Nexteer Automotive Group Limited
耐世特汽車系統集團有限公司

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

(Stock Code: 1316)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND CHANGE OF SENIOR MANAGEMENT

The Board of Directors (the **Board**) of Nexteer Automotive Group Limited (the **Company**) announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively **we**, **us**, **our**, or the **Group**) for the six months ended June 30, 2021, together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the six months ended June 30, 2021

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2021

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at June 30, 2021

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET *(continued)*
As at June 30, 2021

	Note	**As at June 30, 2021 *US$'000* (Unaudited)**	As at December 31, 2020 *US$'000* (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**32,371**	32,347
Other reserves		**49,539**	58,652
Retained earnings		**1,851,610**	1,791,003
		1,933,520	1,882,002
Non-controlling interests		**43,563**	38,983
Total equity		**1,977,083**	1,920,985
LIABILITIES			
Non-current liabilities			
Lease liabilities		**53,581**	43,827
Retirement benefits and compensations		**25,323**	25,061
Deferred income tax liabilities		**44,312**	62,848
Provisions		**55,181**	59,429
Deferred revenue		**69,643**	69,071
Other payables and accruals		**19,661**	16,982
		267,701	277,218
Current liabilities			
Trade payables	*10*	**620,705**	657,155
Other payables and accruals		**108,283**	132,105
Current income tax liabilities		**17,075**	12,392
Retirement benefits and compensations		**3,460**	3,381
Provisions		**18,747**	18,697
Deferred revenue		**21,030**	21,645
Lease liabilities		**13,551**	13,527
Borrowings		**114,256**	248,636
		917,107	1,107,538
Total liabilities		**1,184,808**	1,384,756
Total equity and liabilities		**3,161,891**	3,305,741

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

1. GENERAL INFORMATION

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

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

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

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

This condensed consolidated interim financial information (**Condensed Financial Information**) is presented in thousands of US dollars (**US$'000**), unless otherwise stated. This Condensed Financial Information was approved by the Board of Directors of the Company (the **Board**) for issue on August 17, 2021.

This Condensed Financial Information has not been audited.

Basis of Preparation

This Condensed Financial Information has been prepared in accordance with International Accounting Standard (**IAS**) 34 "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with all applicable International Financial Reporting Standards (**IFRS**), as issued by the International Accounting Standards Board (**IASB**) and disclosure requirements of the Hong Kong Companies Ordinance.

COVID-19 Update

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

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

Accounting Policies

In addition to those described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2020, as described in those annual financial statements.

(a) New/revised standards, amendments to standards and interpretations

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

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

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

2. REVENUE AND SEGMENT INFORMATION

2.1 Revenue from contracts with customers

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

Performance Obligations

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

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

Contract balances

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

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

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

(ii) Contract liabilities are recorded within deferred revenue.

2.2 Segment information

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

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

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

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

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

- Total assets and total liabilities represent total current and non-current assets and total current and non-current liabilities of the segments and include assets and liabilities between operating segments.

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

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

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

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

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

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

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

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

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

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

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

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

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

Disaggregation of revenue

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

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

Revenue by type

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

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

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

Note:

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

3. EXPENSE BY NATURE

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

Note:

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

4. OTHER GAINS (LOSSES), NET

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

5. FINANCE INCOME/FINANCE COSTS

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

6. INCOME TAX (EXPENSE) BENEFIT

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

For interim income tax reporting, the Group estimates its annual effective tax rate and applies it to its ordinary income (loss) for the six months ended June 30, 2021 and 2020. The tax effects of certain unusual or infrequently occurring items, including changes in judgement about whether it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be recovered and effects of changes in tax laws or rates are recognised in the interim period in which they occur.

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

7. EARNINGS PER SHARE

a. Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company *(US$'000)*	**83,143**	1,301
Weighted average number of ordinary shares in issue *(thousands)*	**2,508,588**	2,507,545
Basic earnings per share *(in US$)*	**0.033**	0.001

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the share option scheme that are vested as at June 30, 2021. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the six months ended June 30, 2021) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares within the denominator for calculating diluted earnings per share. For the six months ended June 30, 2021 and 2020, the details are within the table below.

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

8. DIVIDEND

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

9. TRADE RECEIVABLES

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

Certain customers in China pay for goods and services through the use of notes receivable. The Group had notes receivable from customers outstanding in the amount of US$45,272,000 as at June 30, 2021 (December 31, 2020: US$24,747,000). As at June 30, 2021, notes receivable totaling US$17,393,000 (December 31, 2020: US$9,235,000) were pledged to guarantee notes payable in the same amount recorded within trade payables as set out in note 10.

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

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

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

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

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

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

10. TRADE PAYABLES

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

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

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

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

FINANCIAL REVIEW

Financial Summary

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

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

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

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

Operating Environment

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

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

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

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

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

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

Revenue

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

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

Revenue by Geographical Segments

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

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

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

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

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

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

Revenue by Products

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

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

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

Net Profit Attributable to Equity Holders

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

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

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

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

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

Cost of Sales

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

Raw material costs represent a significant portion of the Group's total cost of sales and for the six months ended June 30, 2021 totalled US$1,068.1 million, or 61.6% of revenue, compared with US$711.5 million, or 58.5% of revenue, for the same period last year, reflecting an increase of US$356.6 million, or 50.1%. The increase in raw material costs is directly attributable to the increase in revenue for the period when compared with a year ago. Other factors contributing to the increase in raw materials include raw material commodity inflation, net of customer recoveries and lower annual supplier productivity gains resulting from increasing supply chain pressures experienced in the first half of 2021 compared with the same period last year.

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

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

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

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

Gross Profit

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

Engineering and Product Development Costs

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

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

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

Selling, Distribution and General and Administrative Expenses

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

Other Gains (Losses), net

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

Finance Income/Finance Costs

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

Share of Income (Loss) of Joint Ventures, net

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

Income Tax (Expense) Benefit

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

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

Provisions

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

Liquidity and Capital Resources

Cash Flows

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

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

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

Cash Flows Generated from (Used in) Operating Activities

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

Cash Flows Used in Investing Activities

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

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

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

Cash Flows Used in Financing Activities

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

Indebtedness

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

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

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

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

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

Pledge of Assets

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

Exposure to Currency Rate Fluctuations and Related Hedges

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

Gearing Ratio

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

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

COVID-19 and related factors impacting Operations and Financial Performance

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

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

OTHER INFORMATION

Future Prospects

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

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

Megatrends influencing the automotive industry and adjacent sectors, such as last-mile delivery, continue to present new and unique channels for Nexteer. We retain thoughtful alignment across our product lines with megatrends including ADAS – Advanced Safety & Performance, Software, Electrification, Mobility-as-a-Service 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.

Employees Remuneration Policy

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

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

Backlog of Booked Business

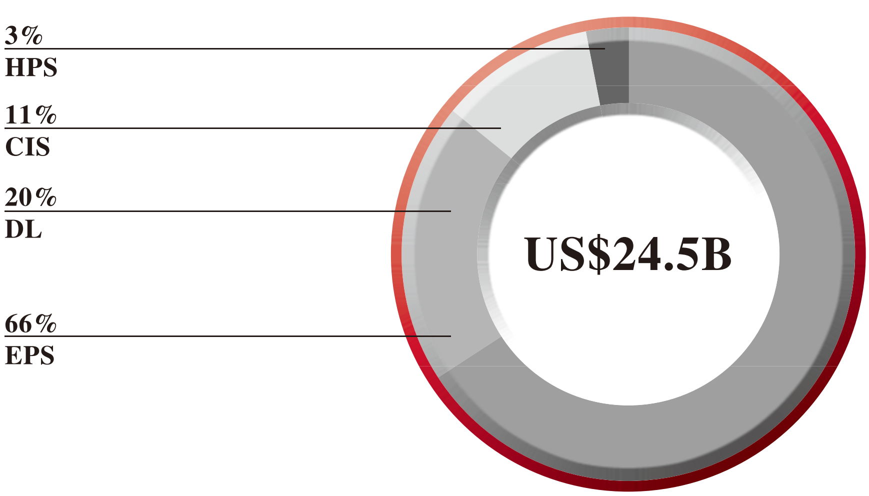
We begin to realise revenue under a new business contract as steering systems and DL products are first shipped to vehicle manufacturers at the time of product launch. Product launches have historically lagged the date of contract award by an average period of 24 to 30 months. We have calculated a booked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

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

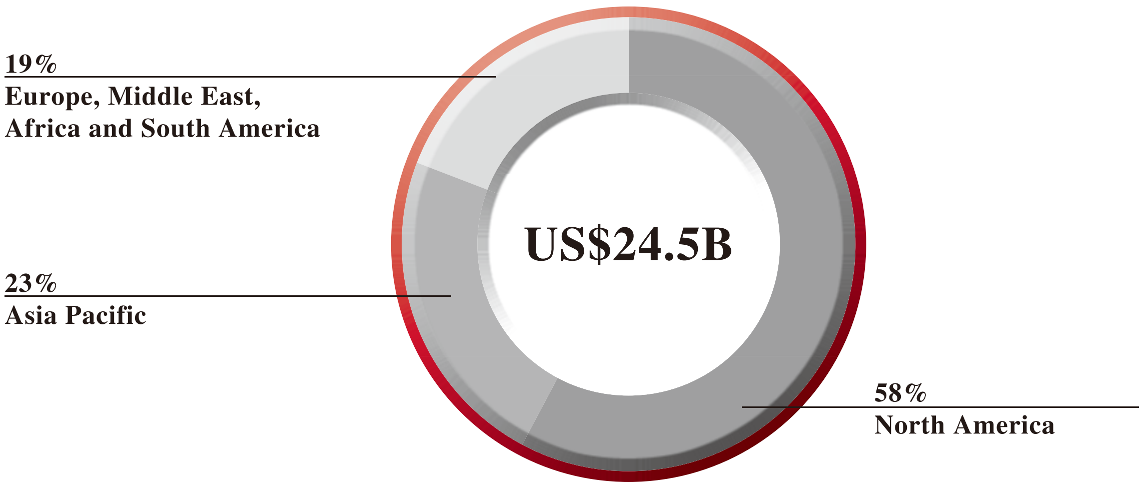
The value of Booked Business is not a measure defined by IFRS, and our methodology for determining the Backlog may not be comparable to the methodology used by other companies in determining the value of their booked business. Assumptions relative to estimated lifetime programme volumes and contract 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



Backlog by Geographical Segments



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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**).

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

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

COMPLIANCE WITH CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **Model Code**) as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code for the period ended June 30, 2021.

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

INTERIM DIVIDEND

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

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

The Audit and Compliance Committee had reviewed together with management and the external auditor the unaudited Condensed Financial Information of the Company for the six months ended June 30, 2021. There has been no disagreement between the Audit and Compliance Committee or the auditor with the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES BY THE COMPANY

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended June 30, 2021.

SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Group after June 30, 2021 and up to the date of this announcement.

CHANGE OF SENIOR MANAGEMENT

The Board announces that Mr. Tao Liu retires from the position of President and Global Chief Operating Officer due to retirement with effect from August 15, 2021, and Mr. William Gerald Quigley III retires from the position of Senior Vice President and Global Chief Financial Officer due to retirement with effect from September 1, 2021.

The Board would like to express its sincere gratitude to Mr. Liu and Mr. Quigley for the significant contribution they have made to the success and growth of the Company during their tenure.

The Board is pleased to announce that Mr. Robin Zane Milavec has been appointed as the Company's President with effect from August 17, 2021 and will continue to serve as Global Chief Strategy Officer and Chief Technology Officer. Mr. Hervé Paul Gino Boyer has been appointed as the Company's Senior Vice President, Global Chief Operating Officer, with effect from August 17, 2021. Mr. Michael John Bierlein has been appointed as the Company's Senior Vice President, Global Chief Financial Officer with effect from September 1, 2021.

The biographical details of Mr. Milavec, Mr. Boyer and Mr. Bierlein are set out below:

MILAVEC, Robin Zane, aged 53, was appointed as the Company's President, Global Chief Strategy Officer and Chief Technology Officer on August 17, 2021. He was appointed as our Executive Director on June 30, 2020. He is responsible for integrating corporate strategy, driving product and process innovation, and positioning the Company as a technology leader with new market opportunities. Mr. MILAVEC is a member of the Company's Global Strategy Council (**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 Senior Vice President, Chief Technology Officer and Chief Strategy Officer of the Company from July 2019 to August 2021. 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 USA, in 1989 and a master's degree in mechanical engineering from the University of Michigan in Ann Arbor, the USA, in 1992.

BOYER, Hervé Paul Gino, aged 50, was appointed as the Company's Senior Vice President, Global Chief Operating Officer on August 17, 2021. He is also a member of the GSC. Mr. BOYER has over 23 years of relevant experience in the automotive industry. He served as our Vice President and Divisional President – EMEASA Division from March 2016 to August 2021. 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.

BIERLEIN, Michael John, aged 44, was appointed as the Company's Senior Vice President, Global Chief Financial Officer with effect from September 1, 2021. He is also a member of the GSC. He previously served as our Executive Director and Chief Financial Officer – North America Division from August 2020 to August 2021, Executive Director of Strategic Financial Planning & Analysis from February 2017 to July 2020, Executive Director of Financial Planning & Analysis from March 2015 to January 2017. Prior to this, Mr. BIERLEIN spent over ten years within Delphi Automotive Systems where he served as Finance Director and Controller of the Thermal Division from February 2011 to February 2015, Strategic Planning Manager of Delphi Corporate from June 2006 to January 2011, FP&A Manager of the Powertrain Division from January 2002 to May 2006 and Financial analyst from June 1998 to December 2001. Mr. BIERLEIN obtained a bachelor's degree in finance from Michigan State University, the USA, in 1998 and a master's degree in business management from Michigan State University, the USA, in 2003.

By order of the Board
Nexteer Automotive Group Limited
Yi FAN
Executive Director, Company Secretary

Hong Kong, August 17, 2021

As of the date of this announcement, the Company's Executive Directors are Mr. Guibin ZHAO (Chief Executive Officer and Vice Chairman), Mr. Robin Zane MILAVEC and Mr. Yi FAN, the non-Executive Directors are Mr. Jian WANG (Chairman), Mr. Zili LEI, Ms. Wendong ZHANG and the Independent non-Executive Directors are Mr. Jianjun LIU, Mr. Kevin Cheng WEI and Mr. Wing Fat Simon YICK.