**	**0.81%**	4.88%	2.25%
Salary increase rate	**4.57%**	**N/A**	3.64%	N/A
Price inflation rate	**3.16%**	**N/A**	3.22%	N/A
Pension increase rate	**1.75%**	**N/A**	1.75%	N/A

17 RETIREMENT BENEFITS AND COMPENSATION (Continued)

(a) Pension – defined benefit plans (Continued)

Balances of pension obligations derived from changes in the discount rate and salary increase rate as at the respective year ends were as follows:

	December 31, 2020			December 31, 2019		
	Non-US plans US$'000	**US SERP US$'000**	**Total US$'000**	Non-US plans US$'000	US SERP US$'000	Total US$'000
1% increase in discount rate	**16,671**	**1,480**	**18,151**	14,354	1,530	15,884
1% decrease in discount rate	**20,981**	**1,561**	**22,542**	18,003	1,630	19,633
1% increase in salary increase rate	**19,960**	**N/A**	**19,960**	17,140	N/A	17,140
1% decrease in salary increase rate	**17,500**	**N/A**	**17,500**	15,020	N/A	15,020

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation the same actuarial method has been applied in arriving at the pension liability recognised in the consolidated balance sheet.

(b) Extended disability benefits

Costs associated with extended disability benefits provided to injured employees in the US are accrued throughout the duration of active employment. Workforce demographic data and historical experience are utilised to develop projections of time frames and related expenses for these post-employment benefits.

(c) Workers' compensation

The Group is self-insured up to a certain amount of workers' compensation claims for hourly workforce and accrues estimated costs for filed claims based upon an actuarially determined estimate. Workers' compensation liability includes benefits related to medical, dental and vision benefits.

18 PROVISIONS

	As at December 31, 2020			As at December 31, 2019		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Restructuring	**–**	**–**	**–**	–	–	–
Litigation (i)	**169**	**346**	**515**	598	235	833
Environmental liabilities (ii)	**150**	**11,910**	**12,060**	150	11,978	12,128
Warranties (iii)	**18,378**	**38,196**	**56,574**	21,254	41,017	62,271
Decommissioning (iv)	**–**	**8,977**	**8,977**	267	8,574	8,841
	18,697	**59,429**	**78,126**	22,269	61,804	84,073

18 PROVISIONS (Continued)

Movement of provisions is as follows:

	Restructuring US$'000	Litigation(i) US$'000	Environmental liabilities(ii) US$'000	Warranties(iii) US$'000	Decom-missioning(iv) US$'000	Total US$'000
As at January 1, 2019	195	267	12,153	68,280	8,215	89,110
Additions, net	–	959	–	5,804	661	7,424
Payments	(197)	(385)	(23)	(11,286)	(25)	(11,916)
Exchange differences	2	(8)	(2)	(527)	(10)	(545)
As at December 31, 2019	–	833	12,128	62,271	8,841	84,073
As at January 1, 2020	**–**	**833**	**12,128**	**62,271**	**8,841**	**84,073**
Additions, net	**–**	**202**	**(1)**	**10,745**	**88**	**11,034**
Payments	**–**	**(492)**	**(52)**	**(18,284)**	**(2)**	**(18,830)**
Exchange differences	**–**	**(28)**	**(15)**	**1,842**	**50**	**1,849**
As at December 31, 2020	**–**	**515**	**12,060**	**56,574**	**8,977**	**78,126**

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) Warranty

A provision is recognised for warranty costs associated with products sold to the customer principally at the time of sale or when it is determined that such obligations are probable and can be reasonably estimated. For the year ended December 31, 2020, warranty provisions recorded were net of reversals of US$17,818,000 which related to adjustments of provisions recorded in prior periods as a current period estimate revision based on improved quality (2019: US$19,468,000).

(iv) Decommissioning

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

19 DEFERRED REVENUE

Contract liabilities are associated with consideration received from customers in advance of transferring goods promised in a 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 December 31, 2020			As at December 31, 2019		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Pre-production activity	21,645	69,071	90,716	27,843	76,474	104,317

Movement of deferred revenue is as follows:

	As at December 31, 2020 US$'000	2019 US$'000
As at January 1	104,317	105,718
Additions	19,900	26,451
Amortisation[(i)]	(33,835)	(27,834)
Exchange differences	334	(18)
As at December 31	90,716	104,317

Note:

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

20 TRADE PAYABLES

	As at December 31, 2020 US$'000	2019 US$'000
Trade payables	630,583	584,921
Notes payable	26,572	7,099
	657,155	592,020

Certain vendors in China are paid for goods and services through the use of notes payable. The Group had notes payable issued to suppliers outstanding in the amount of US$26,572,000 as at December 31, 2020 (December 31, 2019: US$7,099,000). As at December 31, 2020, notes payable totalling US$9,235,000 (December 31, 2019: US$880,000) were guaranteed by notes receivable in the same amount recorded within trade receivables as set out in note 11. As set out in note 3.3, the bank notes payable are valued at FVOCI.

20 TRADE PAYABLES (Continued)

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

	As at December 31,	
	2020	2019
	US$'000	US$'000
0 to 30 days	**371,088**	337,204
31 to 60 days	**180,727**	171,952
61 to 90 days	**64,261**	48,888
91 to 120 days	**15,906**	9,645
Over 120 days	**25,173**	24,331
	657,155	592,020

21 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2020	2019
	US$'000	US$'000
Accrued expenses	**129,997**	122,627
Deposits from customers	**2,248**	3,243
Other taxes payable	**10,953**	5,242
Others	**5,889**	7,139
	149,087	138,251
Less: non-current portion	**(16,982)**	(9,621)
Current portion	**132,105**	128,630

22 OTHER (LOSSES) GAINS, NET

	For the year ended December 31,	
	2020	2019
	US$'000	US$'000
Foreign exchange (losses) gains	**(6,349)**	1,182
Loss on disposal of property, plant and equipment	**(9,608)**	(6,807)
Others	**6,421**	7,145
	(9,536)	1,520

23 EXPENSE BY NATURE

	For the year ended December 31, 2020 US$'000	2019 US$'000
Inventories used, including finished goods and work-in-progress	**1,815,292**	2,110,331
Employee benefit costs (note 24)	**455,422**	497,702
Temporary labour costs	**105,257**	128,722
Supplies and tools	**179,088**	221,381
Depreciation on property, plant and equipment (note 6)	**122,010**	116,046
Depreciation on right-of-use assets (note 7)	**13,208**	12,564
Amortisation on intangible assets (note 8)	**93,357**	97,712
Impairment charges (reversals) on		
– inventories (note 10)	**2,304**	(3,583)
– trade receivables (note 11)	**689**	96
– intangible assets (note 8) (i)	**34,147**	19,572
– property, plant and equipment (note 6) (i)	**(3,437)**	6,540
Warranty expenses (note 18)	**10,745**	5,804
Auditors' remuneration		
– audit services	**2,256**	2,477
– non-audit services	**1,963**	2,325
Others	**71,646**	86,826
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**2,903,947**	3,304,515

Note:

(i) Impairment on property, plant and equipment and intangible assets due to declining volumes and cancellations on specific customer programmes as set out in notes 6 and 8, respectively.

24 EMPLOYEE BENEFIT COSTS

	For the year ended December 31, 2020 US$'000	2019 US$'000
Salary expenses	**311,914**	343,840
Pension costs – defined contribution plans	**24,837**	28,263
Pension costs – defined benefit plans (note 17)	**1,645**	1,673
Other employee costs	**117,026**	123,926
	455,422	497,702

(a) Share-based payments

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

The subscription price for the shares under the option to be granted will be determined by the Board of Directors and will be the higher of: (a) the closing price of the shares of the Company as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant; or (c) the nominal value of the shares of the Company.

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

On June 11, 2014, the Board of Directors approved an initial grant of share options under the Scheme, pursuant to which options to subscribe for 11,236,860 shares, representing approximately 0.4499% of the issued share capital of the Company as at the date of grant, were granted to 15 selected participants at the exercise price of HK$5.150 per share.

On June 10, 2015, the Board of Directors approved a second grant of share options under the Scheme, pursuant to which options to subscribe for 10,358,990 shares, representing approximately 0.415% of the issued share capital of the Company as at the date of grant, were granted to 13 selected participants at the exercise price of HK$8.610 per share.

On June 10, 2016, the Board of Directors approved a third grant of share options under the Scheme, pursuant to which options to subscribe for 10,602,490 shares, representing approximately 0.424% of the issued share capital of the Company as at the date of grant, were granted to 13 selected participants at the exercise price of HK$7.584 per share.

On May 29, 2017, the Board of Directors approved a fourth grant of share options under the Scheme, pursuant to which options to subscribe for 11,919,310 shares, representing approximately 0.476% of the issued share capital of the Company as at the date of grant, were granted to 13 selected participants at the exercise price of HK$11.620 per share.

24 EMPLOYEE BENEFIT COSTS (Continued)

(a) **Share-based payments** (Continued)

On May 30, 2018, the Board of Directors approved a fifth grant of share options under the Scheme, pursuant to which options to subscribe for 12,972,770 shares, representing approximately 0.518% of the issued share capital of the Company as at the date of grant, were granted to 15 selected participants at the exercise price of HK$12.456 per share.

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

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

	Average exercise price (per share) HK$	Outstanding options (thousands)
As at January 1, 2019	10.633	33,534
Granted	6.390	13,675
Exercised	10.510	(1,840)
Expired	10.439	(5,868)
Forfeited	10.497	(1,756)
As at December 31, 2019	9.138	37,745
Exercisable as at December 31, 2019	9.326	13,672
As at January 1, 2020	**9.138**	**37,745**
Granted	**–**	**–**
Exercised	**–**	**–**
Expired	**9.656**	**(14,261)**
Forfeited	**11.401**	**(1,346)**
As at December 31, 2020	**8.667**	**22,138**
Exercisable as at December 31, 2020	**9.033**	**12,501**

24 EMPLOYEE BENEFIT COSTS (Continued)

(a) Share-based payments (Continued)

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

	Average exercise price (per share) HK$	Outstanding options (thousands)
May 29, 2021	12.456	2,861
August 20, 2021	6.390	3,388
August 20, 2022	6.390	3,388

There were no options granted during the year ended December 31, 2020. As at December 31, 2020, there were 179,014,910 share options available under the Scheme.

The fair value of the share options charged to the consolidated income statement was US$nil for the year ended December 31, 2020 (year ended December 31, 2019: US$1,232,000) as no Shares vested during the year due to the performance conditions not being met.

(b) Directors' emoluments

The remuneration of each director for the year ended December 31, 2020 is set out below:

	Fees(ix) US$'000	Salary US$'000	Annual Incentive Compensation(ii) US$'000	Other benefits(iii) US$'000
Mr. ZHAO, Guibin* (i)	–	1,040	892	47
Mr. MILAVEC, Robin Zane (i)(xiv)	–	375	148	102
Mr. FAN, Yi (i)	–	223	87	93
Mr. RICHARDSON, Michael Paul (i)(xiii)	–	2	–	34
Mr. WEI, Kevin Cheng	68	–	–	–
Mr. LIU, Jianjun	56	–	–	–
Mr. YICK, Wing Fat Simon	68	–	–	–
Mr. ZHANG, Jianxun (xvi)	36	–	–	–
Mr. WANG, Jian (xi)	124	–	–	–
Ms. ZHANG, Wendong (xv)	6	–	–	–
Mr. LIU, Ping (xii)	42	–	–	–

24 EMPLOYEE BENEFIT COSTS (Continued)

(b) Directors' emoluments (Continued)

The remuneration of each director for the year ended December 31, 2019 is set out below:

	Fees (ix) US$'000	Salary US$'000	Annual Incentive Compensation (ii) US$'000	Other benefits (iii) US$'000
Mr. ZHAO, Guibin* (i)	–	800	850	30
Mr. FAN, Yi (i)	–	220	98	105
Mr. RICHARDSON, Michael Paul (i)(xiii)	–	1,615	14	178
Mr. WEI, Kevin Cheng	65	–	–	–
Mr. LIU, Jianjun	53	–	–	–
Mr. YANG, Shengqun (x)	17	–	–	–
Mr. YICK, Wing Fat Simon	65	–	–	–
Mr. ZHANG, Jianxun	40	–	–	–
Mr. WANG, Jian (xi)	58	–	–	–
Mr. LIU, Ping (xii)	23	–	–	–

* Chief Executive Officer of the Company

Notes:

(i) Individual is a member of senior management.

(ii) The annual incentive compensation plan is payable within one year from year end.

(iii) Other benefits include payments made for dental, disability and healthcare coverage; contributions to social security and health-saving accounts; and other non-monetary benefits.

(iv) During the year ended December 31, 2020, no retirement benefits by a defined benefit pension plan operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of their services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2019: nil).

(v) During the year ended December 31, 2020, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2019: nil).

(vi) During the year ended December 31, 2020, no consideration was provided to or receivable by third parties for making available director's services (2019: nil).

(vii) There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2019: nil).

(viii) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: nil).

(ix) Fees paid are in respect to service as a director, other emoluments are in respect of other services in connection with management of the Company or its subsidiaries.

(x) Mr. YANG, Shenqun retired as our non-Executive Director with effect from June 3, 2019.

24 EMPLOYEE BENEFIT COSTS (Continued)

(b) Directors' emoluments (Continued)

Notes: (Continued)

(xi) Mr. WANG, Jian was elected and appointed as the Chairman of the Board with effect from June 3, 2019.

(xii) Mr. LIU, Ping was appointed as our non-Executive Director with effect from June 3, 2019.

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

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

(xv) Ms. ZHANG, Wendong was appointed as our non-Executive Director with effect from November 13, 2020.

(xvi) Mr. ZHANG, Jianxun resigned as our non-Executive Director with effect from November 13, 2020.

(xvii) Deferred incentive compensation plans will be settled when all the conditions are met and with approval by the Board of Directors (certain of which with estimates based upon the extent of meeting certain performance targets). During the year ended December 31, 2020, the deferred incentive compensation of Mr. ZHAO, Guibin; Mr. MILAVEC, Robin Zane; Mr. FAN, Yi; Mr. RICHARDSON, Michael Paul; Mr. WANG, Jian; Mr. YANG, Shengqun; Mr. LIU, Ping; Ms. ZHANG, Wendong; and Mr. ZHANG, Jianxun were approximately US$1,441,000, US$252,000, US$148,000, US$nil, US$33,000, US$nil, US16,000, US$16,000, and US$nil (2019: US$933,000, US$nil, US$232,000, US$104,000, US$nil, US$27,000, US$nil, US$nil, and US$27,000) respectively. The share-based payments of the share option scheme included in the deferred incentive compensation are calculated and disclosed in accordance with the method set out in note 24(a). These disclosed values deviate from the intrinsic value because the Company used the binomial model to calculate the fair value of the options granted on June 11, 2014, June 10, 2015, June 10, 2016, May 29, 2017, May 30, 2018 and August 21, 2019 amounting to HK$2.710, HK$3.920, HK$3.320, HK$4.440, HK$4.450 and HK$2.590 per option, respectively. When the actual share price is lower than the exercise price of HK$5.150, HK$8.610, HK$7.584, HK$11.620, HK$12.456 and HK$6.390 per share for options granted on June 11, 2014, June 10, 2015, June 10, 2016, May 29, 2017, May 30, 2018 and August 21, 2019, respectively the options are out-of – money and the holders will not be benefitted by exercising the options.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2020 include one director (2019: two), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2019: three) individuals during the year are as follows:

	For the year ended December 31, 2020 US$'000	2019 US$'000
Salaries and allowances	**1,775**	1,322
Annual and deferred incentive compensation	**2,520**	2,536
Other benefits	**510**	422
	4,805	4,280

24 EMPLOYEE BENEFIT COSTS (Continued)

(c) **Five highest paid individuals** (Continued)

The emoluments of the remaining individuals fell within the following bands:

	For the year ended December	
	2020	2019
	Number of individuals	
HK$6,500,000 – HK$7,000,000 (US$839,000 – US$903,000)	**1**	–
HK$7,000,000 – HK$7,500,000 (US$903,000 – US$968,000)	**1**	1
HK$9,000,000 – HK$9,500,000 (US$1,161,000 – US$1,226,000)	**1**	–
HK$11,000,000 – HK$11,500,000 (US$1,419,000 – US$1,484,000)	**–**	1
HK$13,500,000 – HK$14,000,000 (US$1,742,000 – US$1,806,000)	**1**	–
HK$14,500,000 – HK$15,000,000 (US$1,871,000 – US$1,935,000)	**–**	1

During the years ended December 31, 2020 and 2019, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(d) 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 (**Performance Awards**). The Performance Awards will remain in force for a period beginning on November 13, 2020 and ending on May 31, 2023. 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 December 31, 2020, the weighted average fair value of three tranches of performance awards granted during the period were determined using a Black-Scholes model of HK$4.585 per unit. 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 December 31, 2020 of HK$8.525, weighted average volatility of 62.9%, an expected term ranging between 0.5 and 2.5 years, and an annual risk-free interest rate ranging between 0.1% and 0.2%. For the year ended December 31, 2020, the fair value of the performance awards of US$1,116,000 was charged to the consolidated income statement. As at December 31, 2020, the payable for performance awards of US$1,116,000 was included in 'other payables and accruals'.

25 FINANCE COSTS, NET

	For the year ended December 31, 2020 US$'000	2019 US$'000
Finance income		
Interest on bank deposits	**4,096**	9,297
Finance costs		
Interest on bank borrowings	**4,157**	7,696
Interest on notes	**14,687**	14,687
	18,844	22,383
Interest on leases	**3,574**	3,803
Other finance costs	**3,299**	3,260
	25,717	29,446
Less: amount capitalised in qualifying assets (notes 6 and 8)	**(16,561)**	(15,205)
	9,156	14,241
Finance costs, net	**5,060**	4,944

26 INCOME TAX (BENEFIT) EXPENSE

	For the year ended December 31, 2020 US$'000	2019 US$'000
Current income tax	**3,073**	45,613
Deferred income tax (note 9)	**(10,914)**	(16,338)
	(7,841)	29,275

The Coronavirus Aid, Relief, and Economic Security (**CARES**) Act was passed by the US Congress and signed into law on March 27, 2020. The CARES Act provided by a carryback of any net operating loss (**NOL**) arising in a taxable year beginning after December 31, 2017 and before January 1, 2021, to each of the five taxable years preceding the taxable year in which the loss arises (**Carryback Period**). As a result of this provision, taxpayers take into account such NOLs in the earliest taxable year in the Carryback Period, carrying forward unused amounts to each succeeding taxable year. The Company has applied this provision to its tax calculation for the expected US tax NOL in year 2020 and recognised a benefit of US$9,809,000 for the NOL carryback.

Taxation on the Group's profits has been calculated on the estimated assessable profits for both years at the statutory rates of 21%, 25% and 19% in US, China and Poland, respectively, from where the Group's profits were mainly generated.

26 INCOME TAX (BENEFIT) EXPENSE (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the combined entities as follows:

	For the year ended December 31, 2020 US$'000	2019 US$'000
Profit before income tax	**114,462**	263,933
Tax calculated at rates applicable to profits in respective countries	**28,274**	69,065
Expenses not deductible for tax purposes (i)	**299**	8,869
Non-taxable income	**(12,462)**	(27,331)
Tax credits (ii)	**(12,126)**	(17,347)
Preferential rates and tax holidays (iii)	**(8,790)**	(15,009)
Tax losses and deductible temporary differences for which no deferred tax was recognised	**4,261**	(55)
Rate benefit on US net operating loss (iv)	**(9,809)**	–
US state and withholding taxes (v)	**2,573**	11,489
Others	**(61)**	(406)
Income tax (benefit) expense	**(7,841)**	29,275

Notes:

(i) Expenses not deductible for tax purposes in 2019 are primarily comprised of interest.

(ii) Mainly represents research and royalty incentives.

(iii) Derived mainly from profits subject to preferential tax rate in China for high-technology enterprises and income tax exemption through 2026 for the Group's investment in Special Economic Zones in Poland according to the relevant Polish tax rules.

(iv) The US CARES Act NOL carryback provided a permanent tax rate benefit.

(v) Includes withholding taxes on intercompany dividends anticipated to be paid in the foreseeable future.

27 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	For the year ended December 31, 2020	2019
Profit attributable to the equity holders of the Company (US$'000)	**116,766**	232,445
Weighted average number of ordinary shares in issue (thousands)	**2,507,545**	2,506,966
Basic earnings per share (in US$)	**0.05**	0.09

27 EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise of shares issued under the Scheme that are vested as at December 31, 2020. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year ended December 31, 2020) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares within the denominator for calculating diluted earnings per share. For the year ended December 31, 2020 and 2019, the details are within the table below.

	For the year ended December 31, 2020	2019
Profit attributable to equity holders of the Company, used to determine diluted earnings per share (US$'000)	**116,766**	232,445
Weighted average number of ordinary shares in issue (thousands)	**2,507,545**	2,506,966
Adjustment for share options (thousands)	**285**	1,849
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**2,507,830**	2,508,815
Diluted earnings per share (in US$)	**0.05**	0.09

28 DIVIDENDS

	For the year ended December 31, 2020 US$'000	2019 US$'000
Dividend proposed of US$0.0094 (2019: US$0.0325) per share	**23,571**	81,495

This 2020 dividend was proposed by the directors at a meeting held on March 17, 2021, the date of approval of these Consolidated Financial Statements, which is not reflected as a dividend payable in these Consolidated Financial Statements.

29 CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

	For the year ended December 31, 2020 US$'000	2019 US$'000
Profit before income tax	**114,462**	263,933
Adjustments for:		
Finance costs	**9,156**	14,241
Depreciation on property, plant and equipment	**122,010**	116,046
Impairment (reversals) charges of property, plant and equipment	**(3,437)**	6,540
Depreciation on right-of-use assets	**13,208**	12,485
Amortisation on intangible assets	**93,357**	97,791
Impairment charges on intangible assets	**34,147**	19,572
Amortisation of deferred revenue	**(33,835)**	(27,834)
Impairment charges (reversals) on inventories and receivables	**2,407**	(3,291)
Share of (income) loss of joint ventures	**(795)**	3,785
Share-based compensation	**1,116**	1,232
Loss on disposal of property, plant and equipment	**9,608**	6,807
	361,404	511,307
Changes in working capital:		
Increase in receivables	**(39,708)**	(30,048)
Decrease (Increase) in inventories	**34,952**	(29,712)
Increase in payables and accruals	**80,469**	36,263
Decrease in provisions	**(7,929)**	(5,136)
Decrease in retirement benefits and compensations	**(569)**	(110)
Increase in deferred revenue	**19,900**	26,452
Cash generated from operations	**448,519**	509,016

Major non-cash transactions

During the year ended December 31, 2020, the Group purchased property, plant and equipment, which were recorded in payables in the amounts of US$36,671,000 (2019: US$59,430,000).

During the year ended December 31, 2020, the Group settled trade payables to suppliers with notes received from customers to settle trade receivables in the amount of US$40,029,000 (2019: US$25,772,000). These transactions were specific to China.

During the year ended December 31, 2020, the Group had non-cash additions to ROU's and lease liabilities in the amount of US$7,611,000 (2019: US$11,249,000).

29 CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(b) Net borrowings reconciliation

Movements in net borrowings for the year ended December 31, 2020 are as follows:

	Borrowings due within a year US$'000	Borrowings due after a year US$'000	Total US$'000
As at January 1, 2019	66,228	315,526	381,754
Cash flows	(65,825)	(3,880)	(69,705)
Foreign exchange adjustments	(72)	(97)	(169)
Other non-cash movements	58,494	(62,720)	(4,226)
As at December 31, 2019	58,825	248,829	307,654
Cash flows	**(60,162)**	**–**	**(60,162)**
Foreign exchange adjustments	**12**	**–**	**12**
Other non-cash movements	**249,961**	**(248,829)**	**1,132**
As at December 31, 2020	**248,636**	**–**	**248,636**

30 COMMITMENTS

Capital commitments

The Group has capital commitments of US$133,026,000 as at December 31, 2020 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2019: US$147,140,000).

31 RELATED PARTY TRANSACTIONS

(a) Transactions with Yubei Steering Systems Co., Ltd. (Yubei Steering) and Xingxiang Addway Automotive Technology Co., Ltd. (Addway), associates of AVIC

	For the year ended December 31,	
	2020	2019
	US$'000	US$'000
Purchase of goods	**158**	178

(b) Transactions with joint ventures

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

In March 2017, Nexteer China Holding signed a joint venture agreement with Dongfeng Motor Parts and Components (Group) Co., Ltd. to form Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd. (**Dongfeng Nexteer**). Located in Wuhan, China, the joint venture, equally owned by both parties, was formed to design and manufacture EPS systems for Dongfeng Motor Group Co., Ltd. and its affiliated companies. Production began during 2019, but the JV has not yet commenced significant customer production.

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, US, the joint venture, CNXMotion, LLC (**CNXMotion**), is focused on integrating lateral and longitudinal control for mixed mode and automated driving applications.

As at December 31, 2020 the Group's carrying amount of its investments in joint ventures is US$22,282,000 including US$15,058,000, US$7,224,000 and US$nil related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively, (December 31, 2019: US$11,985,000, US$7,522,000, US$nil). For the year ended December 31, 2020, the Group's share of income (loss) from its joint ventures amount to US$795,000, including US$3,073,000, (US$298,000), and (US$1,980,000) related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively, (year ended December 31, 2019: US$730,000, (US$1,015,000), (US$3,500,000)).

31 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with joint ventures (Continued)

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

	For the year ended December 31, 2020 US$'000	2019 US$'000
Sale of product, equipment and services [i]	**68,550**	52,392
Purchase of services [i]	**6,906**	10,040

Note:

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

(c) Key management compensation

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

	For the year ended December 31, 2020 US$'000	2019 US$'000
Basic salaries, other allowances and benefits	**6,057**	8,129
Bonuses	**6,909**	7,028
Others	**1,056**	1,081
	14,022	16,238

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

32 BALANCE SHEET OF THE COMPANY

The balance sheet of the Company on a non-consolidated basis is as follows:

	As at December 31, 2020 US$'000	2019 US$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**845,288**	730,786
Right-of-use assets	**153**	156
Other receivables and prepayments	**21,288**	77,532
	866,729	808,474
Current assets		
Other receivables and prepayments	**19**	75,817
Cash and cash equivalents	**50**	65
	69	75,882
Total assets	**866,798**	884,356
EQUITY		
Capital and reserves		
Share capital	**32,347**	32,347
Other reserves	**455,651**	511,316
Retained earnings (accumulated losses)	**(15,242)**	21,305
Total equity	**472,756**	564,968
Non-current liabilities		
Borrowings	**–**	249,373
Lease liabilities	**115**	107
Deferred income tax liabilities	**7,250**	7,138
	7,365	256,618
Current liabilities		
Borrowings	**384,276**	55,320
Lease liabilities	**38**	53
Other payables and accruals	**2,363**	7,397
	386,677	62,770
Total equity and liabilities	**866,798**	884,356

The balance sheet of the Company was approved by the Board of Directors on March 17, 2021 and was signed on its behalf.

ZHAO, Guibin	**FAN, Yi**
Director	*Director*

32 BALANCE SHEET OF THE COMPANY (Continued)

The movement in reserves of the Company on a non-consolidated basis is as follows:

	Share premium US$'000	Share-based compensation reserve US$'000	Capital reserve US$'000	Retained earnings (accumulated losses) US$'000	Total reserves US$'000
As at January 1, 2019	38,289	6,940	504,400	26,894	576,523
Gain for the year	–	–	–	30,444	30,444
Value of employee services provided under share-option scheme (note 24(a))	–	946	–	–	946
Transfer to share premium under exercise of share options	970	(970)	–	–	–
Dividends paid to shareholders	(41,701)	–	–	(36,033)	(77,734)
Exercise of share options	2,442	–	–	–	2,442
As at December 31, 2019	–	6,916	504,400	21,305	532,621
Loss for the year	**–**	**–**	**–**	**(10,724)**	**(10,724)**
Value of employee services provided under share-option scheme (note 24(a))	**–**	**7**	**–**	**–**	**7**
Transfer to share premium under exercise of share options	**–**	**–**	**–**	**–**	**–**
Dividends paid to shareholders	**–**	**–**	**(55,672)**	**(25,823)**	**(81,495)**
Exercise of share options	**–**	**–**	**–**	**–**	**–**
As at December 31, 2020	**–**	**6,923**	**448,728**	**(15,242)**	**440,409**

33 SHARE CAPITAL

	Number of ordinary shares	Amount
Issued and fully paid:		
HK$0.10 each as at January 1, 2019	2,505,704,963	HK$250,570,496
Exercise of share options	1,839,870	HK$183,987
HK$0.10 each as at December 31, 2019	2,507,544,833	HK$250,754,483
Exercise of share options	–	HK$–
HK$0.10 each as at December 31, 2020	2,507,544,833	HK$250,754,483

34 SUBSEQUENT EVENTS

(a) Pursuant to the terms of the indenture of the US$250,000,000 Notes due November 2021, the Company informed the trustee on February 24, 2021 and the holders of the Notes on March 1, 2021 that all outstanding Notes, including accrued and unpaid interest, will be paid in full on April 2, 2021 utilising available cash on hand and borrowings on the Company's US revolving line of credit facility. The Company will recognise a loss of US$448,000 related to the expensing of remaining unamortised debt issuance costs upon repayment.

(b) In 2020, all of the Company's US hourly production employees were subject to a collective bargaining agreement (**Union** or **Agreement**) that was scheduled to expire on March 21, 2020. The Company and the Union extended the Agreement indefinitely as negotiations continue. Either party may provide two-week prior notice to allow the existing Agreement to expire.

In February 2021, the Company and Union representatives reached a new tentative collective bargaining agreement, however, such new tentative bargaining agreement was not ratified by the Union local membership. The Company and the Union continue to work toward a new tentative collective bargaining agreement that is acceptable to the Union local membership. There can be no assurances that that negotiations with the Union will be resolved favourably or that the Company will not experience a work stoppage or disruption that could adversely affect the Company's operating results and financial condition.

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

	Place of operation, incorporation and date of incorporation	Issued and paid up capital	Attributable equity interest	Principal activities
Subsidiaries				
Directly held:				
Nexteer (China) Holding Co., Ltd. [(i)]	China June 16, 2014	US$30,000,000	100%	Investment holding
Nexteer UK Holding Ltd.	United Kingdom February 5, 2015	US$161,120,152	100%	Investment holding
PCM (Singapore) Steering Holding Pte. Limited	Singapore November 4, 2010	US$197,600,000 and SGD 1	100%	Investment holding
Indirectly held:				
Nexteer Automotive (Suzhou) Co., Ltd. [(i)]	China January 24, 2007	US$32,800,000	100%	Manufacturing of steering components, regional technical centre
Nexteer Automotive Australia Pty Ltd.	Australia January 23, 2008	AUD$2,849,108	100%	Customer service centre
Nexteer Automotive Corporation	Delaware, US January 2, 2008	US$1	100%	Manufacturing of steering and driveline components, global technical centre
Nexteer Automotive France SAS	France March 25, 2008	EUR 1,287,000	100%	Customer service centre, engineering centre
Nexteer Automotive Germany GmbH	Germany January 2, 2008	EUR 25,000	100%	Customer service centre, engineering centre
Nexteer Automotive India Private Limited	India February 25, 2008	INR 207,917,940	100%	Manufacturing of steering and driveline components, software service centre
Nexteer Automotive Italy S.r.l.	Italy January 30, 2008	EUR 10,000	100%	Customer support, engineering centre
Nexteer Automotive Japan LLC	Japan February 21, 2008	JPY 1	100%	Customer support, engineering centre
Nexteer Automotive Korea Limited	Korea February 28, 2008	KRW 3,400,000,000	100%	Customer support, engineering centre

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

	Place of operation, incorporation and date of incorporation	Issued and paid up capital	Attributable equity interest	Principal activities
Nexteer Automotive Luxembourg S.à r.l.	Luxembourg November 5, 2013	US$20,000	100%	Investment holding
Nexteer Automotive Mexico S.de R.L. de C.V.	Mexico June 10, 2014	MXN 129,912	100%	Distribution company
Nexteer Automotive Morocco S.à r.l.	Morocco October 12, 2017	EUR 34,653,600	100%	Manufacturing of steering and driveline components
Nexteer Automotive Poland sp. z o.o.	Poland January 2, 1997	PLN 20,923,750	100%	Manufacturing of steering components, regional technical centre
Nexteer Automotive Systems (Liuzhou) Co., Ltd. (i)	China January 8, 2015	US$10,000,000	100%	Manufacturing of steering components
Nexteer Cayman Finance Limited	Cayman Islands October 21, 2019	US$2	100%	Intragroup financing
Nexteer Hungary Finance Kft.	Hungary March 5, 2019	US$12,000	100%	Intragroup financing
Nexteer Hungary Investment Kft.	Hungary February 24, 2020	US$13,000	100%	Intragroup financing
Nexteer Industria e Comercio de Sistemas Automotivos Ltda.	Brazil February 22,2007	BRL 311,423,316	100%	Manufacturing of steering and driveline components
Nexteer Lingyun Driveline (Wuhu) Co., Ltd. (i)	China December 22, 2006	US$22,400,000	60%	Manufacturing of driveline components
Nexteer Lingyun Driveline (Zhuozhou) Co., Ltd. (i)	China October 6, 1995	US$22,000,000	60%	Manufacturing of driveline components
Nexteer Luxembourg Holding VI S.à r.l. (formerly Rhodes I LLC)	Luxembourg (previously Michigan, US) November 7, 2007	EUR 85,000	100%	Investment holding
Nexteer Luxembourg Holding VII S.à r.l. (formerly Rhodes II LLC)	Luxembourg (previously Michigan, US) November 7, 2007	EUR 85,000	100%	Investment holding
Nexteer Otomotiv Sanayi ve Ticaret Limited Sirketi	Turkey March 28, 2008	TRY 1,105,000	100%	Manufacturing of steering components

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

	Place of operation, incorporation and date of incorporation	Issued and paid up capital	Attributable equity interest	Principal activities
Nexteer US Holding I LLC	Delaware, US May 18, 2007	–	100%	Investment holding
PCM US Steering Holding LLC	Delaware, US March 9, 2009	–	100%	Investment holding
PT Nexteer Automotive Indonesia	Indonesia March 23, 2016	US$1,600,000	100%	Manufacturing of steering components
Rhodes Holding I S.à r.l.	Luxembourg January 15, 2008	EUR 5,000,000	100%	Investment holding
Rhodes Holding II S.à r.l.	Luxembourg January 15, 2008	EUR 4,331,151	100%	Investment holding
Steering Holding Pte. Ltd.	Singapore February 15, 2008	US$6,400,000 and EUR 1	100%	Engineering centre, investment holding
Steering Solutions Corporation	Delaware, US October 29, 2007	US$1	100%	Investment holding
Steering Solutions Expat Holding Corporation	Delaware, US January 2, 2008	US$1	100%	Employee support services
Steering Solutions IP Holding Corporation	Delaware, US January 2, 2008	US$1	100%	Intellectual property management
Steeringmex S. de R.L. de C.V.	Mexico December 14, 2007	MXN 100,292,971	100%	Manufacturing of steering and driveline components
Joint ventures:				
Chongqing Nexteer Steering Systems Co., Ltd. (i)	China January 22, 2014	RMB120,000,000	50%	Manufacturing of steering components
CNXMotion, LLC	Delaware, US July 18, 2017	–	50%	Research and development centre
Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd. (i)	China October 23, 2017	RMB150,000,000	50%	Manufacturing of steering components

(i) Foreign-invested enterprise registered under PRC law.

Five Years' Financial Summary

	For the year ended December 31,				
	2020	2019	2018	2017	2016
	US$'000	US$'000	US$'000	US$'000	US$'000
RESULTS					
Revenue	**3,032,210**	3,575,657	3,912,170	3,878,009	3,842,244
Profit before income tax	**114,462**	263,933	410,391	405,049	386,006
Income tax benefit (expense)	**7,841**	(29,275)	(26,045)	(49,171)	(84,141)
Profit for the year	**122,303**	234,658	384,346	355,878	301,865
Profit attributable to:					
Equity holders of the Company	**116,766**	232,445	379,657	351,769	294,723
Non-controlling interests	**5,537**	2,213	4,689	4,109	7,142
	122,303	234,658	384,346	355,878	301,865
Earnings per share, (US$ per share)					
Basic and diluted	**0.05**	0.09	0.15	0.14	0.12
ASSETS AND LIABILITIES					
Total assets	**3,305,741**	3,258,972	3,111,511	2,979,383	2,693,368
Total liabilities	**1,384,756**	1,407,316	1,401,667	1,538,668	1,602,345
Total equity	**1,920,985**	1,851,656	1,709,844	1,440,715	1,091,023
Capital and reserves attributable to equity holders of the Company	**1,882,002**	1,811,981	1,671,810	1,402,411	1,058,991
Non-controlling interests	**38,983**	39,675	38,034	38,304	32,032
	1,920,985	1,851,656	1,709,844	1,440,715	1,091,023