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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)

INSIDE INFORMATION

This announcement is made by Nexteer Automotive Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company and potential investors of recent developments affecting the Group’s operations:

UNITED AUTO WORKERS UNION STRIKE IMPACT

Three of the Group’s largest customers, General Motors Company, Ford Motor Company and Stellantis N.A. (collectively, the “**Customers**”) have been negotiating the renewal of collective bargaining agreements with the United Auto Workers union (“**UAW**”) in the United States. As at the date of this announcement, the Company understands that the parties have not reached an agreement. Accordingly, there have been worker strikes at various assembly plants and part distribution centers operated by the Customers. Due to such strikes, certain programs at the Group’s North American facilities have been impacted since September 15, 2023.

The majority of the Group’s revenue in the North American segment come from these Customers. To address the revenue reduction, the Company has implemented cost control measures, including laying off hourly employees, implementing voluntary furloughs, enhancing inventory controls, among other measures. While the Group’s non-North America manufacturing facilities have not been materially impacted by these labor interruptions, the Company cannot accurately estimate the duration of the strikes or the impact of such strikes on its potential earnings. Additionally, it is uncertain whether the lost production volume can be fully recovered.

CUSTOMER PRODUCTION STOPPAGE DUE TO SUPPLIER ISSUE

As disclosed in the Company's interim results announcement and interim report for the six months ended June 30, 2023, a Company supplier was unable to meet its contracted supply of components, causing a customer of the Company to experience line disruptions resulting in a loss of vehicle production. As at the date of this announcement, the supply situation has been stabilized, however premium costs for freight, overtime and additional labor are still being incurred.

This matter is estimated to cost the Company approximately US\$40 million in the second half of 2023.

The Company's supplier has limited financial resources to reimburse the Company for this additional cost. As a result, the Company's legal remedies to recuperate its losses for this breach of contract is severely limited. The Company believes it is unlikely that it will be able to recuperate any of the damages caused by this supplier. We do not expect this matter to have an ongoing financial impact to the Company in 2024.

In addition, the Company's customer has issued a "Breach of Contract" notice to the Company, indicating the Company's failure to meet its production requirements and listing categories of cost impacts. The Company is in discussions with the customer to resolve this matter. As of the date of this announcement, the Company is not able to estimate the potential customer damages for which it may be responsible to its customer.

The estimated additional provision amount mentioned above is unaudited, subject to adjustment, and final confirmation. The Company will continue to monitor the matters disclosed above and provide further updates on any material developments in compliance with the Listing Rules and Part XIVA of the SFO as and when appropriate.

The shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, October 25, 2023

As at 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.