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, 2022

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, 2022, together with the comparative figures for 2021, are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2022

	Notes	For the year ended December 31, **2022** *US$'000*	2021 *US$'000*
Revenue	2	**3,839,703**	3,358,725
Cost of sales	3	**(3,472,552)**	(2,995,296)
Gross profit		**367,151**	363,429
Engineering and product development costs	3	**(145,080)**	(116,299)
Selling and distribution expenses	3	**(18,250)**	(17,662)
Administrative expenses	3	**(132,474)**	(131,391)
Other gains, net	4	**14,974**	17,138
Operating profit		**86,321**	115,215
Finance income	5	**8,651**	4,426
Finance costs	5	**(3,655)**	(6,281)
	5	**4,996**	(1,855)
Share of results of joint ventures		**630**	653
Profit before income tax		**91,947**	114,013
Income tax (expense) benefit	6	**(26,434)**	12,390
Profit for the year		**65,513**	126,403
Profit for the year attributable to:			
Equity holders of the Company		**58,013**	118,440
Non-controlling interests		**7,500**	7,963
		65,513	126,403
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$0.02**	US$0.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022

	For the year ended December 31,	
	2022	2021
	US$'000	*US$'000*
Profit for the year	**65,513**	126,403
Other comprehensive loss		
Item that will not be reclassified to profit or loss		
Actuarial gains on defined benefit plans, net of tax of US$530,000 (2021: US$452,000)	**1,639**	1,452
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**(61,086)**	(24,525)
	(59,447)	(23,073)
Total comprehensive income for the year	**6,066**	103,330
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**2,904**	94,353
Non-controlling interests	**3,162**	8,977
	6,066	103,330

CONSOLIDATED BALANCE SHEET
As at December 31, 2022

		As at December 31,	
		2022	2021
	Notes	***US$'000***	*US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**971,192**	988,896
Right-of-use assets		**62,146**	63,389
Intangible assets		**725,145**	708,807
Deferred income tax assets		**13,886**	11,361
Investments in joint ventures		**23,395**	22,904
Other receivables and prepayments		**47,416**	50,917
		1,843,180	1,846,274
Current assets			
Inventories		**293,692**	288,632
Trade receivables	*9*	**803,168**	626,078
Other receivables and prepayments		**149,297**	118,990
Restricted bank deposits		**10**	9
Cash and cash equivalents		**245,934**	326,516
		1,492,101	1,360,225
Total assets		**3,335,281**	3,206,499

CONSOLIDATED BALANCE SHEET *(Continued)*
As at December 31, 2022

	Notes	As at December 31, 2022 US$'000	2021 US$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**32,377**	32,377
Other reserves		**(24,362)**	33,893
Retained earnings		**1,925,810**	1,888,359
		1,933,825	1,954,629
Non-controlling interests		**43,325**	47,960
Total equity		**1,977,150**	2,002,589
LIABILITIES			
Non-current liabilities			
Lease liabilities		**48,376**	49,972
Borrowings		**49,838**	–
Retirement benefits and compensations		**23,038**	22,695
Deferred income tax liabilities		**18,944**	26,741
Provisions		**71,006**	60,608
Deferred revenue		**104,613**	86,737
Other payables and accruals		**15,875**	15,030
		331,690	261,783
Current liabilities			
Trade payables	*10*	**815,402**	666,501
Other payables and accruals		**134,523**	120,408
Current income tax liabilities		**12,928**	13,733
Retirement benefits and compensations		**4,132**	3,613
Provisions		**22,721**	17,388
Deferred revenue		**24,240**	23,691
Lease liabilities		**12,495**	12,390
Borrowings		**–**	84,403
		1,026,441	942,127
Total liabilities		**1,358,131**	1,203,910
Total equity and liabilities		**3,335,281**	3,206,499

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	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, 2021	32,347	–	113,000	6,923	(61,271)	1,791,003	1,882,002	38,983	1,920,985
Comprehensive income									
Profit for the year	–	–	–	–	–	118,440	118,440	7,963	126,403
Other comprehensive (loss) income									
Exchange differences	–	–	–	–	(25,539)	–	(25,539)	1,014	(24,525)
Actuarial gains on defined benefit plans, net of tax	–	–	–	–	–	1,452	1,452	–	1,452
Total other comprehensive (loss) income	–	–	–	–	(25,539)	1,452	(24,087)	1,014	(23,073)
Total comprehensive (loss) income	–	–	–	–	(25,539)	119,892	94,353	8,977	103,330
Transactions with owners									
Value of employee services provided under Share Option Scheme	–	–	–	21	–	–	21	–	21
Transfer to share premium under exercise of share options	–	883	–	(883)	–	–	–	–	–
Proceeds from exercise of share options	30	1,804	–	–	–	–	1,834	–	1,834
Dividends paid to shareholders	–	(1,045)	–	–	–	(22,536)	(23,581)	–	(23,581)
Total transactions with owners	30	1,642	–	(862)	–	(22,536)	(21,726)	–	(21,726)
As at December 31, 2021	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1 GENERAL INFORMATION

Nexteer Automotive Group Limited (the **Company**) was incorporated in the Cayman Islands on August 21, 2012 as an exempted company with limited liability under 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**).

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 15, 2023.

Basis of Preparation

This 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 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

COVID-19 Update

The global automotive industry continued to be impacted by the COVID-19 pandemic throughout 2022, particularly a result of supply shortages as OEM production demand continued to recover. The most significant supply shortage relates to semiconductor chips, which is impacting global industry production, and resulting in significant cancellations of planned OEM production. Supply shortages and the on-going volatility in OEM production schedules adversely impacted our manufacturing and material efficiencies in 2022. In addition, increases in certain commodity and logistics costs had an adverse impact on our operating results for the year ended December 31, 2022. It is possible a resurgence of the COVID-19 pandemic could result in adverse impacts in the future. Management cannot reasonably estimate the full impact the COVID-19 pandemic could have on the Group's financial condition, results of operations or cash flows in the future.

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 in context with the information reasonably available to the Group and the unknown future impacts of COVID-19 as at December 31, 2022 and through the date of this announcement. As a result of these assessments, there were no material increases in credit allowances that impacted the Group's Consolidated Financial Statements as at and for the year ended December 31, 2022. 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 product development intangible assets for the year ended December 31, 2022.

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.

Accounting Policies

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

New/revised standards, amendments to standards and interpretations

(a) *New and amended standards adopted by the Group*

The Group has adopted the following amendments which are relevant to the Group and mandatory for the accounting period beginning on January 1, 2022.

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

The adoption of these amendments did not have a significant effect on the Consolidated Financial Statements.

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

The following new standards, amendments to standards and interpretations relevant to the Group have been issued but are not yet effective for the financial year beginning January 1, 2022 and have not been early adopted:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current[(ii)]
Amendments to IAS 1	Non-current Liabilities with Covenants[(ii)]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[(i)]
Amendments to IAS 8	Definition of Accounting Estimates[(i)]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[(i)]

Notes:

(i) Effective for annual periods beginning on or after January 1, 2023

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

Management has assessed the application of the above new and amended standards and interpretations 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 automotive original equipment manufacturers, to sell steering and driveline systems and components. In connection with these contracts, the Group also provides tooling and prototype parts. The Group does not have material significant payment terms as payment is received shortly after the point of sale.

Performance obligations

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

Products	Nature, timing of satisfaction of performance obligations, and payment terms.
Production Parts	The Group recognises the majority of revenue for production parts at a point in time upon shipment to the customer and transfer of the title and risk of loss under standard commercial terms. A limited number of the Group's customer arrangements for customised products with no alternative use provide the Group 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. 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, 2022	47,718	24,240	104,613
Balances as at December 31, 2021	43,791	23,691	86,737
Change in account balance	3,927	549	17,876

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

(ii) Contract liabilities are recorded within deferred revenue. As at January 1, 2021, contract liabilities amounted to US$90,716,000 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 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 2022, the Company restructured its internal organisation and management structure which resulted in a change in operating segments. The previous North America represented one single operating and reportable segment, which contained a US-based subsidiary, a Mexico-based subsidiary, a US-based intellectual property holding subsidiary and multiple US-based corporate entities. After the restructure, the US-based subsidiary and the Mexico-based subsidiary that make up the North America reportable segment, have been separated and become two operating segments for internal management reporting purposes and have been aggregated into the North America reportable segment.

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

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

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

	North America *US$'000*	**Asia Pacific** *US$'000*	**EMEASA** *US$'000*	**Others** *US$'000*	**Total** *US$'000*
For the 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**
For the year ended December 31, 2021 (Restated)					
Total revenue	2,010,714	842,958	590,876	(39,903)	3,404,645
Inter-segment revenue	(66,506)	(30,465)	(1,633)	52,684	(45,920)
Revenue from external customers	1,944,208	812,493	589,243	12,781	3,358,725
Adjusted EBITDA	173,741	154,009	41,339	(8,326)	360,763

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	Asia Pacific	EMEASA	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
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**
As at December 31, 2021 (Restated)					
Total assets	1,653,229	1,079,476	675,880	(202,086)	3,206,499
Total liabilities	691,145	394,329	272,398	(153,962)	1,203,910

Adjusted EBITDA includes a non-cash component for revenue recognised from deferred revenue. For the year ended December 31, 2022, the North America segment, Asia Pacific segment and EMEASA segment recognised US$20,271,000 (year ended December 31, 2021: US$12,008,000 (restated)), US$2,824,000 (year ended December 31, 2021: US$3,607,000 (restated)) and US$4,592,000 (year ended December 31, 2021: US$3,730,000 (restated)), respectively.

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

	For the year ended December 31,	
	2022	2021
	US$'000	*US$'000*
Adjusted EBITDA from reportable segments	**364,825**	360,763
Depreciation and amortisation expenses	**(269,187)**	(252,757)
(Impairments) reversals of impairments on intangible assets, net	**(9,317)**	7,209
Finance income	**8,651**	4,426
Finance costs	**(3,655)**	(6,281)
Share of results of joint ventures	**630**	653
Profit before income tax	**91,947**	114,013

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, 2022 and 2021 is as follows:

	For the year ended December 31,	
	2022	2021
	US$'000	*US$'000*
		(Restated)
North America:		
US	**1,311,428**	1,144,691
Mexico	**935,646**	799,517
Asia Pacific:		
China	**825,239**	688,962
Rest of Asia Pacific	**139,949**	123,531
EMEASA:		
Poland	**356,996**	370,678
Rest of EMEASA	**262,182**	218,565
Others	**8,263**	12,781
	3,839,703	3,358,725

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

	As at December 31,	
	2022	2021
	US$'000	*US$'000*
		(Restated)
North America:		
US	**546,501**	569,512
Mexico	**446,505**	443,424
Asia Pacific:		
China	**391,033**	357,917
Rest of Asia Pacific	**35,344**	41,792
EMEASA:		
Poland	**305,466**	302,063
Rest of EMEASA	**96,531**	102,831
Others	**7,914**	17,374
	1,829,294	1,834,913

Disaggregation of revenue

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

	North America	Asia Pacific	EMEASA	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended December 31, 2021 (Restated)					
EPS	1,263,327	529,073	521,633	11,513	2,325,546
CIS	293,126	15,795	8,234	631	317,786
HPS	119,773	2,280	14,581	314	136,948
DL	267,982	265,345	44,795	323	578,445
	1,944,208	812,493	589,243	12,781	3,358,725

Revenue by type

	For the year ended December 31,	
	2022	2021
	US$'000	*US$'000*
Production parts	**3,799,248**	3,311,240
Tooling	**26,504**	32,914
Engineering design and development/prototypes	**13,951**	14,571
	3,839,703	3,358,725

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,	
	2022	2021
	US$'000	*US$'000*
GM	**1,241,493**	1,069,513
Customer A	**984,323**	906,206
Customer B	**628,459**	559,709
	2,854,275	2,535,428

3 EXPENSE BY NATURE

	For the year ended December 31,	
	2022	2021
	US$'000	*US$'000*
Inventories used, including finished goods and work-in-progress	**2,542,487**	2,106,884
Employee benefit costs	**495,388**	489,739
Temporary labour costs	**111,472**	107,687
Supplies and tools	**198,791**	193,743
Depreciation on property, plant and equipment	**133,940**	134,065
Depreciation on right-of-use assets	**14,144**	13,394
Amortisation on intangible assets	**121,103**	105,298
Impairment (reversals) charges on		
– trade receivables (note 9)	**(426)**	(370)
– intangible assets[(i)]	**9,317**	(7,209)
Reversal of write-down of inventories	**(223)**	(2,403)
Warranty expenses	**21,241**	14,446
Auditors' remuneration		
– audit services	**1,791**	1,785
– non-audit services	**433**	208
Others	**118,898**	103,381
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**3,768,356**	3,260,648

Note:

(i) The amount for the year ended December 31, 2022 represents impairments of US$9,317,000 (year ended December 31, 2021: US$1,465,000) related to programme cancellations and declining volumes on specific customer programmes. The amount for the year ended December 31, 2021 also included income received of US$8,674,000 due to customer recovery for a previously cancelled customer programme.

4 OTHER GAINS, NET

	For the year ended December 31,	
	2022	2021
	US$'000	*US$'000*
Foreign exchange gains, net	**9,932**	10,236
Loss on disposal of property, plant and equipment	**(876)**	(2,224)
Others	**5,918**	9,126
	14,974	17,138

5 FINANCE INCOME/FINANCE COSTS

	For the year ended December 31,	
	2022	2021
	US$'000	*US$'000*
Finance income		
Interest on bank deposits	**3,698**	4,426
Interest on income tax refunds/receivables	**4,953**	–
	8,651	4,426
Finance costs		
Interest on bank borrowings	**5,553**	6,090
Interest on notes	**–**	3,753
	5,553	9,843
Interest on leases	**2,831**	3,201
Other finance costs	**2,050**	2,956
	10,434	16,000
Less: amount capitalised in qualifying assets	**(6,779)**	(9,719)
	3,655	6,281
	4,996	(1,855)

6 INCOME TAX (EXPENSE) BENEFIT

	For the year ended December 31,	
	2022	2021
	US$'000	*US$'000*
Current income tax expense	**(36,932)**	(23,770)
Deferred income tax benefit	**10,498**	36,160
	(26,434)	12,390

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 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 Group has applied this provision to its tax calculation for the year ended December 31, 2021 and recognised a benefit of US$6,832,000 for the NOL carryback.

The Group's profits were mainly generated in the US, 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 2022 due to US cumulative pre-tax losses.

The tax on the Group's profit before 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,	
	2022	2021
	US$'000	*US$'000*
Profit before income tax	**91,947**	114,013
Tax calculated at rates applicable to profits in respective countries	**(22,450)**	(29,924)
Expenses not deductible for tax purposes	**(15)**	(484)
Non-taxable income	**6,880**	10,863
Tax credits[i]	**33,503**	13,713
Preferential rates and tax holidays[ii]	**11,088**	13,359
Tax losses and deductible temporary differences for which no deferred tax was recognised[iii]	**(56,673)**	(209)
Rate benefit on US net operating loss[iv]	**–**	6,832
US state and withholding taxes[v]	**(6,003)**	(6,899)
Others	**7,236**	5,139
Income tax (expense) benefit	**(26,434)**	12,390

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 2028 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.

(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, 2022	2021
Profit attributable to the equity holders of the Company (US$'000)	**58,013**	118,440
Weighted average number of ordinary shares in issue (thousands)	**2,509,824**	2,509,004
Basic earnings per share (in US$)	**0.02**	0.05

(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 Scheme that are vested as at December 31, 2022. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year ended December 31, 2022) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares within the denominator for calculating diluted earnings per share. For the years ended December 31, 2022 and 2021, the details are within the table below.

	For the year ended December 31, 2022	2021
Profit attributable to the equity holders of the Company, used to determine diluted earnings per share (US$'000)	**58,013**	118,440
Weighted average number of ordinary shares in issue (thousands)	**2,509,824**	2,509,004
Adjustment for share options (thousands)	**59**	2,527
Weighted average number of ordinary shares in issue for calculating diluted earnings per share (thousands)	**2,509,883**	2,511,531
Diluted earnings per share (in US$)	**0.02**	0.05

8 DIVIDENDS

	For the year ended December 31,	
	2022	2021
	US$'000	*US$'000*
Dividend proposed of US$0.0047 (2021: US$0.0095) per share	**11,796**	23,843

This 2022 dividend was proposed by the directors of the Board (the **Directors**) at a meeting held on March 15, 2023, the date of approval of these Consolidated Financial Statements, which is not reflected as a dividend payable in these Consolidated Financial Statements.

9 TRADE RECEIVABLES

	As at December 31,	
	2022	2021
	US$'000	*US$'000*
Trade receivables, gross	**754,683**	573,535
Notes receivable	**50,064**	54,617
Less: provision for impairment	**(1,579)**	(2,074)
	803,168	626,078

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

Certain customers in China pay for goods and services through the use of notes receivable. The Group had notes receivable outstanding in the amount of US$50,064,000 as at December 31, 2022 (December 31, 2021: US$54,617,000). As at December 31, 2022, notes receivable totaling US$nil (December 31, 2021: US$9,398,000) were pledged to guarantee notes payable in the same amount recorded within trade payables as set out in note 10. The notes receivable are measured 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 and notes receivable based on invoice date is as follows:

	As at December 31,	
	2022	2021
	US$'000	*US$'000*
0 to 30 days	**564,492**	430,460
31 to 60 days	**221,079**	177,563
61 to 90 days	**11,215**	16,361
Over 90 days	**7,961**	3,768
	804,747	628,152

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

Trade receivables of US$1,579,000 (December 31, 2021: US$2,074,000) were non-credit impaired as at December 31, 2022 on which provisions were made.

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

	For the year ended December 31,	
	2022	2021
	US$'000	*US$'000*
As at January 1	**2,074**	2,565
Reversal of provision	**(426)**	(370)
Exchange differences	**(69)**	(121)
As at December 31	**1,579**	2,074

The carrying amounts of trade receivables pledged as collateral were US$459,144,000 as at December 31, 2022 (December 31, 2021: US$362,585,000).

10 TRADE PAYABLES

	As at December 31,	
	2022	2021
	US$'000	*US$'000*
Trade payables	**776,257**	625,288
Notes payable	**39,145**	41,213
	815,402	666,501

Certain vendors in China are paid for goods and services through the use of notes payable. Included in trade payables are notes payable issued to suppliers outstanding in the amount of US$39,145,000 as at December 31, 2022 (December 31, 2021: US$41,213,000). As at December 31, 2022, notes payable totaling US$nil (December 31, 2021: US$9,398,000) were pledged by notes receivable in the same amount recorded within trade receivables as set out in note 9.

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

	As at December 31,	
	2022	2021
	US$'000	*US$'000*
0 to 30 days	**443,154**	389,542
31 to 60 days	**228,815**	176,742
61 to 90 days	**84,666**	52,492
91 to 120 days	**18,348**	9,693
Over 120 days	**40,419**	38,032
	815,402	666,501

FINANCIAL REVIEW

Financial Summary

As the automotive industry has entered the third year of impact caused by the COVID-19 pandemic that began in early 2020, the Group continued to experience significant macro-economic headwinds during 2022. Inflationary pressures, supply chain restrictions, increased energy prices and impacts from the Ukraine Russia War have negatively impacted the Group's profit margins despite a considerable growth in revenue when compared with 2021. The Group's revenue increased by 14.3% for the year ended December 31, 2022 compared with 2021, with all three geographical segments positively impacted as automotive original equipment manufacturer (**OEM**) vehicle production continues to recover from the adverse operating environment experienced during 2020 as a result of the global pandemic. As reported by IHS Markit Ltd. (January 2023), global OEM vehicle production increased by 6.2% during 2022 when compared with 2021.

The macro-economic headwinds experienced during 2022 resulted in inflationary pressures that increased commodity prices, logistics, energy and other input costs that were not fully offset by customer price increases. Compared with the year ended December 31, 2021, gross profit of US$367.2 million represents an increase of 1.0%; profit before income tax of US$91.9 million represents a decrease of 19.4%; profit attributable to equity holders of the Company of US$58.0 million represents a decrease of 51.0%; and adjusted EBITDA of US$364.8 million represents an increase of 1.1%.

The deterioration to net profit in 2022 was driven in large by increased income tax expense the Group recorded, in particular within the US operations, in 2022 compared to 2021. 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 2022 due to US cumulative pre-tax losses. As a result, the Group has not recognised deferred tax assets in respect of the tax losses and deductible temporary differences of a net amount of US$56.7 million during the year ended December 31, 2022, of which US$58.2 million is attributed to the US operations.

The Group's cash balance of US$245.9 million as at December 31, 2022 represented a decrease of US$80.6 million when compared with US$326.5 million as at December 31, 2021. For the year ended December 31, 2022, the Group's net cash generated from operating activities was US$293.8 million, an increase of US$6.4 million compared with US$287.4 million for the same period in 2021. The increase in cash flows from operations was driven by the net favourable working capital, partially offset by the decrease in earnings for the year ended December 31, 2022 compared with 2021. Cash from operating activities less cash used in investing activities was a source of US$30.3 million, which compared favourably to a source of US$1.7 million in the same period of 2021. Cash used in financing activities during the year ended December 31, 2022 was US$85.2 million, a decrease of US$130.2 million, when compared with a cash use of US$215.4 million during the year ended December 31, 2021. The main drivers of the Group's decreased cash used in financing activities included the redemption of the Group's US$250.0 million 5.875% senior notes due 2021 (**Notes**) during 2021, compared to lower net repayments of borrowings in 2022 due to net repayments of the US revolving line of credit, partially offset by new term loans in China totaling US$50.3 million. 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.

A summary comparison of the Group's financial performance for the first half of 2022 compared with the second half of 2022 for selected metrics is provided in the table below:

Results (US$'000)	**H1 2022**	**H2 2022**	**Change**
Revenue	1,791,067	2,048,636	14.4%
Gross profit	149,813	217,338	45.1%
Gross profit margin (as % of revenue)	8.4%	10.6%	2.2%
Profit attributable to equity holders	(11,138)	69,151	720.9%
Profit margin (as % of revenue)	(0.6%)	3.4%	4.0%
Adjusted EBITDA	158,117	206,708	30.7%
Adjusted EBITDA margin (as % of revenue)	8.8%	10.1%	1.3%
Net increase (decrease) in cash and cash equivalents	7,817	(62,715)	(902.3%)

Operating Environment

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

Global OEM light vehicle production regressed slightly during the first six months of 2022 but rebounded by the end of the year providing growth in all segments. Europe provided strong unit growth in the last six months of 2022 when compared to 2021, but did not overcome the lower unit production realised in the first six months. North America, Asia Pacific and South America all benefited from higher production volumes in 2022 when compared to 2021.

According to IHS Markit Ltd. (January 2023), global OEM light vehicle production for the year ended December 31, 2022 was higher than the year ended December 31, 2021, increasing by 6.2%. The change in OEM light vehicle production for the first half, second half and year ended December 31, 2022 compared with the same periods in 2021 for key markets served by the Group is provided in the table below:

	H1 2022	**H2 2022**	**Full-Year 2022**
North America	4.4%	14.8%	9.3%
China	1.1%	10.6%	6.2%
India	17.2%	27.8%	23.8%
Europe	(11.3%)	12.3%	(0.7%)
South America	(0.5%)	20.4%	11.1%

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 both the Euro and RMB during the year ended December 31, 2022 compared with the same period a year ago. The Group's financial results experienced an unfavourable impact to profit due to unrealised exchange gains on foreign exchange transactions.

During the year ended December 31, 2022, the Group successfully launched 42 new customer programmes – 33 programmes in Asia Pacific, 6 programmes in EMEASA and 3 programmes in North America. Of the 42 customer programme launches, 38 represented new conquest business for the Group, 4 represented incumbent business and 16 represented EV programmes.

Revenue

The Group's revenue for the year ended December 31, 2022 was US$3,839.7 million, an increase of US$481.0 million, or 14.3%, compared with US$3,358.7 million for the year ended December 31, 2021. 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 2022 when compared with 2021. Unfavourable foreign currency translation tempered the Group's revenue increase by approximately US$116.6 million, impacting both the Asia Pacific and EMEASA segments, given the strengthening of the US dollar against both the RMB and Euro during the 2022 compared with a year ago. Customer recoveries, resulting from the pass through of raw material commodity increases, improved revenue during 2022 by approximately US$57.7 million. Adjusting for unfavourable foreign currency translation and the increases related to commodity recoveries, the Group's revenue rose by 16.1% in 2022 compared with 2021, outpacing the revenue increase in OEM production for served markets for the comparative period by 990 basis points. This performance reflected the on-going benefit from the launch of new and conquest customer programmes in recent years and favourable vehicle mix.

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

Revenue by Geographical Segments

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

	For the year ended December 31, 2022		For the year ended December 31, 2021 (Restated)	
	US$'000	*%*	*US$'000*	*%*
North America	**2,247,074**	**58.5**	1,944,208	57.9
Asia Pacific	**965,188**	**25.2**	812,493	24.2
EMEASA	**619,178**	**16.1**	589,243	17.5
Other	**8,263**	**0.2**	12,781	0.4
Total	**3,839,703**	**100.0**	3,358,725	100.0

Note:

1. The change to the segment structure, effective from January 1, 2022, is disclosed further in note 2. Comparative amounts for the year ended December 31, 2021 have been restated to conform to current year presentation.

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

- North America segment – Revenue increased by US$302.9 million, or 15.6%, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The most significant factor contributing to the revenue increase was the improvement in the demand environment, with North America OEM light vehicle production for the year ended December 31, 2022 increasing by 9.3% compared with 2021. Revenue increased due to net price increases to offset inflationary cost pressures. Customer commodity recoveries related to raw material commodities inflation amounted to US$29.5 million during 2022 compared to 2021.

- Asia Pacific segment – Revenue increased by US$152.7 million, or 18.8%, for the year ended December 31, 2022 compared to the year ended December 31, 2021. Contributing to the revenue increase was higher OEM light vehicle production, with total Asia Pacific OEM production volumes higher by 7.4%, and China and India OEM production volumes higher by 6.2% and 23.8%, respectively, for the year ended December 31, 2022 compared with 2021. 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$54.5 million as the US dollar strengthened against the RMB and customer commodity recoveries related to raw material commodities inflation amounted to US$8.2 million during 2022 compared with 2021. Adjusting for foreign currency translation and customer commodity recoveries, Asia Pacific adjusted revenue increased by 24.5% compared to the change in OEM customer production of 7.4%, outperforming the market by 1,710 basis points.

- EMEASA segment – Revenue increased by US$29.9 million, or 5.1%, for the year ended December 31, 2022 when compared with the year ended December 31, 2021. Although OEM light vehicle production in the EMEASA segment fell during the first six months, the full year rebounded by 0.9% during the year ended December 31, 2022 compared with 2021. The biggest contributor to the Group's increased revenue in the segment was the increase in South America OEM light vehicle production of 11.1%, tempered by a decrease in European OEM production of 0.7%. 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$19.9 million compared with a year ago. Unfavourable foreign currency translation tempered the revenue growth by the amount of US$62.1 million as the US dollar strengthened against the Euro and customer commodity recoveries related to raw material commodities inflation amounted to US$20.0 million during the year ended December 31, 2022 compared with 2021. Adjusting for foreign currency translation and customer commodity recoveries, EMEASA adjusted revenue increased by 12.2% compared to the change in OEM customer production of 0.9%, outperforming the market by 1,130 basis points.

- Other – Revenue decreased by US$4.5 million, or 35.3% for the year ended December 31, 2022 compared with the same period of 2021. Other revenue is related to non-production engineering design and development/prototype services. The decrease is primarily a result of less prototype expense reimbursement received from customers.

Revenue by Products

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

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	US$'000	***%***	*US$'000*	*%*
EPS	**2,618,330**	**68.2**	2,325,546	69.2
CIS	**369,691**	**9.6**	317,786	9.5
HPS	**166,151**	**4.3**	136,948	4.1
DL	**685,531**	**17.9**	578,445	17.2
	3,839,703	**100.0**	3,358,725	100.0

The Group experienced an increase in EPS revenue of US$292.8 million, or 12.6%, for the year ended December 31, 2022 compared with 2021, driven by increased OEM light vehicle production in the North America and Asia Pacific segments. CIS revenue increased by US$51.9 million, or 16.3% for the year ended December 31, 2022 compared with a year ago. HPS revenue increased by US$29.2 million, or 21.3% for the year ended December 31, 2022 compared with 2021. DL revenue increased by US$107.1 million, or 18.5% for the year ended December 31, 2022 compared with last year, as a result of higher OEM light vehicle production in North America.

Net Profit Attributable to Equity Holders

The Group's net profit attributable to equity holders of the Company for the year ended December 31, 2022 was US$58.0 million or 1.5% of total revenue, a decrease of US$60.4 million, or 51.0%, compared to US$118.4 million, or 3.5% of total revenue for the year ended December 31, 2021. The decrease was principally attributable to the following factors:

- The Group has not recognised deferred tax assets in respect of tax losses and deductible temporary differences of a net amount of US$56.7 million during the year ended December 31, 2022, of which US$58.2 million is attributed to the US operations.

- Although revenue increased during the year ended December 31, 2022 when compared with a year ago, earnings were significantly deteriorated by several factors which impacted the automotive industry broadly including raw material commodity inflation, increases in transportation and logistics costs, operating inefficiencies arising from increasing supply chain constraints, most notable semiconductor chip shortages, and other factors that continued during 2022.

- Inflationary pressures on manufacturing costs, in the areas of labour, benefits, energy costs and employee related taxes, dampened earnings across all of the Group's segments for the year ended December 31, 2022 when compared with a year ago.

Cost of Sales

The Group's cost of sales for the year ended December 31, 2022 was US$3,472.6 million, an increase of US$477.3 million, or 15.9%, from US$2,995.3 million for the year ended December 31, 2021.

Raw material costs represent a significant portion of the Group's total cost of sales and for the year ended December 31, 2022 totaled US$2,562.4 million, or 66.7% of revenue, compared with US$2,101.4 million, or 62.6% of revenue, for 2021, reflecting an increase of US$461.0 million, or 21.9%. The increase in raw material costs for 2022 when compared with a year ago, is attributable to the increase in revenue and the macro-economic factors currently faced by the automotive supplier industry. The main factors contributing to the increase in raw materials include raw material commodity inflation, increased transportation and logistics costs and net increase in material purchase prices due to inflationary pressures. The cost pressures were experienced during 2021, but have continued to increase during 2022, augmenting the contraction of the Group's gross profit margin.

Depreciation and amortisation, including amortisation of capitalised product development costs, charged to cost of sales for the year ended December 31, 2022 was US$247.7 million, an increase of US$17.3 million, or 7.5% from US$230.4 million for the year ended December 31, 2021.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$120.5 million for the year ended December 31, 2022, representing 3.1% of revenue, an increase of US$16.5 million, or 15.9%, from US$104.0 million, representing 3.1% of revenue, for the year ended December 31, 2021. We expect amortisation to continue to increase in future years with the launch of new customer programmes that are currently in development.

Excluding raw material costs and depreciation and amortisation and fixed and intangible asset impairments, remaining manufacturing costs of US$662.4 million, or 17.3% of revenue for the year ended December 31, 2022 were lower by US$1.1 million, or 0.2%, when compared with US$663.5 million, or 19.8% 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 90.4% for the year ended December 31, 2022 compared with 89.2% a year ago.

Gross Profit

The Group's gross profit for the year ended December 31, 2022 was US$367.2 million, an increase of US$3.8 million, or 1.0%, from US$363.4 million for the year ended December 31, 2021. Gross profit margin for the year ended December 31, 2022 was 9.6% compared with 10.8% for the year ended December 31, 2021. The decrease in gross profit margin was attributable to inflationary pressures impacting the industry, as described in the preceding cost of sales narrative.

Engineering and Product Development Costs

For the year ended December 31, 2022, the Group's engineering and product development costs charged to the income statement were US$145.1 million, representing 3.8% of revenue, an increase of US$28.8 million, or 24.8%, as compared to US$116.3 million, or 3.5% of revenue for the year ended December 31, 2021. The Group recognised a product development intangible asset impairment within engineering and product development costs of US$9.3 million in 2022 related to programme cancellations and declining volumes on specific customer programmes, with US$9.2 million recorded in the North America segment and US$0.1 million recorded in the Asia Pacific segment. For the year ended December 31, 2021, the Group recognised a net reversal of product development intangible asset impairment of US$7.2 million. The Group recorded a customer recovery from a previously impaired programme of US$8.7 million, with US$5.3 million recorded in the North America segment and US$3.4 million recorded in the EMEASA segment, partially offset by the Group recording impairment of US$1.5 million related to programme cancellations and declining volumes in the Asia Pacific segment and the North America segment in the amount of US$0.5 million and US$1.0 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$6.8 million for the year ended December 31, 2022 and US$9.7 million for the year ended December 31, 2021. Depreciation and amortisation charged to engineering and product development costs for both years ended December 31, 2022 and 2021 was US$12.0 million.

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, 2022, the Group incurred an aggregate investment in engineering and product development costs of US$288.9 million, an increase of US$17.7 million, or 6.5%, compared with US$271.2 million for the year ended December 31, 2021.

Selling, Distribution and Administrative Expenses

The Group's selling, distribution and administrative expenses for the year ended December 31, 2022 were US$150.7 million, representing 3.9% of revenue, an increase of US$1.7 million, or 1.1%, as compared to US$149.1 million, or 4.4% of revenue, for the year ended December 31, 2021. Depreciation and amortisation charged to administrative expense for the year ended December 31, 2022 was US$9.5 million, a decrease of US$0.8 million, or 7.8%, from US$10.3 million for the year ended December 31, 2021.

Other Gains, net

Other gains, net represents gains attributable to foreign exchange transactions, losses on disposal of property, plant and equipment and others. Other gains, net for the year ended December 31, 2022 was a gain of US$15.0 million, a decrease of US$2.1 million compared to a gain of US$17.1 million for the year ended December 31, 2021.

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 income for the year ended December 31, 2022 was US$5.0 million, as compared to net finance costs of US$1.9 million from the year ended December 31, 2021. The net finance income during the year ended December 31, 2022, when compared with net finance cost in 2021 can be attributed to:

- Early redemption of the Group's outstanding Notes in the amount of US$250.0 million, partially offset by new borrowings of term loans in China totaling US$50.3 million and payable in three tranches.

- Net repayments on the Group's US revolving credit facility during the year ended December 31, 2022 along with interest income accrued on US income tax receivables resulted in lower net finance costs.

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, 2022, the Group's share of results of joint ventures amounted to US$4.3 million, (US$0.7 million) and (US$3.0 million) related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively (year ended December 31, 2021: US$3.7 million, US$0.0 million and (US$3.0 million)). Chongqing Nexteer's profitability during the year ended December 31, 2022 increased slightly when compared with 2021. Subsequent to December 31, 2022, in separate agreements, Nexteer agreed with its joint venture partners of Dongfeng Nexteer and CNXMotion to dissolve both entities. Dissolution of both entities are expected to be completed by the end of 2023.

Income Tax (Expense) Benefit

The Group's income tax expense was US$26.4 million for the year ended December 31, 2022, representing 28.8% of the Group's profit before income tax, compared with an income tax benefit of US$12.4 million, or 10.9% of profit before income tax, for the year ended December 31, 2021. 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 2022 due to US cumulative pre-tax losses. As a result, the Group has not recognised deferred tax assets in respect of the tax losses and deductible temporary differences of a net amount of US$56.7 million during the year ended December 31, 2022, of which US$58.2 million is attributed to the US operations.

The 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 Group has applied this provision to its tax calculation and recognised a benefit for the NOL carryback for the year ended December 31, 2021.

Provisions

As at December 31, 2022, the Group had provisions for litigation, environmental liabilities, warranties and decommissioning of US$93.7 million, an increase of US$15.7 million as compared to US$78.0 million as at December 31, 2021. The increase in provisions was principally due to the net change in warranty reserves, reflecting net additions of US$21.2 million, partially offset by US$16.6 million in cash payments on historical warranty provisions during 2022, and net increase in litigation provisions of US$12.4 million.

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 condensed consolidated statement of cash flows for the Group for the years indicated:

	For the year ended December 31, 2022	For the year ended December 31, 2021
	US$'000	*US$'000*
Cash generated from (used in):		
Operating activities	**293,756**	287,383
Investing activities	**(263,474)**	(285,664)
Financing activities	**(85,180)**	(215,448)
Net decrease in cash and cash equivalents	**(54,898)**	(213,729)

Cash Flows Generated from Operating Activities

For the year ended December 31, 2022, the Group's net cash generated from operating activities was US$293.8 million, an increase of US$6.4 million compared with US$287.4 million for the year ended December 31, 2021. The increase in cash flows from operating activities was primarily attributable to net favourable working capital in 2022 despite slightly lower earnings in 2022 when compared with 2021.

Cash Flows Used in Investing Activities

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

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

	For the year ended December 31, 2022 *US$'000*	For the year ended December 31, 2021 *US$'000*
Purchase of property, plant and equipment	**(120,343)**	(141,601)
Addition of intangible assets	**(146,380)**	(146,679)
Other	**3,249**	2,616
Net cash used in investing activities	**(263,474)**	(285,664)

Cash Flows Used in Financing Activities

For the year ended December 31, 2022, the Group's net cash flow used in financing activities was US$85.2 million, a decrease of US$130.2 million compared with US$215.4 million for the year ended December 31, 2021. 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, partially offset by new term loans in China. During 2021, the early redemption of the Group's outstanding Notes of US$250.0 million in April 2021, partially offset by net borrowings on the US revolving credit facility of US$85.0 million resulted in net repayments. Net cash flows used in (provided by) financing activities for 2022 included the net repayment of borrowings of US$29.5 million, repayments of lease liabilities of US$14.4 million, finance costs paid of US$9.6 million, dividends paid to shareholders of the Company of US$23.8 million and dividends paid to non-controlling interests of US$7.8 million.

Indebtedness

As at December 31, 2022, the Group's total borrowings was US$49.8 million, a decrease of US$34.6 million from US$84.4 million as at December 31, 2021. This decrease was primarily due to the net repayments under the US revolving line of credit, partially offset by new term loan borrowings in China totaling US$50.3 million, repayable in three tranches ranging from December 2024 to April 2025. The revolving line of credit is used for general working capital requirements, and with improved working capital during the period, the Group had excess cash to pay down the balance.

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

	December 31, 2022 *US$'000*	December 31, 2021 *US$'000*
Current borrowings	**–**	84,403
Non-current borrowings	**49,838**	–
Total borrowings	**49,838**	84,403

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

	For the year ended December 31, 2022 *US$'000*	For the year ended December 31, 2021 *US$'000*
Within 1 year	**–**	84,403
Between 1 and 2 years	**14,112**	–
Between 2 and 5 years	**35,726**	–
Total borrowings	**49,838**	84,403

Pledge of Assets

The Group has several secured borrowings at certain subsidiaries. Assets securing the borrowings differ by site and include accounts receivable, inventories, property, plant and equipment. As at December 31, 2022, the Group had approximately US$851.2 million total assets pledged as collateral, an increase of US$37.8 million as compared with US$813.4 million as at December 31, 2021. The increase in collateral pledged was directly related to increases in the balances of the underlying assets pledged. No significant changes in collateral arrangements have occurred from December 31, 2021 to December 31, 2022.

Exposure to Currency Rate Fluctuations and Related Hedges

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

Gearing Ratio

The Group monitors 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, 2022 was 2.5%, a decrease of 170 basis points as compared to 4.2% as at December 31, 2021. The gearing ratio improved as a result of lower borrowings at a higher rate than the reduction in total equity as at December 31, 2022 mainly due to significant changes in the foreign exchange reserve during the year ended December 31, 2022.

COVID-19 and Related Factors Impacting Operations and Financial Performance

The global automotive industry continued to be impacted by the COVID-19 pandemic throughout 2022, particularly a result of supply shortages as OEM production demand continued to recover. The most significant supply shortage relates to semiconductor chips, which is impacting global industry production, and resulting in significant cancellations of planned OEM production. Supply shortages and the on-going volatility in OEM production schedules adversely impacted our manufacturing and material efficiencies in 2022. In addition, increases in certain commodity and logistics costs had an adverse impact on our operating results for the year ended December 31, 2022. It is possible a resurgence of the COVID-19 pandemic could result in adverse impacts in the future. Management cannot reasonably estimate the full impact the COVID-19 pandemic could have on the Group's financial condition, results of operations or cash flows in the future.

OTHER INFORMATION

Future Prospects

The Group strives to maintain a market-leading position in global advanced steering and driveline systems, including electrification, 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-Mile-Delivery, continue to present new and unique channels for Nexteer. We retain thoughtful alignment across our product lines with megatrends including ADAS – Advanced Safety & Performance, Software, Electrification, Mobility-as-a-Service and Connectivity. In many cases, our technologies create a natural fit for Nexteer to offer solutions to OEMs across these megatrends, which provides us a competitive advantage and positions us well for potential future opportunities as these megatrends continue to evolve and mature.

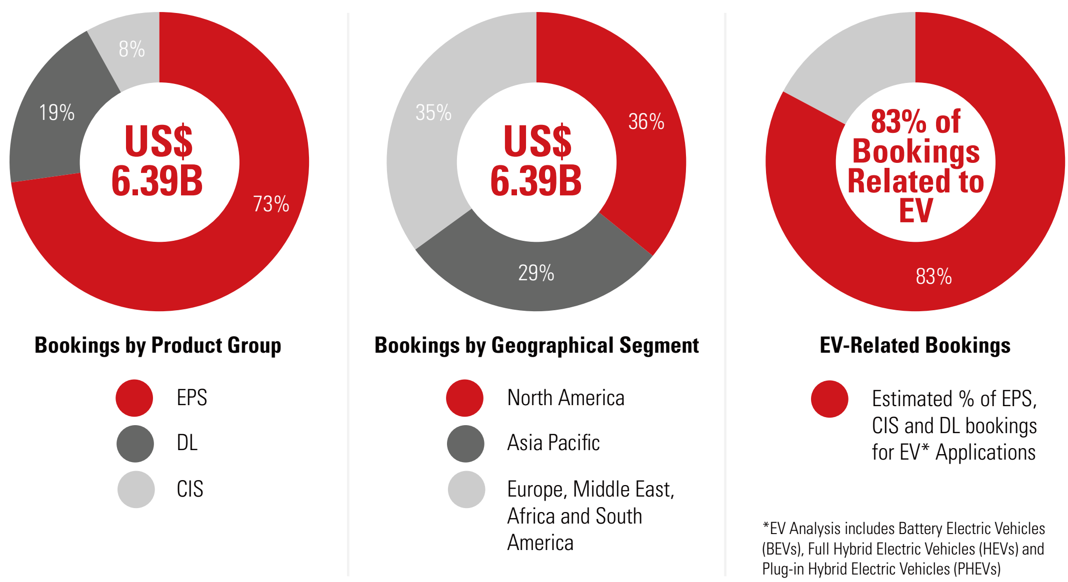
Bookings

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.

In 2022, Nexteer achieved customer programme Bookings totaling US$6.389 billion, with US$2.0 billion of that in the second half of the year.

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 2022 Bookings:



Employees and Remuneration Policy

As at December 31, 2022, the Group had approximately 12,600 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, 2022, 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 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**).

Except as expressly described below, in the opinion of the directors of the Board (the **Directors**), the Company has complied with all applicable code provisions set out in the Hong Kong CG Code and all applicable laws and regulations that have a significant impact on the business and operation of the Group throughout the year ended December 31, 2022.

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

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 in Part 2 of Appendix 14 to the Listing Rules, the roles of chairman and the chief executive should be 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 14 to the Listing Rules. The Board considers that the appointment of Mr. LEI as both chairman and chief executive can provide the Group with consistent leadership going forward and allow more effective implementation of the overall strategy of the Group. Furthermore, this structure does not compromise the balance of power and authority, as major decisions are made in consultation with the Board. The current senior management team of the Group also possesses rich knowledge and experience in different professional fields to assist Mr. LEI to make decisions about the businesses and operations of the Group.

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

Non-Compliance with the Requirements Under the Listing Rules

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

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

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

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

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

COMPLIANCE WITH CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **Model Code**) as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code for the year ended December 31, 2022.

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

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

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

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

THE AUDIT AND COMPLIANCE COMMITTEE

The Board established 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 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 (appointed with effect from June 21, 2022), Mr. SHI, Shiming (appointed with effect from June 21, 2022) and Mr. YUE, Yun (appointed with effect from June 21, 2022). 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 2022 annual results and the annual financial statements of the Group for the year ended December 31, 2022. The Audit and Compliance Committee also approved the annual results and the audited Consolidated Financial Statements for the year ended December 31, 2022 and submitted them to the Board for approval.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended December 31, 2022, 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, 2022 and up to the date of this announcement.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of approximately US$11.8 million, or US$0.0047 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, 2022, 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 20, 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from June 15, 2023 to June 20, 2023, 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 14, 2023.

The final dividend is payable on July 10, 2023 and the record date for entitlement to the proposed final dividend is June 29, 2023. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from June 27, 2023 to June 29, 2023, 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 26, 2023.

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 15, 2023

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.