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, 2023

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, 2023, together with the comparative figures for 2022, are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2023

		For the year ended December 31,	
		2023	2022
	Notes	***US$'000***	*US$'000*
Revenue	*2*	**4,206,793**	3,839,703
Cost of sales	*3*	**(3,838,200)**	(3,472,552)
Gross profit		**368,593**	367,151
Engineering and product development costs	*3*	**(150,694)**	(145,080)
Selling and distribution expenses	*3*	**(19,721)**	(18,250)
Administrative expenses	*3*	**(135,094)**	(132,474)
Other (losses) gains, net	*4*	**(1,684)**	14,974
Operating profit		**61,400**	86,321
Finance income	*5*	**5,021**	8,651
Finance costs	*5*	**(5,064)**	(3,655)
	5	**(43)**	4,996
Share of results of joint ventures		**2,870**	630
Profit before income tax		**64,227**	91,947
Income tax expense	*6*	**(19,052)**	(26,434)
Profit for the year		**45,175**	65,513
Profit for the year attributable to:			
Equity holders of the Company		**36,737**	58,013
Non-controlling interests		**8,438**	7,500
		45,175	65,513
Earnings per share for profit for the year attributable to equity holders of the Company (expressed in US$ per share)			
– Basic and diluted	*7*	**US$0.01**	US$0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023

	For the year ended December 31,	
	2023	2022
	US$'000	*US$'000*
Profit for the year	**45,175**	65,513
Other comprehensive income (loss)		
Item that will not be reclassified to profit or loss		
Actuarial (losses) gains on defined benefit plans, net of tax	**(438)**	1,639
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**4,553**	(61,086)
	4,115	(59,447)
Total comprehensive income for the year	**49,290**	6,066
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**41,549**	2,904
Non-controlling interests	**7,741**	3,162
	49,290	6,066

CONSOLIDATED BALANCE SHEET

As at December 31, 2023

	Notes	As at December 31, **2023** *US$'000*	2022 *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,000,227**	971,192
Right-of-use assets		**51,351**	62,146
Intangible assets		**732,560**	725,145
Deferred income tax assets		**27,053**	13,886
Investments in joint ventures		**18,440**	23,395
Income taxes receivable		**4,133**	21,108
Other receivables and prepayments		**23,160**	26,308
		1,856,924	1,843,180
Current assets			
Inventories		**299,074**	293,692
Trade receivables	*9*	**750,496**	753,104
Notes receivable		**52,550**	50,064
Income taxes receivable		**14,435**	28,504
Other receivables and prepayments		**119,360**	120,793
Restricted bank deposits		**13**	10
Cash and cash equivalents		**311,741**	245,934
		1,547,669	1,492,101
Total assets		**3,404,593**	3,335,281

CONSOLIDATED BALANCE SHEET *(Continued)*
As at December 31, 2023

	Notes	As at December 31, 2023 US$'000	2022 US$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**32,377**	32,377
Other reserves		**(18,874)**	(24,362)
Retained earnings		**1,950,313**	1,925,810
		1,963,816	1,933,825
Non-controlling interests		**47,025**	43,325
Total equity		**2,010,841**	1,977,150
LIABILITIES			
Non-current liabilities			
Lease liabilities		**37,097**	48,376
Borrowings		**34,988**	49,838
Retirement benefits and compensations		**25,706**	23,038
Deferred income tax liabilities		**8,583**	18,944
Provisions		**66,196**	71,006
Deferred revenue		**110,229**	104,613
Other payables and accruals		**21,923**	15,875
		304,722	331,690
Current liabilities			
Trade payables	*10*	**833,401**	815,402
Other payables and accruals		**158,123**	134,523
Current income tax liabilities		**17,916**	12,928
Retirement benefits and compensations		**2,877**	4,132
Provisions		**21,159**	22,721
Deferred revenue		**27,244**	24,240
Borrowings		**14,122**	–
Lease liabilities		**14,188**	12,495
		1,089,030	1,026,441
Total liabilities		**1,393,752**	1,358,131
Total equity and liabilities		**3,404,593**	3,335,281

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Merger reserve**	**Share-based compensation reserve**	**Exchange reserve**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total**
	US'000	*US'000*	*US'000*	*US'000*	*US'000*	*US'000*	*US'000*	*US'000*	*US'000*
As at January 1, 2022	32,377	1,642	113,000	6,061	(86,810)	1,888,359	1,954,629	47,960	2,002,589
Comprehensive income									
Profit for the year	–	–	–	–	–	58,013	58,013	7,500	65,513
Other comprehensive (loss) income									
Exchange differences	–	–	–	–	(56,748)	–	(56,748)	(4,338)	(61,086)
Actuarial gains on defined benefit plans, net of tax	–	–	–	–	–	1,639	1,639	–	1,639
Total other comprehensive (loss) income	–	–	–	–	(56,748)	1,639	(55,109)	(4,338)	(59,447)
Total comprehensive (loss) income	–	–	–	–	(56,748)	59,652	2,904	3,162	6,066
Transactions with owners									
Value of employee services provided under share option scheme	–	–	–	135	–	–	135	–	135
Dividends paid to shareholders	–	(1,642)	–	–	–	(22,201)	(23,843)	–	(23,843)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(7,797)	(7,797)
Total transactions with owners	–	(1,642)	–	135	–	(22,201)	(23,708)	(7,797)	(31,505)
As at December 31, 2022	32,377	–	113,000	6,196	(143,558)	1,925,810	1,933,825	43,325	1,977,150
Comprehensive income									
Profit for the year	–	–	–	–	–	36,737	36,737	8,438	45,175
Other comprehensive income (loss)									
Exchange differences	–	–	–	–	5,250	–	5,250	(697)	4,553
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	(438)	(438)	–	(438)
Total other comprehensive income (loss)	–	–	–	–	5,250	(438)	4,812	(697)	4,115
Total comprehensive income	–	–	–	–	5,250	36,299	41,549	7,741	49,290
Transactions with owners									
Value of employee services provided under share option scheme	–	–	–	238	–	–	238	–	238
Dividends paid to shareholders	–	–	–	–	–	(11,796)	(11,796)	–	(11,796)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(4,041)	(4,041)
Total transactions with owners	–	–	–	238	–	(11,796)	(11,558)	(4,041)	(15,599)
As at December 31, 2023	32,377	–	113,000	6,434	(138,308)	1,950,313	1,963,816	47,025	2,010,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

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, the People's Republic of China (**China**), Poland, India, Morocco and Brazil and are structured to supply its customers globally. The principal markets for the Group's products are North America, Europe, South America, China and India.

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

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

The functional currency of the Company is US dollars (**US$**). These consolidated financial statements (the **Consolidated Financial Statements**) are presented in thousands of US dollars (**US$'000**), unless otherwise stated. The Consolidated Financial Statements were approved by the Board of Directors of the Company (the **Board**) for issue on March 26, 2024.

Basis of Preparation

This announcement of annual results (the **Consolidated Financial Information**) has been prepared in accordance with all applicable International Financial Reporting Standards (**IFRS**), as issued by the International Accounting Standards Board (**IASB**), disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Accounting Policies

In addition to those described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2022, as described in those annual financial statements.

Amendments to standards

(a) Amendments to standards adopted by the Group

The Group has adopted the following amendments to standards which are relevant to the Group and mandatory for the accounting period beginning on January 1, 2023.

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two model Rules

Except as described below, the adoption of these amendments did not have a significant effect on the Consolidated Financial Statements.

(i) Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has applied the amendments for the first time in the current year. IAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information. IFRS Practice Statement 2 "Making Materiality Judgements" (Practice Statement) is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement. The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

(ii) Impacts on application of Amendments to IAS 12 "Income Taxes International Tax Reform – Pillar Two model Rules"

The Group has applied the amendments for the first time in the current year. The qualitative and quantitative information about the Group's exposure to Pillar Two income taxes is set out in note 6.

(b) Amendments to standards not yet adopted by the Group

The following amendments to standards relevant to the Group have been issued but are not yet effective for the financial year beginning January 1, 2023 and have not been early adopted:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current(i)
Amendments to IAS 1	Non-current Liabilities with Covenants(i)
Amendments to IAS 1 and IFRS 7	Supplier Finance Arrangements(i)
Amendments to IAS 21	Lack of Exchangeability(ii)

Notes:

(i) Effective for annual periods beginning on or after January 1, 2024

(ii) Effective for annual periods beginning on or after January 1, 2025

Management has assessed the application of the above amendments to standards relevant to the Group and anticipate that there is no material impact on the Consolidated Financial Statements.

2 REVENUE AND SEGMENT INFORMATION

2.1 Revenue from contracts with customers

The Group contracts with customers, which are generally automotive manufacturers and original equipment manufacturers (**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 using the input method as performance obligations under the terms of a contract are satisfied. The amount of revenue recognised is based on the purchase order price. Customers typically pay for the product/prototype based on customary business practices with payment terms ranging from 30 to 90 days.
Tooling	The Group's development and sale of tooling for customers is performed in connection with the preparations to produce and sell products to its customers. Customers typically pay for the tooling in a lump sum upon acceptance. The Group recognises revenue for tooling over time using the input method as it satisfies its performance obligation. Revenue is recognised to the extent of costs incurred to date for reimbursable tooling from customers.
Engineering Design and Development/ Prototypes	The Group recognises non-production related engineering design and development/prototypes revenue, which is normally related to ADAS, performance improvement and business pursuit. The Group recognises revenue for non-production engineering design and development/prototypes revenue over time using the input method as it satisfies its performance obligations.

Contract balances

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

	Contract assets[i] *US$'000*	**Contract liabilities, Current**[ii] *US$'000*	**Contract liabilities, Non-current**[ii] *US$'000*
Balances as at December 31, 2023	**48,655**	**27,244**	**110,229**
Balances as at December 31, 2022	47,718	24,240	104,613
Change in account balance	937	3,004	5,616

(i) Contract assets are recorded within current other receivables and prepayments. As at January 1, 2022, contract assets amounted to US$43,791,000 in total.

(ii) Contract liabilities are recorded within deferred revenue. As at January 1, 2022, contract liabilities amounted to US$110,428,000 in total.

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 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 primarily represents parent company activities of the Company and activities of its non-operating direct and indirect subsidiaries, as well as elimination entries between segments.

For internal management reporting purposes, a US-based subsidiary and a Mexico-based subsidiary which are separate operating segments have been aggregated into the North America reportable segment considering these operating segments have similar economic characteristics including their gross margin, operating profit and Adjusted EBITDA as a percentage of revenue.

The key performance indicator that the Group monitors to manage segment operations is operating income before interest, taxes, depreciation and amortisation, reversals of impairments/impairments on property, plant and equipment and intangible assets and share of results of joint ventures (**Adjusted EBITDA**).

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

	North America *US$'000*	Asia Pacific *US$'000*	EMEASA *US$'000*	Others *US$'000*	Total *US$'000*
For the year ended December 31, 2023					
Total revenue	**2,333,631**	**1,244,679**	**727,755**	**(53,149)**	**4,252,916**
Inter-segment revenue	**(74,576)**	**(29,947)**	**(1,834)**	**60,234**	**(46,123)**
Revenue from external customers	**2,259,055**	**1,214,732**	**725,921**	**7,085**	**4,206,793**
Adjusted EBITDA	**131,354**	**201,042**	**39,967**	**(25,807)**	**346,556**
For the year ended December 31, 2022					
Total revenue	2,313,455	994,534	620,550	(48,230)	3,880,309
Inter-segment revenue	(66,381)	(29,346)	(1,372)	56,493	(40,606)
Revenue from external customers	2,247,074	965,188	619,178	8,263	3,839,703
Adjusted EBITDA	173,423	166,218	44,386	(19,202)	364,825

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

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

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

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Others US$'000	Total US$'000
As at December 31, 2023					
Total assets	**1,639,081**	**1,241,409**	**734,003**	**(209,900)**	**3,404,593**
Total liabilities	**837,413**	**610,185**	**272,104**	**(325,950)**	**1,393,752**
As at December 31, 2022					
Total assets	1,730,348	1,162,857	699,174	(257,098)	3,335,281
Total liabilities	843,300	565,739	267,190	(318,098)	1,358,131

Adjusted EBITDA includes a non-cash component for revenue recognised from deferred revenue. For the year ended December 31, 2023, the North America segment, Asia Pacific segment and EMEASA segment recognised US$36,188,000 (year ended December 31, 2022: US$20,271,000), US$3,733,000 (year ended December 31, 2022: US$2,824,000) and US$4,870,000 (year ended December 31, 2022: US$4,592,000), respectively.

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

	For the year ended December 31, 2023 *US$'000*	2022 *US$'000*
Adjusted EBITDA from reportable segments	**346,556**	364,825
Depreciation and amortisation expenses	**(291,898)**	(269,187)
Impairment reversals (charges) of intangible assets, net	**1,558**	(9,317)
Customer recovery income	**5,184**	–
Finance income	**5,021**	8,651
Finance costs	**(5,064)**	(3,655)
Share of results of joint ventures	**2,870**	630
Profit before income tax	**64,227**	91,947

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

The geographic distribution of revenue for the years ended December 31, 2023 and 2022 is as follows:

	For the year ended December 31,	
	2023	2022
	US$'000	*US$'000*
North America:		
US	**1,353,262**	1,311,428
Mexico	**905,793**	935,646
Asia Pacific:		
China	**1,058,321**	825,239
Rest of Asia Pacific	**156,411**	139,949
EMEASA:		
Poland	**404,704**	356,996
Rest of EMEASA	**321,217**	262,182
Others	**7,085**	8,263
	4,206,793	3,839,703

The geographic distribution of non-current assets excluding deferred income tax assets as at December 31, 2023 and 2022 is as follows:

	As at December 31,	
	2023	2022
	US$'000	*US$'000*
North America:		
US	**490,981**	546,501
Mexico	**471,072**	446,505
Asia Pacific:		
China	**410,099**	391,033
Rest of Asia Pacific	**33,771**	35,344
EMEASA:		
Poland	**327,498**	305,466
Rest of EMEASA	**87,403**	96,531
Others	**9,047**	7,914
	1,829,871	1,829,294

Disaggregation of revenue

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Others US$'000	Total US$'000
For the year ended December 31, 2023					
Electric Power Steering (**EPS**)	**1,411,414**	**843,494**	**598,753**	**7,085**	**2,860,746**
Steering Columns and Intermediate Shafts (**CIS**)	**304,512**	**47,530**	**27,377**	**–**	**379,419**
Hydraulic Power Steering (**HPS**)	**164,175**	**2,860**	**1,047**	**–**	**168,082**
Driveline Systems (**DL**)	**378,954**	**320,848**	**98,744**	**–**	**798,546**
	2,259,055	**1,214,732**	**725,921**	**7,085**	**4,206,793**

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Others US$'000	Total US$'000
For the year ended December 31, 2022					
EPS	1,403,851	681,937	525,795	6,747	2,618,330
CIS	339,210	16,079	13,846	556	369,691
HPS	154,372	2,132	9,604	43	166,151
DL	349,641	265,040	69,933	917	685,531
	2,247,074	965,188	619,178	8,263	3,839,703

Revenue by type

	For the year ended December 31,	
	2023	2022
	US$'000	*US$'000*
Production parts	**4,166,785**	3,799,248
Tooling	**24,019**	26,504
Engineering design and development/prototypes	**15,989**	13,951
	4,206,793	3,839,703

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,	
	2023	2022
	US$'000	*US$'000*
GM	**1,407,922**	1,241,493
Customer A	**985,684**	984,323
Customer B	**643,687**	628,459
	3,037,293	2,854,275

3 EXPENSE BY NATURE

	For the year ended December 31,	
	2023	2022
	US$'000	*US$'000*
Inventories used, including finished goods and work-in-progress	**2,761,979**	2,542,487
Employee benefit costs	**576,701**	495,388
Temporary labour costs	**159,037**	111,472
Supplies and tools	**202,682**	198,791
Depreciation on property, plant and equipment	**137,847**	133,940
Depreciation on right-of-use assets	**15,690**	14,144
Amortisation on intangible assets	**138,361**	121,103
Impairment charges (reversals), net, on		
– trade receivables (note 9)	**138**	(426)
– intangible assets	**(1,558)**	9,317
Write-down (reversal of write-down) on inventories	**1,974**	(223)
Warranty expenses	**14,263**	21,241
Auditors' remuneration		
– audit services	**1,787**	1,791
– non-audit services	**57**	433
Others	**134,751**	118,898
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**4,143,709**	3,768,356

4 OTHER (LOSSES) GAINS, NET

	For the year ended December 31,	
	2023	2022
	US$'000	*US$'000*
Foreign exchange (losses) gains, net	**(3,449)**	9,932
Loss on disposal of property, plant and equipment	**(4,344)**	(876)
Others	**6,109**	5,918
	(1,684)	14,974

5 FINANCE INCOME/FINANCE COSTS

	For the year ended December 31,	
	2023	2022
	US$'000	*US$'000*
Finance income		
Interest on bank deposits	**4,091**	3,698
Interest on income tax refunds/receivables	**930**	4,953
	5,021	8,651
Finance costs		
Interest on bank borrowings	**3,961**	5,553
	3,961	5,553
Interest on leases	**2,877**	2,831
Other finance costs	**3,710**	2,050
	10,548	10,434
Less: amount capitalised in qualifying assets	**(5,484)**	(6,779)
	5,064	3,655
	(43)	4,996

6 INCOME TAX EXPENSE

	For the year ended December 31,	
	2023	2022
	US$'000	*US$'000*
Current income tax expense	**(42,016)**	(36,932)
Deferred income tax benefit	**22,964**	10,498
	(19,052)	(26,434)

The Group's profits were mainly generated in the U.S., China, India, Mexico, and Poland where the statutory tax rates are 21%, 25%, 25%, 30%, and 19%, respectively.

During the year ended December 31, 2022, the Group determined that its US net deferred tax assets, mainly R&D credits, were not probable to be fully realised and recorded a decrease in the net deferred tax assets. Consistent with this determination, the Group has not recorded a tax benefit for credits and certain other deferred tax assets generated in 2023 and 2022 due to US cumulative pre-tax losses.

The Organisation for Economic Co-operation and Development has agreed to enact Pillar Two legislation. Pillar Two framework aims to ensure that certain multi-national enterprises (**MNEs**) pay a minimum tax rate on income within each jurisdiction in which they operate. Generally, the framework imposes a tax on profits arising in jurisdictions where the effective tax rate (**ETR**) is below 15%.

Pillar Two legislation has been enacted, or substantively enacted, in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning January 1, 2024 for certain jurisdictions, and January 1, 2025 for the Group's remaining jurisdictions.

The Group is in scope of Pillar II legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes based on the most recent country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates meet the transitional safe harbor rules. Where the transitional safe harbor relief does not apply, the Group does not expect a material exposure to Pillar Two income taxes. Therefore, based on the Amendments to IAS 12 "Income Taxes": International Tax Reform – Pillar Two Model Rules, the Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise from tax calculated at rates applicable to profits in respective countries of the combined entities as follows:

	For the year ended December 31,	
	2023	2022
	US$'000	*US$'000*
Profit before income tax	**64,227**	91,947
Tax calculated at rates applicable to profits in respective countries	**(16,825)**	(22,450)
Expenses not deductible for tax purposes	**(1,394)**	(15)
Non-taxable income	**10,019**	6,880
Tax credits[i]	**13,098**	33,503
Preferential rates and tax holidays[ii]	**11,837**	11,088
Tax losses and deductible temporary differences for which no deferred tax was recognised[iii]	**(31,401)**	(56,673)
US state and withholding taxes[iv]	**(3,152)**	(6,003)
Others	**(1,234)**	7,236
Income tax expense	**(19,052)**	(26,434)

Notes:

i. Mainly represents research and development incentives.

ii. Derived mainly from profits subject to preferential tax rate in China for high-technology enterprises. Also includes tax exemption fully utilised in 2029 for the Group's investment in Special Economic Zones in Poland according to the relevant Polish tax rules.

iii. Includes US tax assets determined not probable to be fully realised. During the year ended December 31, 2023, the Group determined that its Brazil net operating losses are more likely than not to be realised due to cumulative income in recent years and other positive evidence. These net operating losses have no expiration and remain available to offset future income tax liabilities. As a result, the Group recognised net deferred tax assets of US$11.0 million for the year ended December 31, 2023.

iv. 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,	
	2023	2022
Profit attributable to the equity holders of the Company (US$'000)	**36,737**	58,013
Weighted average number of ordinary shares in issue (thousands)	**2,509,824**	2,509,824
Basic earnings per share (in US$)	**0.01**	0.02

(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 as at December 31, 2023. 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, 2023) 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, 2023 and 2022, the details are within the table below. The computation of diluted earnings per share for the year ended December 31, 2023 does not assume the exercise of the share options because the adjusted exercise prices of those share options were higher than the average market price per share.

	For the year ended December 31,	
	2023	2022
Profit attributable to the equity holders of the Company, used to determine diluted earnings per share (US$'000)	**36,737**	58,013
Weighted average number of ordinary shares in issue (thousands)	**2,509,824**	2,509,824
Adjustment for share options (thousands)	**–**	59
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**2,509,824**	2,509,883
Diluted earnings per share (in US$)	**0.01**	0.02

8 DIVIDENDS

	For the year ended December 31,	
	2023	2022
	US$'000	*US$'000*
Dividend proposed of US$0.0030 (2022: US$0.0047) per share	**7,529**	11,796

This 2023 dividend was proposed by the directors at a meeting held on March 26, 2024, the date of approval of the Consolidated Financial Statements, which is not reflected as a dividend payable in these Consolidated Financial Statements.

9 TRADE RECEIVABLES

	As at December 31,	
	2023	2022
	US$'000	*US$'000*
		(Restated)
Trade receivables, gross	**752,240**	754,683
Less: provision for impairment	**(1,744)**	(1,579)
	750,496	753,104

Trade receivables (net of provision for impairment) as at January 1, 2022 amounted to US$571,461,000.

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

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,	
	2023	2022
	US$'000	*US$'000*
		(Restated)
0 to 30 days	**367,893**	514,428
31 to 60 days	**298,029**	221,079
61 to 90 days	**65,953**	11,215
Over 90 days	**20,365**	7,961
	752,240	754,683

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

Trade receivables of US$1,744,000 (December 31, 2022: US$1,579,000) were non-credit impaired as at December 31, 2023 on which provisions were made.

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

	For the year ended December 31,	
	2023	2022
	US$'000	*US$'000*
As at January 1	**1,579**	2,074
Addition (reversal) of provision, net	**138**	(426)
Exchange differences	**27**	(69)
As at December 31	**1,744**	1,579

The carrying amounts of trade receivables pledged as collateral were US$386,790,000 as at December 31, 2023 (December 31, 2022: US$459,144,000).

10 TRADE PAYABLES

	As at December 31,	
	2023	2022
	US$'000	*US$'000*
Trade payables	**776,013**	776,257
Notes payable	**57,388**	39,145
	833,401	815,402

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

Certain vendors in China are paid for goods and services through the use of notes payable, which are included in trade payables. Notes payable issued to suppliers outstanding in the amount of US$57,388,000 as at December 31, 2023 (December 31, 2022: US$39,145,000).

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

	As at December 31,	
	2023	2022
	US$'000	*US$'000*
0 to 30 days	**460,109**	443,154
31 to 60 days	**215,503**	228,815
61 to 90 days	**93,620**	84,666
91 to 120 days	**18,738**	18,348
Over 120 days	**45,431**	40,419
	833,401	815,402

FINANCIAL REVIEW

Financial Summary

The Group achieved record full-year revenue of US$4.2 billion for the year ended December 31, 2023, exceeding US$4 billion for the first time in Company history. The Group's revenue increased by 9.6% for the year ended December 31, 2023 compared with 2022, with all three geographical segments positively impacted as OEM vehicle production displayed another year of growth over 2022. As reported by S&P Global Mobility (January 2024), global OEM vehicle production increased by 9.4% during 2023 when compared with 2022.

The Group continued to experience headwinds during 2023. Inflationary pressures, in the form of increased labor and energy prices have negatively impacted the Group's profit margins. Foreign exchange was also a headwind impacting profit with the Mexican Peso strengthening and the RMB weaking compared to the USD. The Group experienced especially significant challenges in the North America segment in the form of the UAW labor strike and a supplier disruption event challenging the Company's ability to meet customer demand, resulting in downtime at one of our largest customers. To stabilize the situation, the Company incurred costs for premium freight, overtime and additional labor. The troubled supplier was fully resourced to alternate suppliers by the end of 2023. The Group took immediate short-term cost savings measures to mitigate the financial impact of these events. Additionally, the Group implemented fixed cost reduction initiatives, including but not limited to a voluntary early retirement programme in the US, continued global expansion of engineering capabilities and manufacturing footprint optimisations.

Compared with the year ended December 31, 2022, gross profit of US$368.6 million represents an increase of 0.4%; profit before income tax of US$64.2 million represents a decrease of (30.1%); profit attributable to equity holders of the Company of US$36.7 million represents a decrease of (36.7%); and adjusted EBITDA of US$346.6 million represents a decrease of (5.0%).

The deterioration to profit attributable to equity holders in 2023 was driven in large by the aforementioned challenges in the North America segment. During the year ended December 2023, the Group's earnings were negatively impacted by the supplier disruption event in the amount of US$49.3 million, by the UAW labor strike in the amount of US$15.3 million, and by restructuring efforts in the amount of US$10.0 million.

The Group's cash balance of US$311.7 million as at December 31, 2023 represented an increase of US$65.8 million when compared with US$245.9 million as at December 31, 2022. For the year ended December 31, 2023, the Group's net cash generated from operating activities was US$404.1 million, an increase of US$110.4 million compared with US$293.8 million for the same period in 2022. The increase in cash flows from operations was driven by a US$38.3 million Income Tax refund, including interest received of US$3.5 million, net favourable working capital, partially offset by the decrease in earnings for the year ended December 31, 2023 compared with 2022. Cash from operating activities less cash used in investing activities was a source of US$105.0 million, which compared favourably to a source of US$30.3 million in the same period of 2022. Cash used in financing activities during the year ended December 31, 2023 was US$38.4 million, a decrease of US$46.8 million, when compared with a cash use of US$85.2 million during the year ended December 31, 2022. The main drivers of the Group's decreased cash used in financing activities included lower repayments of borrowings in 2023 due to less net repayments of the US revolving line of credit compared to 2022. The revolving line of credit is used for general working capital requirements, and with improved working capital during the period, the Group had excess cash to pay down the balance. Additionally, dividends paid to equity holders during 2023 was lower than 2022 due to the reduction in earnings from 2021 to 2022.

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. Cost pressures on input costs such as labor, commodities and energy continued to impact the industry during 2023. The Group operates primarily in the US, Mexico, China, Poland, India, Morocco and Brazil.

According to S&P Global Mobility (January 2024), global OEM light vehicle production for the year ended December 31, 2023 was higher than the year ended December 31, 2022, increasing by 9.4%. The change in OEM light vehicle production for the year ended December 31, 2023 compared with the same periods in 2022 for key markets served by the Group is provided in the table below:

	Full-Year 2023
North America	9.2%
China	9.9%
India	6.4%
Europe	11.7%
South America	3.6%

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 revenue was unfavourably impacted by foreign currency translation as the US dollar strengthened against RMB to a greater magnitude than it weakened against the Euro during the year ended December 31, 2023 compared with the same period a year ago.

During the year ended December 31, 2023, the Group successfully launched 55 new customer programmes – 39 programmes in Asia Pacific, 3 programmes in EMEASA and 13 programmes in North America. Of the 55 customer programme launches, 53 represented new conquest business for the Group, 2 represented incumbent business and 34 represented EV programmes.

Revenue

The Group's revenue for the year ended December 31, 2023 was US$4,206.8 million, an increase of US$367.1 million, or 9.6%, compared with US$3,839.7 million for the year ended December 31, 2022. Increased OEM light vehicle production and significant new and conquest programme launches over the past few years were the principal drivers for higher revenue for 2023 when compared with 2022. Unfavourable foreign currency translation tempered the Group's revenue increase by approximately US$41.4 million, negatively impacting the Asia Pacific segment to a greater extent than it positively impacted the EMEASA segment, given the strengthening of the US dollar against the RMB and weakening against the Euro during the 2023 compared with a year ago. Customer recoveries, resulting from the pass through of raw material commodity increases, further contracted revenue during 2023 by approximately US$16.2 million, as the amount recovered during 2023 was a reduction from 2022. Adjusting for unfavourable foreign currency translation and the decreases related to commodity recoveries, the Group's revenue rose by 11.1% in 2023 compared with 2022, outpacing the revenue increase in OEM production for served markets for the comparative period by 170 basis points. This performance reflected the on-going benefit from the launch of new and conquest customer programmes in recent years, and the Group's ability to capitalize on a growing automotive market in China.

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

Revenue by Geographical Segments

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

	For the year ended December 31, 2023		For the year ended December 31, 2022	
	US$'000	*%*	*US$'000*	*%*
North America	**2,259,055**	**53.7**	2,247,074	58.5
Asia Pacific	**1,214,732**	**28.9**	965,188	25.2
EMEASA	**725,921**	**17.2**	619,178	16.1
Other	**7,085**	**0.2**	8,263	0.2
Total	**4,206,793**	**100.0**	3,839,703	100.0

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

- North America segment – Revenue increased by US$12.0 million, or 0.5%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. The most significant factor contributing to the revenue increase was the improvement in the demand environment, with North America OEM light vehicle production for the year ended December 31, 2023 increasing by 9.2% compared with 2022. North America revenue was lower by US$59.1 million due to the UAW strike impacting our customer's production volumes. Reduction in customer commodity recoveries related to raw material commodities inflation amounted to a reduction in revenue of US$11.9 million during 2023 compared to 2022.

- Asia Pacific segment – Revenue increased by US$249.5 million, or 25.9%, for the year ended December 31, 2023 compared to the year ended December 31, 2022. Contributing to the revenue increase was higher OEM light vehicle production, with total Asia Pacific OEM production volumes higher by 9.2%, and China and India OEM production volumes higher by 9.9% and 6.4%, respectively, for the year ended December 31, 2023 compared with 2022. In addition to the improvement in the demand environment, the segment continued to benefit from new and conquest customer programme launches. Unfavourable foreign currency translation tempered the revenue increase in the Asia Pacific segment in the amount of US$60.9 million as the US dollar strengthened against the RMB. Customer commodity recoveries related to raw material commodities inflation increased by US$0.2 million during 2023 compared with 2022. Adjusting for foreign currency translation and customer commodity recoveries, Asia Pacific adjusted revenue increased by 32.1% compared to the change in OEM customer production of 9.2%, outperforming the market by 2,290 basis points.

- EMEASA segment – Revenue increased by US$106.7 million, or 17.2%, for the year ended December 31, 2023 when compared with the year ended December 31, 2022. The biggest contributor to the Group's increased revenue in the segment was the increase in European OEM light vehicle production of 11.7%, tempered by a more modest increase in South America OEM production of 3.6%. The segment also benefited from on-going customer programme growth in the segment's Morocco manufacturing facility, which began production in 2019, which increased revenue by US$30.6 million compared with a year ago. Favourable foreign currency translation further magnified the revenue growth by the amount of US$19.5 million as the US dollar weakened against the Euro and a reduction in customer commodity recoveries related to raw material commodities inflation amounted to a further reduction in revenue of US$4.5 million during the year ended December 31, 2023 compared with 2022. Adjusting for foreign currency translation and customer commodity recoveries, EMEASA adjusted revenue increased by 14.8% compared to the change in OEM customer production of 10.5%, outperforming the market by 430 basis points.

- Other – Revenue decreased by US$1.2 million, or 14.3% for the year ended December 31, 2023 compared with the same period of 2022. Other revenue is related to non-production engineering design and development/prototype services. The decrease is primarily a result of less prototype expense reimbursement received from customers.

Revenue by Products

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

	For the year ended December 31, 2023		For the year ended December 31, 2022	
	US$'000	***%***	*US$'000*	*%*
EPS	**2,860,746**	**68.0**	2,618,330	68.2
CIS	**379,419**	**9.0**	369,691	9.6
HPS	**168,082**	**4.0**	166,151	4.3
DL	**798,546**	**19.0**	685,531	17.9
	4,206,793	**100.0**	3,839,703	100.0

The Group experienced an increase in EPS revenue of US$242.4 million, or 9.3%, for the year ended December 31, 2023 compared with 2022, driven mainly by increased OEM light vehicle production and above market growth in the Asia Pacific and EMEASA segments. CIS revenue increased by US$9.7 million, or 2.6% for the year ended December 31, 2023 compared with a year ago. HPS revenue increased by US$1.9 million, or 1.2% for the year ended December 31, 2023 compared with 2022. DL revenue increased by US$113.0 million, or 16.5% for the year ended December 31, 2023 compared with last year, as a result of higher OEM light vehicle production across all geographical segments.

Net Profit Attributable to Equity Holders

The Group's net profit attributable to equity holders of the Company for the year ended December 31, 2023 was US$36.7 million or 0.9% of total revenue, a decrease of US$21.3 million, or 36.7%, compared to US$58.0 million, or 1.5% of total revenue for the year ended December 31, 2022. The decrease was principally attributable to the following factors which mitigated the positive impact of revenue growth:

- Unfavourable impact of US$44.6 million driven by foreign exchange changes with the Mexican Peso strengthening and RMB weakening compared to the USD.

- Supply chain disruptions, including a US supplier which became incapable of meeting production requirements, resulting in downtime at one of our largest customers, providing negative earnings impact of US$49.3 million.

- The UAW labor strike during the third and fourth quarters of 2023, driving negative earnings impact on our North America segment in the amount of US$15.3 million.

- Restructuring efforts including a voluntary early retirement programme in the US and manufacturing footprint optimisations to help improve out future cost structure driving current year costs in the amount of US$10.0 million.

- The Group has not recognised deferred tax assets in respect of tax losses and deductible temporary differences of a net amount of US$31.4 million during the year ended December 31, 2023, of which US$43.3 million is attributed to the US operations.

Cost of Sales

The Group's cost of sales for the year ended December 31, 2023 was US$3,838.2 million, an increase of US$365.6 million, or 10.5%, from US$3,472.6 million for the year ended December 31, 2022.

Raw material costs represent a significant portion of the Group's total cost of sales and for the year ended December 31, 2023 totaled US$2,751.0 million, or 65.4% of revenue, compared with US$2,562.4 million, or 66.7% of revenue, for 2022, reflecting an increase of US$188.6 million, or 7.4%. While the increase in raw material costs for 2023 when compared with a year ago, is attributable to the increase in revenue, raw materials as a percent of sales has improved from the prior year. The main factors contributing to the decrease in raw materials include the stabilisation of raw material commodity prices, reductions in transportation and logistics costs and net decrease in material purchase prices due to inflationary pressures from the extreme levels of inflation experienced during 2022.

Depreciation and amortisation, including amortisation of capitalised product development costs, charged to cost of sales for the year ended December 31, 2023 was US$268.8 million, an increase of US$21.1 million, or 8.5% from US$247.7 million for the year ended December 31, 2022.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$138.2 million for the year ended December 31, 2023, representing 3.3% of revenue, an increase of US$17.7 million, or 14.7%, from US$120.7 million, representing 3.1% of revenue, for the year ended December 31, 2022.

Excluding raw material costs and depreciation and amortisation and fixed and intangible asset impairments, remaining manufacturing costs of US$818.4 million, or 19.5% of revenue for the year ended December 31, 2023 were higher by US$156.0 million, or 23.5%, when compared with US$662.4 million, or 17.3% of revenue, for one year ago. While raw material cost increases continued to place pressure on the Group's gross profit margin, indirect cost savings and discipline helped to limit the impact to the increases in direct costs.

As a percent of revenue, cost of sales increased to 91.2% for the year ended December 31, 2023 compared with 90.4% a year ago.

Gross Profit

The Group's gross profit for the year ended December 31, 2023 was US$368.6 million, an increase of US$1.4 million, or 0.4%, from US$367.2 million for the year ended December 31, 2022. Gross profit margin for the year ended December 31, 2023 was 8.8% compared with 9.6% for the year ended December 31, 2022. The decrease in gross profit margin was attributable to unfavourable foreign exchange, supplier disruption, restructuring costs and inflationary pressures.

Engineering and Product Development Costs

For the year ended December 31, 2023, the Group's engineering and product development costs charged to the income statement were US$150.7 million, representing 3.6% of revenue, an increase of US$5.6 million, or 3.9%, as compared to US$145.1 million, or 3.8% of revenue for the year ended December 31, 2022. The Group recognised a net reversal of product development intangible asset impairments of US$1.6 million. The Group reversed impairments on a previously impaired programme of US$4.1 million in the Condensed Financial Information as engineering and product development costs in the North America segment. The Group recorded impairments of US$1.5 million, US$0.2 million and US$0.8 million related to both programme cancellations and declining volumes on specific customer programmes recorded in the Condensed Financial Information as engineering and product development costs in the North America, Asia Pacific and EMEASA segments, respectively. In addition, the Group recorded customer recovery from a previously impaired programme of US$5.2 million in the Condensed Financial Information as engineering and product development costs in the North America segment. During the year ended December 31, 2022, the Group recognised a product development intangible asset impairment within engineering and product development costs of US$9.3 million related to programme cancellations and declining volumes on specific customer programmes, with US$9.3 million recorded in the Others segment.

Capitalised interest related to engineering development costs totalled US$5.5 million for the year ended December 31, 2023 and US$6.8 million for the year ended December 31, 2022. Depreciation and amortisation charged to engineering and product development costs for the year ended December 31, 2023 totaled US$14.8 million, and increase of US$2.8 million, or 23%, when compared with US$12.0 million for the year ended December 31, 2022.

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, 2023, the Group incurred an aggregate investment in engineering and product development costs of US$298.0 million, an increase of US$9.1 million, or 3.1%, compared with US$288.9 million for the year ended December 31, 2022.

Selling, Distribution and Administrative Expenses

The Group's selling, distribution and administrative expenses for the year ended December 31, 2023 were US$154.8 million, representing 3.7% of revenue, an increase of US$4.1 million, or 2.7%, as compared to US$150.7 million, or 3.9% of revenue, for the year ended December 31, 2022. Depreciation and amortisation charged to administrative expense for the year ended December 31, 2023 was US$8.4 million, a decrease of US$1.1 million, or 11.6%, from US$9.5 million for the year ended December 31, 2022.

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 year ended December 31, 2023 was a loss of US$1.7 million, a decrease of US$16.7 million compared to a gain of US$15.0 million for the year ended December 31, 2022.

Finance Income/Finance Costs

Finance costs, net, consist of finance income and costs reduced by interest capitalised on qualifying assets and product development. The Group's net finance costs for the year ended December 31, 2023 was US$nil, as compared to net finance income of US$5.0 million from the year ended December 31, 2022. The main driver in the reduction of finance income during the year is a decrease in interest income related to income tax refunds/receivables in the amount of US$4.0 million when comparing the year ended December 31, 2023 to the year ended December 31, 2022.

Share of Results of Joint Ventures

Share of results of joint ventures relates to the Group's investments in Chongqing Nexteer Steering Systems Co., Ltd. (**Chongqing Nexteer**), Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd. (**Dongfeng Nexteer**) and CNXMotion, LLC (**CNXMotion**). For the year ended December 31, 2023, the Group's share of results of joint ventures amounted to US$4.7 million, US$nil and (US$1.8 million) related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively (year ended December 31, 2022: US$4.3 million, (US$0.7 million) and (US$3.0 million)). Chongqing Nexteer's profitability during the year ended December 31, 2023 increased slightly when compared with 2022. During the year ended December 31, 2023, in separate agreements, Nexteer agreed with its joint venture partners of Dongfeng Nexteer and CNXMotion to dissolve both entities and dissolution of both entities were completed during the year.

Income Tax Expense

The Group's income tax expense was US$19.1 million for the year ended December 31, 2023, representing 29.7% of the Group's profit before income tax, compared with income tax expense of US$26.4 million, or 28.8% of profit before income tax for the year ended December 31, 2022. During the year ended December 31, 2022, the Group determined that its US net deferred tax assets, mainly R&D credits, were not probable to be fully realised and recorded a decrease in the net deferred tax assets. Consistent with this determination, the Group has not recorded a tax benefit for credits and certain other deferred tax assets generated in 2023 and 2022 due to US cumulative pre-tax losses. As a result, the Group has not recognised deferred tax assets in respect of tax losses and deductible temporary differences of a net amount of US$31.4 million and US$56.7 million during the years ended December 31, 2023 and December 31, 2022 respectively, of which US$43.3 million and US$58.2 million is attributed to the US operations for the years ended December 31, 2023 and December 31, 2022 respectively. During the year ended December 31, 2023, the Group determined that its Brazil net operating losses are more likely than not to be realised due to cumulative income in recent years and other positive evidence. These net operating losses have no expiration and remain available to offset future income tax liabilities. As a result, the Group recognised net deferred tax assets of US$11.0 million for the year ended December 31, 2023.

The Organization for Economic Cooperation and Development has agreed to enact Pillar Two legislation. Pillar Two framework aims to ensure that certain multi-national enterprises (**MNEs**) pay a minimum tax rate on income within each jurisdiction in which they operate. Generally, the framework imposes a tax on profits arising in jurisdictions where the effective tax rate (**ETR**) is below 15%.

Pillar Two legislation has been enacted, or substantively enacted, in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning January 1, 2024 for certain jurisdictions, and January 1, 2025 for the Group's remaining jurisdictions.

The Group is in scope of Pillar Two legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes based on the most recent country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two ETRs in most of the jurisdictions in which the Group operates meet the transitional safe harbor rules. Where the transitional safe harbor relief does not apply, the Group does not expect a material exposure to Pillar Two income taxes. Therefore, based on the Amendments to IAS 12 "Income Taxes": International Tax Reform – Pillar Two Model Rules, the Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published.

Provisions

As at December 31, 2023, the Group had provisions for litigation, environmental liabilities, warranties and decommissioning of US$87.4 million, a decrease of US$6.4 million as compared to US$93.7 million as at December 31, 2022. The decrease in provisions was principally due to the net change in warranty reserves, reflecting net additions of US$14.3 million, more than offset by US$22.4 million in cash payments on historical warranty provisions during 2023.

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 Group utilises a global cash pooling arrangement to consolidate and manage our global cash balances, which improves cash management efficiency. We believe that cash on hand and availability of borrowings under the Group's existing credit facilities will be adequate to fund our operations.

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
	US$'000	*US$'000*
Cash generated from (used in):		
Operating activities	**404,124**	293,756
Investing activities	**(299,148)**	(263,474)
Financing activities	**(38,399)**	(85,180)
Net increase (decrease) in cash and cash equivalents	**66,577**	(54,898)

Cash Flows Generated from Operating Activities

For the year ended December 31, 2023, the Group's net cash generated from operating activities was US$404.1 million, an increase of US$110.4 million compared with US$293.8 million for the year ended December 31, 2022. The increase in cash flows from operating activities was primarily attributable a US$38.3 million Income Tax refund, including interest received of US$3.5 million, and net favourable working capital in 2023 despite slightly lower earnings in 2023 when compared with 2022.

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, 2023	For the year ended December 31, 2022
	US$'000	*US$'000*
Purchase of property, plant and equipment	**(171,950)**	(120,343)
Addition of intangible assets	**(140,262)**	(146,380)
Other	**13,064**	3,249
Net cash used in investing activities	**(299,148)**	(263,474)

Cash Flows Used in Financing Activities

For the year ended December 31, 2023, the Group's net cash flow used in financing activities was US$38.4 million, a decrease of US$46.8 million compared with US$85.2 million for the year ended December 31, 2022. The principal driver of the decrease in net cash used in financing activities was the net repayments of borrowings during the year, specifically the net repayments on the US revolving line of credit, as there was a decrease in the net repayment during the year ended December 31, 2023 when compared with 2022. Net cash flows used in financing activities for 2023 included the net repayment of borrowings of US$0.9 million, repayments of lease liabilities of US$14.7 million, finance costs paid of US$7.0 million, dividends paid to shareholders of the Company of US$11.8 million and dividends paid to non-controlling interests of US$4.0 million.

Indebtedness

As at December 31, 2023, the Group's total borrowings was US$49.1 million, a decrease of US$0.7 million from US$49.8 million as at December 31, 2022.

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

	December 31, 2023 *US$'000*	December 31, 2022 *US$'000*
Current borrowings	**14,122**	–
Non-current borrowings	**34,988**	49,838
Total borrowings	**49,110**	49,838

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

	For the year ended December 31, 2023 *US$'000*	For the year ended December 31, 2022 *US$'000*
Within 1 year	**14,122**	–
Between 1 and 2 years	**34,988**	14,112
Between 2 and 5 years	**–**	35,726
Total borrowings	**49,110**	49,838

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, 2023, the Group had approximately US$790.5 million total assets pledged as collateral, a decrease of US$60.7 million as compared with US$851.2 million as at December 31, 2022. 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, 2022 to December 31, 2023.

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, 2023 was 2.4%, a decrease of 10 basis points as compared to 2.5% as at December 31, 2022. The gearing ratio improved as a result of lower borrowings and an increase in total equity as at December 31, 2023 due to earnings for the year ended December 31, 2023.

OTHER INFORMATION

Future Prospects

The Group strives to maintain a market-leading position in global advanced steering and driveline systems, including electrification, software and 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-MileDelivery, 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.

2023 BOOKINGS: ALIGNED FOR CONTINUED GROWTH

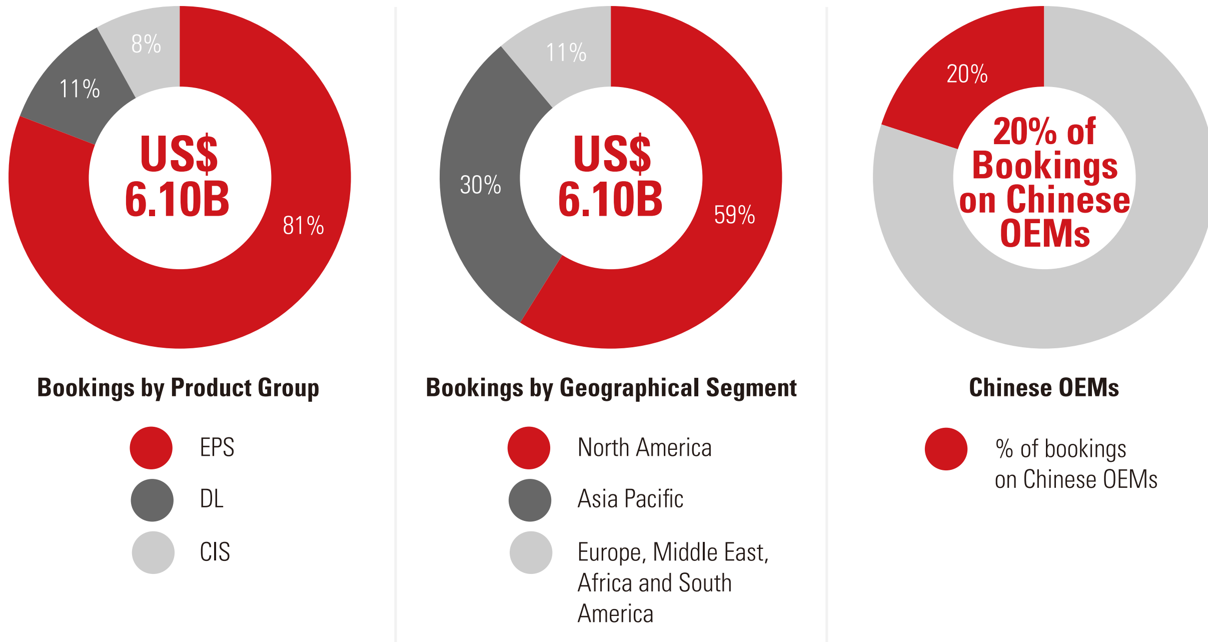
We calculate our revenue bookings (**Bookings**) as the total value of lifetime revenue related to future programmes awarded during the period. A significant factor and input into the calculation of Nexteer's Bookings is forward year OEM production forecasts for awarded customer programmes. In determining forward year OEM production expectations, Nexteer considers reputable third-party automotive production forecasts, customer expectations and internal industry knowledge given past and current trends.

2023 was another strong booking period, as our technology continues to be in high demand which will enable us to continue to grow our revenue over market levels. Our megatrend alignment plus our customer, product and market diversification positions us well as we pursue new levels of revenue growth.

In 2023, Nexteer achieved customer programme Bookings totaling US$6.1 billion. During this period, 81% of Nexteer's bookings were with our EPS product line, 83% of the bookings will be on fully EV or EV/ICE split platforms and 41% of these bookings represent new/conquest business, which provides longer term growth over market for Nexteer.

Bookings is not a measure defined by IFRS, and our methodology for determining Bookings may not be comparable to the methodology used by other companies in determining the value of their bookings. 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 prior year Bookings by the Group's customers may have a substantial and immediate effect on our ability to actually generate and realise future revenue from these Bookings. While we believe that our current Bookings is a relevant financial metric, we must emphasise that the information set out in this section shall not constitute any forecast or prediction of the revenue and profits of the Group and the actual future value may differ from the estimated Bookings due to various factors beyond the Group's control.

Summary of 2023 Bookings:



Employees and Remuneration Policy

As at December 31, 2023, the Group had approximately 12,900 full-time employees. The Group's remuneration policies are formulated based on the performance of individual employees and the Group's performance and are reviewed regularly. Our full-time employees participate in various employee benefit plans including retirement benefits, extended disability benefits and workers' compensation. In addition, we have adopted employee incentive plans designed to attract, retain, motivate and encourage employees to commit to enhancing value for us and 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, 2023, we had approximately 1,600 personnel engaged on a contract basis.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted its own Internal Control and Corporate Governance Policies, which are based on the principles, provisions and practices set out in the Corporate Governance Code (the **Hong Kong CG Code**) contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**).

Except as expressly described below, in the opinion of the directors of the Company (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, 2023.

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

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 in Part 2 of Appendix C1 to the Listing Rules, the roles of chairman and the chief executive should be segregated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. With effect from June 21, 2022, Mr. LEI, Zili (**Mr. LEI**), the Chairman of the Board (the **Chairman**), has been appointed as the Chief Executive Officer of the Company, which constitutes a deviation from code provision C.2.1 in Part 2 of Appendix C1 to the Listing Rules. The Board considers that the appointment of Mr. LEI as both chairman and chief executive can provide the Group with consistent leadership going forward and allow more effective implementation of the overall strategy of the Group. Furthermore, this structure does not compromise the balance of power and authority, as major decisions are made in consultation with the Board. The current senior management team of the Group also possesses rich knowledge and experience in different professional fields to assist Mr. LEI to make decisions about the businesses and operations of the Group.

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

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 C3 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, 2023.

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 of the Board (the **Audit and Compliance Committee**) on June 15, 2013 and had provided clear written terms of reference as required by code provision in C.4.1 in Part 2 of the Hong Kong CG Code. The terms of reference (as revised on March 15, 2023) are in compliance with Rule 3.21 of the Listing Rules and code provisions D.3.3 and A.2.1 in Part 2 of the Hong Kong CG Code. The Audit and Compliance Committee consists of Dr. WANG, Bin, Mr. SHI, Shiming and Mr. YUE, Yun. All members of the Audit and Compliance Committee are non-Executive Directors, among whom Dr. WANG, Bin and Mr. YUE, Yun are Independent non-Executive Directors. The chairman of the Audit and Compliance Committee is Dr. WANG, Bin 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 2023 annual results and the annual financial statements of the Group for the year ended December 31, 2023. The Audit and Compliance Committee also approved the annual results and the audited Consolidated Financial Statements for the year ended December 31, 2023 and submitted them to the Board for approval.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended December 31, 2023, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SUBSEQUENT EVENT

There is no material subsequent event undertaken by the Group after December 31, 2023 and up to the date of this announcement.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of approximately US$7.5 million, or US$0.0030 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, 2023, 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 19, 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from June 12, 2024 to June 19, 2024, 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 11, 2024.

The final dividend is payable on July 9, 2024 and the record date for entitlement to the proposed final dividend is June 27, 2024. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from June 25, 2024 to June 27, 2024, 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 24, 2024.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, 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
Zili LEI
Chairman and Chief Executive Officer

Hong Kong, March 26, 2024

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