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, 2020

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, 2020, together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended June 30, 2020

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2020

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at June 30, 2020

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET *(continued)*
As at June 30, 2020

	Note	**As at June 30, 2020** ***US$'000*** **(Unaudited)**	As at December 31, 2019 *US$'000* (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**32,347**	32,347
Other reserves		**7,457**	22,184
Retained earnings		**1,677,158**	1,757,450
		1,716,962	1,811,981
Non-controlling interests		**32,476**	39,675
Total equity		**1,749,438**	1,851,656
LIABILITIES			
Non-current liabilities			
Borrowings		**249,318**	248,829
Lease liabilities		**44,640**	49,381
Retirement benefits and compensations		**21,022**	22,856
Deferred income tax liabilities		**42,209**	73,786
Provisions		**54,233**	61,804
Deferred revenue		**71,352**	76,474
Other payables and accruals		**8,910**	9,621
		491,684	542,751
Current liabilities			
Trade payables	10	**343,355**	592,020
Other payables and accruals		**179,706**	128,630
Current income tax liabilities		**11,237**	19,302
Retirement benefits and compensations		**3,013**	3,385
Provisions		**23,195**	22,269
Deferred revenue		**23,615**	27,843
Lease liabilities		**12,610**	12,291
Borrowings		**53,048**	58,825
		649,779	864,565
Total liabilities		**1,141,463**	1,407,316
Total equity and liabilities		**2,890,901**	3,258,972

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2020

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company, together with its subsidiaries (collectively referred to as the **Group**), are principally engaged in the design and manufacture of steering and driveline systems, Advanced Driver 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 and China.

The directors of the Board (the **Directors**) regard Aviation Industry Corporation of China, Ltd., 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.

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 for issue on August 18, 2020.

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

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

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

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

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

(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, 2020.

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

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

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

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

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

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

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

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 with the right to payment during the production process. These revenues are recognised over time as performance obligations under the terms of a contract are satisfied. The amount of revenue recognised is based on the purchase order price. Customers typically pay for the product/prototype based on customary business practices with payment terms averaging 47–60 days.
Tooling	The Group's development and sale of tooling for customers is performed in connection with the preparations to produce and sell products to its customers. Customers typically pay for the tooling in a lump sum upon acceptance. The Group recognises revenue for tooling over time as it satisfies its performance obligation. Revenue is recognised to the extent of costs incurred to date for reimbursable tooling from customers.
Engineering Design and Development/ Prototypes	The Group recognises non-production related engineering design and development revenue, which is normally related to ADAS, performance improvement and business pursuit. The Group recognises revenue for non-production engineering design and development/prototypes revenue over times 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)] *US$'000*	Contract liabilities, Current[(ii)] *US$'000*	Contract liabilities, Non-Current[(ii)] *US$'000*
Balances as at June 30, 2020 (Unaudited)	38,396	(23,615)	(71,352)
Balances as at December 31, 2019 (Audited)	33,572	(27,843)	(76,474)
Change in account balance	4,824	4,228	5,122

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

(ii) Contract liabilities are recorded within deferred revenue.

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.

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

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

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

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

For the six months ended June 30, 2020 (Unaudited)	North America *US$'000*	Asia Pacific *US$'000*	EMEASA *US$'000*	Others *US$'000*	Total *US$'000*
Total revenue	**799,796**	**238,025**	**186,560**	**–**	**1,224,381**
Inter-segment revenue	**(5,567)**	**(7,363)**	**(731)**	**–**	**(13,661)**
Revenue from external customers	**794,229**	**230,662**	**185,829**	**–**	**1,210,720**
Adjusted EBITDA	**72,366**	**46,431**	**(777)**	**(2,354)**	**115,666**
For the six months ended June 30, 2019 (Unaudited)					
Total revenue	1,287,171	314,599	259,113	–	1,860,883
Inter-segment revenue	(12,747)	(9,229)	(6,634)	–	(28,610)
Revenue from external customers	1,274,424	305,370	252,479	–	1,832,273
Adjusted EBITDA	189,145	59,560	33,552	(5,343)	276,914

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

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

	North America *US$'000*	Asia Pacific *US$'000*	EMEASA *US$'000*	Others *US$'000*	Total *US$'000*
As at June 30, 2020 (Unaudited)					
Total assets	**1,817,843**	**878,419**	**362,827**	**(168,188)**	**2,890,901**
Total liabilities	**(566,213)**	**(243,323)**	**(139,881)**	**(192,046)**	**(1,141,463)**
As at December 31, 2019 (Audited)					
Total assets	2,001,209	973,646	410,491	(126,374)	3,258,972
Total liabilities	(740,049)	(321,439)	(165,248)	(180,580)	(1,407,316)

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

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

Note:

(i) Impairment on intangible assets due to declining volumes and cancellations on specific customer programmes.

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

Adjusted EBITDA includes a non-cash component for deferred revenue amortisation. For the six months ended June 30, 2020, the North America segment and Asia Pacific segment recognised US$11,225,000 (six months ended June 30, 2019: US$11,436,000) and US$4,175,000 (six months ended June 30, 2019: US$1,773,000), respectively.

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

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

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

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

The product lines of the Group include electric power steering (**EPS**), columns and intermediate shafts (**CIS**), hydraulic power steering (**HPS**), driveline systems (**DL**) and ADAS and AD-enabling technologies.

Disaggregation of revenue

For the six months ended June 30, 2020 (Unaudited)	**North America** *US$'000*	**Asia Pacific** *US$'000*	**EMEASA** *US$'000*	**Total** *US$'000*
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**

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

Revenue by type

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

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

	For the six months ended June 30,	
	2020	2019
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
General Motors Company and Subsidiaries	**445,155**	731,444
Customer A	**223,504**	395,326
Customer B	**213,889**	312,111
	882,548	1,438,881

3. EXPENSE BY NATURE

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

4. OTHER (LOSSES) GAINS, NET

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

5. FINANCE COSTS, NET

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

6. INCOME TAX BENEFIT (EXPENSE)

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

For interim income tax reporting, the Group estimates its annual effective tax rate and applies it to its ordinary income (loss) for the six months ended June 30, 2020 and 2019. The tax effects of certain unusual or infrequently occurring items, including changes in judgement about the realisability of deferred tax assets and effects of changes in tax laws or rates are recognised in the interim period in which they occur.

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

The effective income tax rates of 110.0% and 14.7% for the six months ended June 30, 2020 and 2019, respectively, vary from the statutory rates primarily due to tax credits, tax holidays, withholding taxes and foreign rate incentives in certain jurisdictions. The increase in the effective tax rate of 95.3 percentage points for the six months ended June 30, 2020 from 14.7% for the six months ended June 30, 2019 which was primarily the result of both changes in the mix of income generated by US and non-US operations and the benefit of an anticipated US taxable loss which is available for carryback to prior years at a tax rate of 35% compared to the current statutory rate of 21%.

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

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, 2020. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the six months ended June 30, 2020) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares within the denominator for calculating diluted earnings per share. For the six months ended June 30, 2020 and 2019, the details are within the table below.

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

8. DIVIDEND

On June 30, 2020, the Board of Director's declared a dividend of approximately US$81,495,000 relating to the Group's year ended December 31, 2019 earnings payable on July 20, 2020. The Company paid a dividend of US$77,734,000 during the six months ended June 30, 2019 relating to the Group's year ended December 31, 2018 earnings. The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2020 (six months ended June 30, 2019: US$nil).

9. TRADE RECEIVABLES

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

Certain customers in China pay for goods and services through the use of bank notes. Included in trade receivables, gross are bank notes received from customers in the amount of US$17,294,000 as at June 30, 2020 (December 31, 2019: US$5,850,000). The bank notes receivable are valued at fair value through other comprehensive income.

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

	As at June 30, 2020 *US$'000* **(Unaudited)**	As at December 31, 2019 *US$'000* (Audited)
0 to 30 days	**335,032**	305,117
31 to 60 days	**62,468**	215,942
61 to 90 days	**12,572**	20,412
Over 90 days	**16,381**	4,925
	426,453	546,396

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

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

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

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

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

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

10. TRADE PAYABLES

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

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

FINANCIAL REVIEW

Financial Summary

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

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

Operating Environment

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

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

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

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

The Group conducts its business from a global operating footprint to service its broad customer base and, accordingly, the financial results of the business are impacted by changes in foreign currencies measured against the US dollar, principally the European euro (**Euro**) and Chinese renminbi (**RMB**). The Group's financial results were also unfavourably impacted by foreign currency translation as the US dollar strengthened against both the Euro and RMB during the first six months of 2020 compared with the same period a year ago.

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

Revenue

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

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

Revenue by Geographical Segments

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

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

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

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

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

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

Revenue by Products

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

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

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

Net Profit Attributable to Equity Holders

The Group's net profit attributable to equity holders of the Company for the six months ended June 30, 2020 was US$1.3 million or 0.1% of total revenue, a decrease of US$129.8 million, or 99.0%, compared to the six months ended June 30, 2019 of US$131.1 million, or 7.2% of total revenue. The decrease was principally attributable to the following factors:

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

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

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

Cost of Sales

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

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

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

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

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

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

Gross Profit

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

Engineering and Product Development Costs

For the six months ended June 30, 2020, the Group's engineering and product development costs charged to the income statement were US$87.7 million, representing 7.2% of revenue, an increase of US$25.8 million, or 41.7%, as compared to US$61.9 million, or 3.4% of revenue for the six months ended June 30, 2019. For the six months ended June 30, 2020, the Group recognised a product development intangible asset impairment of US$31.5 million related to customer programme cancellations and lower volume production expectations for specific programmes. The impairment was recorded as engineering and product development costs in the Asia Pacific segment and the North America segment in the amount of US$5.1 million and US$26.4 million, respectively. The intangible asset impairment recorded in the North America segment is a result of the Group's US domiciled intellectual property holdings arrangement.

Capitalised interest related to engineering development costs totalled US$8.4 million for the six months ended June 30, 2020 and US$7.0 million for the six months ended June 30, 2019. Depreciation and amortisation charged to engineering and product development costs for the six months ended June 30, 2020 was US$5.4 million, an increase of US$0.5 million, or 10.6%, from US$4.9 million for the six months ended June 30, 2019.

The Group's aggregate investment in engineering and product development costs is defined as the sum of costs charged to the condensed consolidated interim income statement (excluding impairment charges associated with costs capitalised in previous periods) and total costs capitalised as intangible assets during the current period which will be amortised in future periods upon launch and start of production of related customer programmes currently in development. For the six months ended June 30, 2020, the Group incurred an aggregate investment in engineering and product development costs of US$134.1 million, a decrease of US$13.7 million, or 9.3%, compared with US$147.8 million for the six months ended June 30, 2019.

Selling, Distribution and General and Administrative Expenses

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

Other (Losses) Gains, net

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

Finance Costs, net

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

Share of Loss of Joint Ventures, net

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

Income Tax Benefit (Expense)

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

The Group's income tax benefit (expense) was US$34.2 million for the six months ended June 30, 2020, representing 110.0% of the Group's loss before income tax, a decrease of US$57.0 million from (US$22.8 million), or 14.7% of profit before tax, for the six months ended June 30, 2019, which was primarily the result of both changes in the mix of income generated by US and non-US operations and the benefit of an anticipated US taxable loss which is available for carryback to prior years at a tax rate of 35% compared to the current statutory rate of 21%.

Provisions

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

Liquidity and Capital Resources

Cash Flows

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

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

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

Cash Flows (Used in) Generated from Operating Activities

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

Cash Flows Used in Investing Activities

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

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

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

Cash Flows Used in Financing Activities

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

Indebtedness

As at June 30, 2020, the Group's total borrowings was US$302.4 million, a decrease of US$5.3 million from US$307.7 million as at December 31, 2019. This decrease was primarily due to the net repayment of existing debt, including the early repayment in full of outstanding term loans of US$60.0 million largely offset by new borrowings on the Company's US-based revolving credit facility.

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

	As at June 30, 2020 *US$'000* **(Unaudited)**	As at December 31, 2019 *US$'000* (Audited)
Current borrowings	**53,048**	58,825
Non-current borrowings	**249,318**	248,829
Total borrowings	**302,366**	307,654

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

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

Pledge of Assets

The Group has several secured borrowings at certain subsidiaries. Assets securing the borrowings differ by site and include accounts receivable, inventories and property, plant and equipment. As at June 30, 2020, the Group had approximately US$369.2 million total assets pledged as collateral, a decrease of US$122.1 million as compared with US$491.3 million as at December 31, 2019. The decrease in collateral pledged was directly related to decreases in the balances of the underlying assets pledged. No significant changes in collateral arrangements have occurred from December 31, 2019 to June 30, 2020.

Exposure to Currency Rate Fluctuations and Related Hedges

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

Gearing Ratio

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

The gearing ratio as at June 30, 2020 was 17.3%, an increase of 70 basis points as compared to 16.6% as at December 31, 2019. The gearing ratio increased as a result of decreased total equity due to the Group incurring a net loss during the first six months of 2020 and declaration of an external dividend.

COVID-19

As set out in note 1 to the Condensed Financial Information, all of the Group's operating segments were dramatically impacted by the COVID-19 global pandemic during the first half of 2020. The disease was first identified in Wuhan, China in December 2019 and subsequently declared a global pandemic by the World Health Organization on March 11, 2020. To date, COVID-19 has surfaced in nearly all regions around the world and has resulted in the closing of borders, business slowdowns and shutdowns of non-essential activities and shelter-in-home government mandates in affected areas as public safety measures taken to contain the further spread of the health crisis. As a result of these measures, COVID-19 had a significantly negative impact on the Group's business globally, as both the Group and its OEM customers experienced the temporary suspension and closure of manufacturing operations and other facilities during the first half of 2020. As at June 30, 2020, the Group's global manufacturing and other facilities are operational.

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

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

OTHER INFORMATION

Future Prospects

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

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

Megatrends influencing the automotive industry and adjacent sectors, such as last-mile delivery, continue to present new and unique channels for Nexteer. We retain thoughtful alignment across our product lines with megatrends including ADAS – Advanced Safety & Performance, Software, Electrification, 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, 2020, the Group had approximately 11,900 full-time employees. The Group's remuneration policies are formulated based on the performance of individual employees and the Company's performance and are reviewed regularly. Our full-time employees participate in various employee benefit plans including retirement benefits, extended disability benefits and workers' compensation. In addition, we have adopted employee incentive plans designed to attract, retain, motivate and encourage employees to commit to enhancing value for us and the shareholders of the Company (the **Shareholders**) as a whole. For example, the Group has employee retention programmes that include individual development plans, merit wage adjustments, annual incentive plans and promotions. We offer training programmes to our full-time employees and contract personnel which are designed to develop the skills that we need to meet our enterprise goals and customer requirements and to meet certain training requirements such as mandated customer or regulatory requirement and contractual obligations.

The Group also uses contract personnel to support the workload of the business where considered the most efficient. As at June 30, 2020, the Group had approximately 500 personnel engaged on a contract basis.

Backlog of Booked Business

We begin to realise revenue under a new business contract as steering systems and DL products are first shipped to vehicle manufacturers at the time of product launch. Product launches have historically lagged the date of contract award by an average period of 24 to 30 months. Previously we provided an estimate of a booked business backlog value which included an estimate of the value of awarded business for as yet, undelivered product generating revenue between the time of launch through the end of the life of the respective award (the **Backlog**) as at December 31, 2019. Given the inherent uncertainties in global economies created by the COVID-19 pandemic, including the impact on the global automotive market, our customers and our suppliers, the Company is not providing an update to the Backlog as at June 30, 2020.

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, 2020.

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

COMPLIANCE WITH CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **Model Code**) as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code for the period ended June 30, 2020.

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

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

The Company ensures that confidentiality agreements are signed by all relevant parties to a transaction that is likely to give rise to the emergence of inside information or development of a false market for its securities. The Company also adopts appropriate measures to maintain the confidentiality of sensitive 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 shall conduct 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, 2020.

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

The Audit and Compliance Committee had reviewed together with management and the external auditor the unaudited Condensed Financial Information of the Company for the six months ended June 30, 2020. There has been no disagreement between the Audit and Compliance Committee or the auditor with the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES BY THE COMPANY

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

SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Group after June 30, 2020 and up to the date of this announcement.

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

Hong Kong, August 18, 2020

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. Jianxun ZHANG, Mr. Ping LIU and the Independent non-Executive Directors are Mr. Jianjun LIU, Mr. Kevin Cheng WEI and Mr. Wing Fat Simon YICK.