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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

The Board of Directors (the **Board**) of Nexteer Automotive Group Limited (the **Company**) announces that the audited consolidated results of the Company and its subsidiaries (collectively **we**, **us**, **our** or the **Group**) for the year ended December 31, 2020, together with the comparative figures for 2019, are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2020

	Notes	For the year ended December 31, 2020 US$'000	2019 US$'000
Revenue	2	**3,032,210**	3,575,657
Cost of sales	3	**(2,620,834)**	(3,036,955)
Gross profit		**411,376**	538,702
Engineering and product development costs	3	**(153,576)**	(129,074)
Selling and distribution expenses	3	**(16,934)**	(18,385)
Administrative expenses	3	**(112,603)**	(120,101)
Other (losses) gains, net	4	**(9,536)**	1,520
Operating profit		**118,727**	272,662
Finance income	5	**4,096**	9,297
Finance costs	5	**(9,156)**	(14,241)
Finance costs, net	5	**(5,060)**	(4,944)
Share of income (loss) of joint ventures, net		**795**	(3,785)
Profit before income tax		**114,462**	263,933
Income tax benefit (expense)	6	**7,841**	(29,275)
Profit for the year		**122,303**	234,658
Profit attributable to:			
Equity holders of the Company		**116,766**	232,445
Non-controlling interests		**5,537**	2,213
		122,303	234,658
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in US$ per share)			
– Basic and diluted	7	**US$0.05**	US$0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

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

CONSOLIDATED BALANCE SHEET

As at December 31, 2020

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

CONSOLIDATED BALANCE SHEET *(Continued)*
As at December 31, 2020

	Note	As at December 31, 2020 US$'000	2019 US$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**32,347**	32,347
Other reserves		**58,652**	22,184
Retained earnings		**1,791,003**	1,757,450
		1,882,002	1,811,981
Non-controlling interests		**38,983**	39,675
Total equity		**1,920,985**	1,851,656
LIABILITIES			
Non-current liabilities			
Borrowings		**–**	248,829
Lease liabilities		**43,827**	49,381
Retirement benefits and compensations		**25,061**	22,856
Deferred income tax liabilities		**62,848**	73,786
Provisions		**59,429**	61,804
Deferred revenue		**69,071**	76,474
Other payables and accruals		**16,982**	9,621
		277,218	542,751
Current liabilities			
Trade payables	*10*	**657,155**	592,020
Other payables and accruals		**132,105**	128,630
Current income tax liabilities		**12,392**	19,302
Retirement benefits and compensations		**3,381**	3,385
Provisions		**18,697**	22,269
Deferred revenue		**21,645**	27,843
Lease liabilities		**13,527**	12,291
Borrowings		**248,636**	58,825
		1,107,538	864,565
Total liabilities		**1,384,756**	1,407,316
Total equity and liabilities		**3,305,741**	3,258,972

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. GENERAL INFORMATION

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

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

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

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

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

Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

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

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

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 the best available information but due to the uncertainties related to COVID-19 the actual results may be materially different than the current assumptions used by management.

2. REVENUE AND SEGMENT INFORMATION

2.1 Revenue from contracts with customers

The Group contracts with customers, which are generally automotive manufacturers and automotive original equipment manufacturers (**OEM**), 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 recogises the majority of revenue for production parts at a point in time upon shipment to the customer and transfer of the title and risk of loss under standard commercial terms. A limited number of the Group's customer arrangements for customised products with no alternative use provide the Group with the right to payment during the production process. These revenues are recognised over time as performance obligations under the terms of a contract are satisfied. The amount of revenue recognised is based on the purchase order price. Customers typically pay for the product/prototype based on customary business practices with payment terms ranging from 30 to 90 days.
Tooling	The Group's development and sale of tooling for customers is performed in connection with the preparations to produce and sell products to its customers. Customers typically pay for the tooling in a lump sum upon acceptance. The Group recognises revenue for tooling over time as it satisfies its performance obligation. Revenue is recognised to the extent of costs incurred to date for reimbursable tooling from customers.

Products	Nature, timing of satisfaction of performance obligations, and payment terms
Engineering Design and Development/Prototypes	The Group recognises non-production related engineering design and development revenue, which is normally related to ADAS, performance improvement and business pursuit. The Group recognises revenue for non-production engineering design and development/prototypes revenue over time as it satisfies its performance obligations.

Contract balances

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

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

Notes:

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

(ii) Contract liabilities are recorded within deferred revenue.

2.2 Segment information

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

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

During 2020, the Company restructured its internal organisation and management structure which resulted in a change in reportable segments. A Mexican holding company which was previously reported within the "Others" segment is now reported within the North America segment. Comparative information for the 2019 reporting periods has been restated under the new segment structure.

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

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

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

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

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

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

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

	North America *US$'000*	Asia Pacific *US$'000*	EMEASA *US$'000*	Others *US$'000*	Total *US$'000*
As at December 31, 2020					
Total assets	**1,940,556**	**1,071,161**	**499,523**	**(205,499)**	**3,305,741**
Total liabilities	**694,149**	**347,863**	**241,282**	**101,462**	**1,384,756**
As at December 31, 2019					
Total assets	2,041,797	973,646	410,491	(166,962)	3,258,972
Total liabilities	740,729	321,439	165,248	179,900	1,407,316

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

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

Note:

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

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

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

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

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

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

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

Disaggregation of revenue

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

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

Revenue by type

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

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

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

3. EXPENSE BY NATURE

	For the year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Inventories used, including finished goods and works-in-progress	**1,815,292**	2,110,331
Employee benefit costs	**455,422**	497,702
Temporary labour costs	**105,257**	128,722
Supplies and tools	**179,088**	221,381
Depreciation on property, plant and equipment	**122,010**	116,046
Depreciation on right-of-use assets	**13,208**	12,564
Amortisation on intangible assets	**93,357**	97,712
Impairment charges (reversals) on		
– inventories	**2,304**	(3,583)
– trade receivables (note 9)	**689**	96
– intangible assets(i)	**34,147**	19,572
– property, plant and equipment(i)	**(3,437)**	6,540
Warranty expenses	**10,745**	5,804
Auditors' remuneration		
– audit services	**2,256**	2,477
– non-audit services	**1,963**	2,325
Others	**71,646**	86,826
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**2,903,947**	3,304,515

Note:

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

4. OTHER (LOSSES) GAINS, NET

	For the year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Foreign exchange (losses) gains	**(6,349)**	1,182
Loss on disposal of property, plant and equipment	**(9,608)**	(6,807)
Others	**6,421**	7,145
	(9,536)	1,520

5. FINANCE COSTS, NET

	For the year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Finance income		
Interest on bank deposits	**4,096**	9,297
Finance costs		
Interest on bank borrowings	**4,157**	7,696
Interest on notes	**14,687**	14,687
	18,844	22,383
Interest on leases	**3,574**	3,803
Other finance costs	**3,299**	3,260
	25,717	29,446
Less: amount capitalised in qualifying assets	**(16,561)**	(15,205)
	9,156	14,241
Finance costs, net	**5,060**	4,944

6. INCOME TAX (BENEFIT) EXPENSE

	For the year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Current income tax	**3,073**	45,613
Deferred income tax	**(10,914)**	(16,338)
	(7,841)	29,275

The Coronavirus Aid, Relief, and Economic Security (**CARES**) Act was passed by the US Congress signed into law on March 27, 2020. The CARES Act provided by a carryback of any net operating loss (**NOL**) arising in a taxable year beginning after December 31, 2017 and before January 1, 2021, to each of the five taxable years preceding the taxable year in which the loss arises (**Carryback Period**). As a result of this provision, taxpayers take into account such NOLs in the earliest taxable year in the Carryback Period, carrying forward unused amounts to each succeeding taxable year. The Company has applied this provision to its tax calculation for the expected US tax NOL in year 2020 and recognised a benefit of US$9,809,000 for the NOL carryback.

Taxation on the Group's profits has been calculated on the estimated assessable profits for both years at the statutory rates of 21%, 25% and 19% in US, China and Poland, respectively, from where the Group's profits were mainly generated.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the combined entities as follows:

	For the year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Profit before income tax	**114,462**	263,933
Tax calculated at rates applicable to profits in respective countries	**28,274**	69,065
Expenses not deductible for tax purposes(i)	**299**	8,869
Non-taxable income	**(12,462)**	(27,331)
Tax credits(ii)	**(12,126)**	(17,347)
Preferential rates and tax holidays(iii)	**(8,790)**	(15,009)
Tax losses and deductible temporary differences for which no deferred tax was recognised	**4,261**	(55)
Rate benefit on US net operating loss(iv)	**(9,809)**	–
US state and withholding taxes(v)	**2,573**	11,489
Others	**(61)**	(406)
Income tax (benefit) expense	**(7,841)**	29,275

Notes:

(i) Expenses not deductible for tax purposes in 2019 are primarily comprised of interest.

(ii) Mainly represents research and royalty incentives.

(iii) Derived mainly from profits subject to preferential tax rate in China for high-technology enterprises and income tax exemption through 2026 for the Group's investment in Special Economic Zones in Poland according to the relevant Polish tax rules.

(iv) The US CARES Act NOL carryback provided a permanent tax rate benefit.

(v) Includes withholding taxes on intercompany dividends anticipated to be paid in the foreseeable future.

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 year.

	For the year ended December 31, **2020**	2019
Profit attributable to the equity holders of the Company (US$'000)	**116,766**	232,445
Weighted average number of ordinary shares in issue (thousands)	**2,507,545**	2,506,966
Basic earnings per share (in US$)	**0.05**	0.09

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares comprise of shares issued under the share option scheme that are vested as at December 31, 2020. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year ended December 31, 2020) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares within the denominator for calculating diluted earnings per share. For the years ended December 31, 2020 and 2019, the details are within the table below.

	For the year ended December 31, **2020**	2019
Profit attributable to the equity holders of the Company, used to determine diluted earnings per share (US$'000)	**116,766**	232,445
Weighted average number of ordinary shares in issue (thousands)	**2,507,545**	2,506,966
Adjustment for share options (thousands)	**285**	1,849
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**2,507,830**	2,508,815
Diluted earnings per share (in US$)	**0.05**	0.09

8. DIVIDENDS

	For the year ended December 31, **2020** ***US$'000***	2019 *US$'000*
Dividend proposed of US$0.0094 (2019: US$0.0325) per share	**23,571**	81,495

This 2020 dividend was proposed by the directors at a meeting held on March 17, 2021, the date of approval of the Consolidated Financial Statements, which is not reflected as a dividend payable in the Consolidated Financial Statements.

9. TRADE RECEIVABLES

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

Certain customers in China pay for goods and services through the use of notes receivable. Included in trade receivables, gross are notes received from customers in the amount of US$24,747,000 as at December 31, 2020 (December 31, 2019: US$5,850,000). As at December 31, 2020, notes receivable totaling US$9,235,000 (December 31, 2019: US$880,000) were pledged to guarantee notes payable in the same amount recorded within trade payables as set out in note 10. The bank notes receivable are valued at fair value through other comprehensive income (**FVOCI**).

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

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

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

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

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

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

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

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

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

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

10. TRADE PAYABLES

	As at December 31,	
	2020	2019
	US$'000	*US$'000*
Trade payables	**630,583**	584,921
Notes payable	**26,572**	7,099
	657,155	592,020

Certain vendors in China are paid for goods and services through the use of notes payable. The Group had notes payable issued to suppliers outstanding in the amount of US$26,572,000 as at December 31, 2020 (December 31, 2019: US$7,099,000). As at December 31, 2020, notes payable totalling US$9,235,000 (December 31, 2019: US$880,000) were guaranteed by notes receivable in the same amount recorded within trade receivables as set out in note 9. The bank notes payable are valued at FVOCI.

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

	As at December 31,	
	2020	2019
	US$'000	*US$'000*
0 to 30 days	**371,088**	337,204
31 to 60 days	**180,727**	171,952
61 to 90 days	**64,261**	48,888
91 to 120 days	**15,906**	9,645
Over 120 days	**25,173**	24,331
	657,155	592,020

11. SUBSEQUENT EVENTS

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

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

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

FINANCIAL REVIEW

Financial Summary

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

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

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

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

Operating Environment

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

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

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

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

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

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

Revenue

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

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

Revenue by Geographical Segments

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

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

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

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

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

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

Revenue by Products

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

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

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

Profit Attributable to Equity Holders

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

Cost of Sales

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

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

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

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

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

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

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

Gross Profit

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

Engineering and Product Development Costs

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

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

The Group's aggregate investment in engineering and product development costs is defined as the sum of costs charged to the consolidated income statement (excluding impairment charges associated with costs capitalised in prior periods) and total costs capitalised as intangible assets during the current period which will be amortised in future periods upon launch and start of production of related customer programmes currently in development. For the year ended December 31, 2020, the Group incurred an aggregate investment in engineering and product development costs of US$273.7 million, a decrease of US$22.6 million, or 7.6%, compared with US$296.3 million for the year ended December 31, 2019, reflecting cost actions taken to temper the earnings impact of a lower revenue environment.

Selling, Distribution and Administrative Expenses

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

Other (Losses) Gains, net

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

Finance Costs, net

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

Share of Income (Loss) of Joint Ventures, net

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

Income Tax Benefit (Expense)

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

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

Provisions

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

Liquidity and Capital Resources

Cash Flows

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

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

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

Cash Flows Generated from Operating Activities

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

Cash Flows Used in Investing Activities

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

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

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

Cash Flows Used in Financing Activities

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

Indebtedness

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

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

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

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

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

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

Pledge of Assets

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

Exposure to Currency Rate Fluctuations and Related Hedges

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

Gearing Ratio

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

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

Realisability of Long-Lived Assets and Other Considerations

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

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

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

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 and 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 (**MaaS**) and Connectivity. In many cases, our technologies create a natural fit for Nexteer to offer solutions to OEMs across these megatrends, which provides us a competitive advantage and positions us well for potential future opportunities as these megatrends continue to evolve and mature.

Backlog of Booked Business

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

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

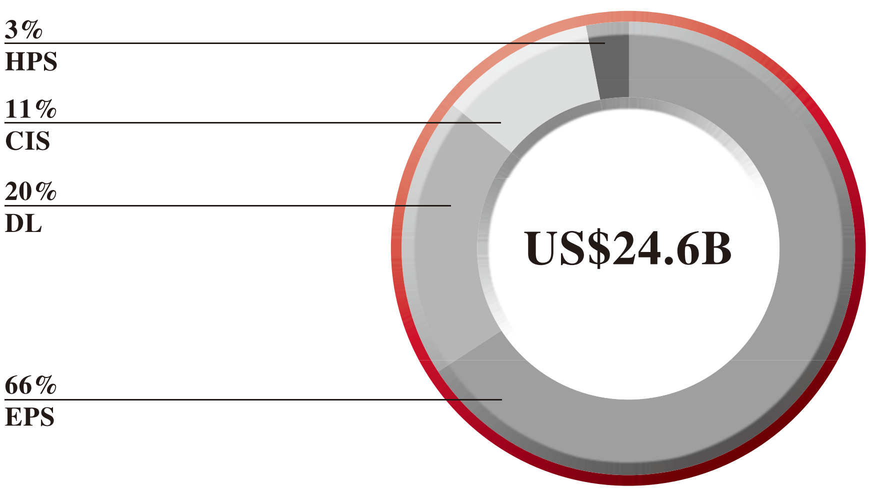
Given the recovery in OEM production demand in the second half of 2020, third-party automotive production forecasts for 2021 and beyond have begun to stabilise. Nexteer has updated its Backlog of Booked Business as at December 31, 2020 based on the best available information of forward year OEM production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

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

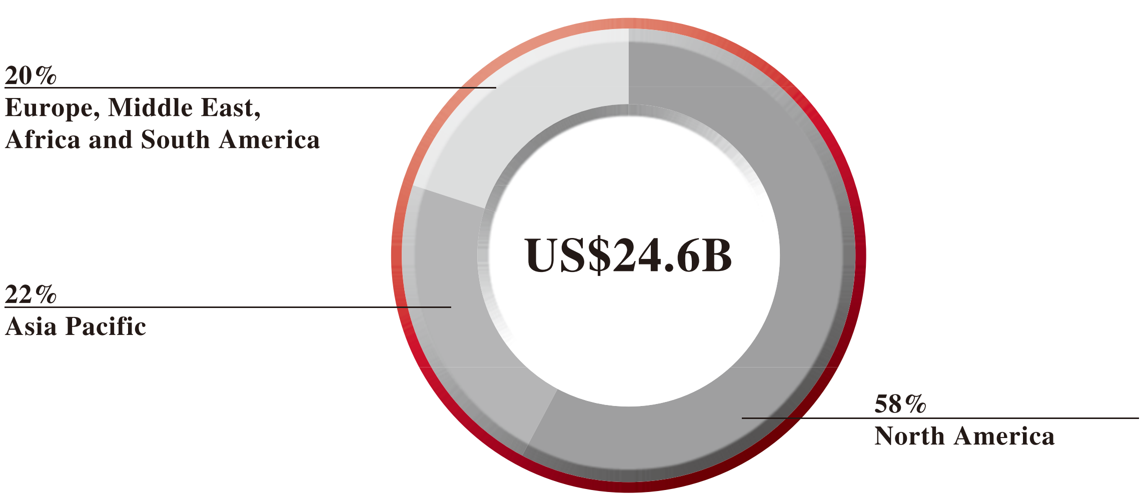
The value of Booked Business is not a measure defined by International Financial Reporting Standards (**IFRS**), and our methodology for determining the Backlog may not be comparable to the methodology used by other companies in determining the value of their booked business. Assumptions relative to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

Backlog of Booked Business:

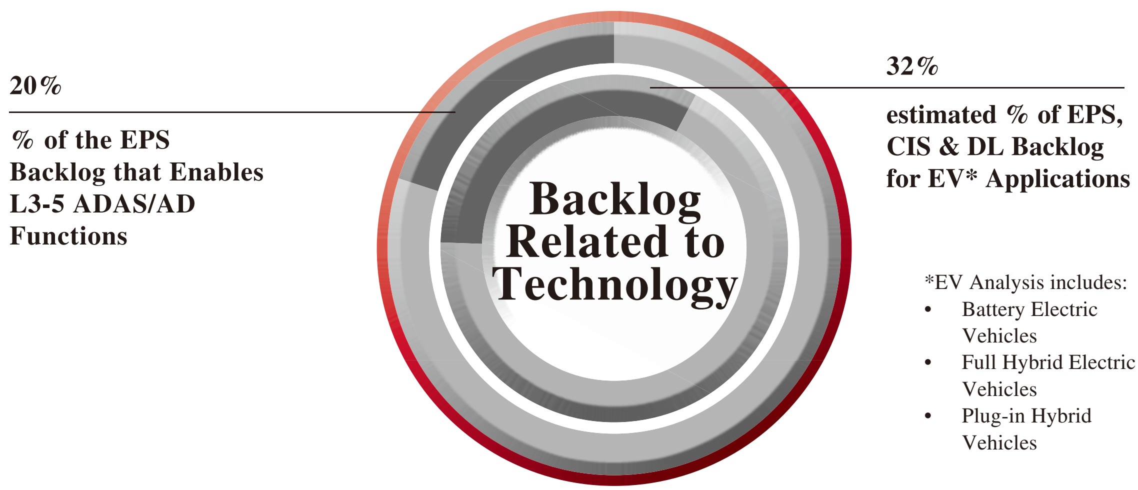
Backlog by Product Group



Backlog by Geographical Segments



Backlog by Product Related to ADAS/AD Functionality & Electric Vehicles (EV)



Employees and Remuneration Policy

As at December 31, 2020, the Group had approximately 12,100 full-time employees. The Group's remuneration policies are formulated based on the performance of individual employees and the Company's performance and are reviewed regularly. Our full-time employees participate in various employee benefit plans including retirement benefits, extended disability benefits and workers' compensation. In addition, we have adopted employee incentive plans designed to attract, retain, motivate and encourage employees to commit to enhancing value for us and our shareholders as a whole. For example, the Group has retention programmes that include individual development plans, merit wage adjustments, annual incentive plans and promotions. We offer training programmes to our full-time employees and contract personnel which are designed to develop the skills that we need to meet our enterprise goals and customer requirements and to meet certain training requirements such as mandated customer or regulatory requirements and contractual obligations.

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

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 year ended December 31, 2020.

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

COMPLIANCE WITH CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **Model Code**) as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code for the year ended December 31, 2020.

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

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

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

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

THE AUDIT AND COMPLIANCE COMMITTEE

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

The Audit and Compliance Committee has met with the external auditor of the Group to review the accounting principles and practices adopted by the Company, the Group's 2020 annual results and the annual financial statements of the Group for the year ended December 31, 2020.

The Audit and Compliance Committee also approved the annual results and the audited Consolidated Financial Statements for the year ended December 31, 2020 and submitted them to the Board for approval.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

FINAL DIVIDEND

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

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

CLOSURE OF REGISTER OF MEMBERS

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

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

PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules 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
Yi FAN
Executive Director, Company Secretary

Hong Kong, March 17, 2021

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