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, 2022

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, 2022, together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended June 30, 2022

		For the six months ended June 30,	
		2022	2021
	Notes	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	**1,791,067**	1,734,394
Cost of sales	*3*	**(1,641,254)**	(1,507,922)
Gross profit		**149,813**	226,472
Engineering and product development costs	*3*	**(60,241)**	(57,030)
Selling and distribution expenses	*3*	**(9,302)**	(9,072)
Administrative expenses	*3*	**(70,724)**	(72,932)
Other gains, net	*4*	**12,460**	6,291
Operating profit		**22,006**	93,729
Finance income	*5*	**1,769**	1,147
Finance costs	*5*	**(1,414)**	(2,228)
		355	(1,081)
Share of results of joint ventures		**(1,640)**	379
Profit before income tax		**20,721**	93,027
Income tax expense	*6*	**(29,478)**	(5,695)
(Loss) profit for the period		**(8,757)**	87,332
(Loss) profit attributable to:			
Equity holders of the Company		**(11,138)**	83,143
Non-controlling interests		**2,381**	4,189
		(8,757)	87,332
(Loss) earnings per share for (loss) profit attributable to equity holders of the Company for the period (expressed in US$ per share)			
– Basic and diluted	*7*	**(0.004)**	0.033

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2022

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
As at June 30, 2022

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET *(continued)*
As at June 30, 2022

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2022

1. GENERAL INFORMATION

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

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

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

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

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

This Condensed Financial Information has not been audited.

Basis of Preparation

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

COVID-19 Update

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

Accounting Policies

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

(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, 2022.

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

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

2. REVENUE AND SEGMENT INFORMATION

2.1 Revenue from contracts with customers

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

Performance Obligations

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

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

Contract balances

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on production parts, tooling and engineering design and development/prototypes. The contract assets are reclassified into the receivables balance when the rights to receive payment become unconditional. Contract assets are assessed for impairment under the expected credit loss method in IFRS 9 "Financial instruments". There have been no impairment losses recognised related to contract assets arising from the Group's contracts with customers. Contract liabilities are associated with consideration received from customers in advance of transferring goods promised in a contract. Recognition of revenue is deferred until the related performance obligations are satisfied in the future. The following table provides information about contract assets and contract liabilities from contracts with customers.

	Contract assets(i) *US$'000*	Contract liabilities, Current(ii) *US$'000*	Contract liabilities, Non-Current(ii) *US$'000*
Balances as at June 30, 2022 (Unaudited)	54,385	24,829	93,558
Balances as at December 31, 2021 (Audited)	43,791	23,691	86,737

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

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

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

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

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

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

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

	North America *US$'000*	Asia Pacific *US$'000*	EMEASA *US$'000*	Others *US$'000*	Total *US$'000*
For the six months ended June 30, 2022 (Unaudited)					
Total revenue	**1,131,965**	**396,872**	**316,777**	**(30,607)**	**1,815,007**
Inter-segment revenue	**(36,867)**	**(18,400)**	**(611)**	**31,938**	**(23,940)**
Revenue from external customers	**1,095,098**	**378,472**	**316,166**	**1,331**	**1,791,067**
Adjusted EBITDA	**79,043**	**68,497**	**26,598**	**(16,021)**	**158,117**
For the six months ended June 30, 2021 (Restated and Unaudited)					
Total revenue	1,059,499	401,314	317,995	(22,332)	1,756,476
Inter-segment revenue	(36,352)	(13,025)	(786)	28,081	(22,082)
Revenue from external customers	1,023,147	388,289	317,209	5,749	1,734,394
Adjusted EBITDA	118,126	81,271	21,833	(8,340)	212,890

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

Total assets and total liabilities represent total current and non-current assets and total current and non-current liabilities of the segments and include assets and liabilities between operating segments. Reconciliations of reportable segment total assets and liabilities are as follows:

	North America *US$'000*	Asia Pacific *US$'000*	EMEASA *US$'000*	Others *US$'000*	Total *US$'000*
As at June 30, 2022 (Unaudited)					
Total assets	**1,688,911**	**1,117,997**	**674,036**	**(262,110)**	**3,218,834**
Total liabilities	**806,825**	**418,859**	**273,083**	**(204,768)**	**1,293,999**
As at December 31, 2021 (Restated and Audited)					
Total assets	1,653,229	1,079,476	675,880	(202,086)	3,206,499
Total liabilities	691,145	394,329	272,398	(153,962)	1,203,910

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

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

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

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

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

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

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

Disaggregation of revenue

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

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

Revenue by type

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

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

	For the six months ended June 30,	
	2022	2021
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
General Motors Company and Subsidiaries	**585,680**	611,027
Customer A	**492,470**	468,197
Customer B	**286,695**	266,057
	1,364,845	1,345,281

3. EXPENSE BY NATURE

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

Note:

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

4. OTHER GAINS, NET

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

5. **FINANCE INCOME/FINANCE COSTS**

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

6. **INCOME TAX EXPENSE**

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

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

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

7. (LOSS) EARNINGS PER SHARE

a. Basic

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

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
(Loss) profit attributable to equity holders of the Company *(US$'000)*	**(11,138)**	83,143
Weighted average number of ordinary shares in issue *(thousands)*	**2,509,824**	2,508,588
Basic (loss) earnings per share *(in US$)*	**(0.004)**	0.033

b. Diluted

Diluted (loss) earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise shares issued under the share option scheme that are vested as at June 30, 2022. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the six months ended June 30, 2022) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares within the denominator for calculating diluted (loss) earnings per share. For the six months ended June 30, 2022 and 2021, the details are within the table below.

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

8. DIVIDEND

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

9. TRADE RECEIVABLES

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

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

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

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

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

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

10. TRADE PAYABLES

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

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

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

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

FINANCIAL REVIEW

Financial Summary

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

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

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

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

Operating Environment

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

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

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

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

The Group conducts its business from a global operating footprint to service its broad customer base and, accordingly, the financial results of the business are impacted by changes in foreign currencies measured against the US dollar, principally the European euro (**Euro**) and Chinese renminbi (**RMB**). The Group's revenue was unfavourably impacted by foreign currency translation as the US dollar strengthened against both the Euro and RMB during the first six months of 2022 compared with the same period a year ago. Despite the impact on revenue, the Group's financial results experienced a favourable impact to profit due to unrealised exchange gains on foreign exchange transactions.

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

Revenue

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

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

Revenue by Geographical Segments

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

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

Note:

1. The change to the segment structure, effective from January 1, 2022, is discussed in note 2.2 to the condensed consolidated interim financial information.

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

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

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

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

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

Revenue by Products

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

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

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

Net (Loss) Profit Attributable to Equity Holders

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

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

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

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

Cost of Sales

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

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

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

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

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

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

Gross Profit

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

Engineering and Product Development Costs

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

Capitalised interest related to engineering development costs totalled US$2.7 million for the six months ended June 30, 2022 and US$8.7 million for the six months ended June 30, 2021. Depreciation and amortisation charged to engineering and product development costs for the six months ended June 30, 2022 was US$6.2 million, an increase of US$0.2 million, or 3.3%, from US$6.0 million for the six months ended June 30, 2021.

The Group's aggregate investment in engineering and product development costs is defined as the sum of costs charged to the condensed consolidated interim income statement (excluding impairment charges associated with costs capitalised in previous periods) and total costs capitalised as intangible assets during the current period which will be amortised in future periods upon launch and start of production of related customer programmes currently in development. For the six months ended June 30, 2022, the Group incurred an aggregate investment in engineering and product development costs of US$136.6 million, an increase of US$1.2 million, or 0.9%, compared with US$135.4 million for the six months ended June 30, 2021.

Selling, Distribution and General and Administrative Expenses

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

Other Gains, net

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

Finance Income/Finance Costs

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

Share of Results of Joint Ventures, net

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

Income Tax Expense

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

Provisions

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

Liquidity and Capital Resources

Cash Flows

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

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

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

Cash Flows Generated from Operating Activities

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

Cash Flows Used in Investing Activities

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

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

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

Cash Flows generated from (Used in) Financing Activities

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

Indebtedness

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

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

	As at June 30, 2022 *US$'000* **(Unaudited)**	As at December 31, 2021 *US$'000* (Audited)
Current borrowings	**54,894**	84,403
Non-current borrowings	**51,873**	–
Total borrowings	**106,767**	84,403

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

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

Pledge of Assets

The Group has several secured borrowings at certain subsidiaries. Assets securing the borrowings differ by site and include accounts receivable, inventories and property, plant and equipment. As at June 30, 2022, the Group had approximately US$855.8 million total assets pledged as collateral, an increase of US$42.4 million as compared with US$813.4 million as at December 31, 2021. The increase in collateral pledged was directly related to increases in the balances of the underlying assets pledged. No significant changes in collateral arrangements have occurred from December 31, 2021 to June 30, 2022.

Exposure to Currency Rate Fluctuations and Related Hedges

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

Gearing Ratio

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

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

COVID-19 and related factors impacting Operations and Financial Performance

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

OTHER INFORMATION

Future Prospects

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

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

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

Employees Remuneration Policy

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

Except as expressly described below, in the opinion of the directors 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, 2022.

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

Chairman and Chief Executive Officer

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

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

Non-Compliance with the Requirements Under the Listing Rules

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

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

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

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

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

COMPLIANCE WITH CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **Model Code**) as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code for the six months ended June 30, 2022.

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2022.

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

The Audit and Compliance Committee had reviewed together with management and the external auditor the unaudited Condensed Financial Information of the Company for the six months ended June 30, 2022. There has been no disagreement between the Audit and Compliance Committee or the auditor with the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES BY THE COMPANY

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

SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Group after June 30, 2022 and up to the date of this announcement.

FORWARD-LOOKING STATEMENTS

Any forward-looking statements and opinions contained within this announcement 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 announcement; 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.

By order of the Board
Nexteer Automotive Group Limited
Zili LEI
Chairman and Chief Executive Officer

Hong Kong, August 17, 2022

As of the date of this announcement, the Company's Executive Directors are Mr. Zili LEI (Chairman and Chief Executive Officer) and Mr. Robin Zane MILAVEC, the non-Executive Directors are Mr. Jian WANG, Ms. Wendong ZHANG and Mr. Shiming SHI, and the Independent non-Executive Directors are Mr. Jianjun LIU, Dr. Bin WANG and Mr. Yun YUE.