A LEADER IN INTUITIVE MOTION CONTROL

2023
ANNUAL REPORT

NEXTEER AUTOMOTIVE GROUP LIMITED
耐世特汽車系統集團有限公司
STOCK CODE: 1316
Incorporated under the laws of the Cayman Islands with limited liability

OUR STRATEGY FOR PROFITABLE GROWTH

- Expand & Diversify Revenue Base
- Strengthen Technology Leadership
- Capitalise on Megatrend & Portfolio Alignment
- Optimise Cost Structure
- Pursue Select Acquisitions & Alliances
- Target China & Emerging Markets

Contents

Corporate Profile

Nexteer Automotive Group Limited (the **Company**) together with its subsidiaries are collectively referred to as **we, us, our, Nexteer, Nexteer Automotive** or the **Group**. Nexteer Automotive's vision is to be the global leading motion control technology company accelerating mobility to be safe, green and exciting.

"We are the Leading
MOTION CONTROL TECHNOLOGY COMPANY
Accelerating Mobility to be
SAFE, GREEN & EXCITING."

OUR VISION

Our innovative product and technology portfolio of advanced steering and driveline systems solves motion control challenges across all megatrends – including electrification, software/connectivity, advanced driver assistance systems (**ADAS**)/automated driving (**AD**) and shared mobility.

In-house development and full system integration of hardware, software and electronics provides Nexteer a competitive advantage as an agile, full-service supplier to automotive original equipment manufacturers (**OEM**) around the world.

Our ability to seamlessly integrate our systems into OEM vehicles is a testament to our more than 115-year heritage of vehicle integration expertise and product craftsmanship. Our "One Nexteer" culture inspires employees to achieve personal and corporate growth by focusing on our core values across all aspects of the Company: people first, operational excellence and enterprise growth. As One Nexteer, our vision guides us every day, and we're making it a reality by challenging the impossible and making tomorrow better than today.

We strive to be the partner of choice for our customers and suppliers by delivering highly engineered, safety-critical products and building enduring relationships.

Nexteer provides real-world, vehicle-level solutions by being:

- **Customer-Focused**: Respected and trusted for delivering on commitments.
- **Proactive**: We listen carefully to understand customer needs, requirements and aspirations.
- **Innovative**: A market leader in steering and driveline system innovation and value-added service.
- **Agile**: Able to respond quickly with high-quality, cost-effective solutions.
- **Global**: Committed to exceeding customer and vehicle needs every time, in every customer-targeted market.

GLOBAL FOOTPRINT & CUSTOMERS

- **World Headquarters**: Auburn Hills, Michigan, United States of America (**USA** or **US**)
- **Manufacturing Plants**: 27, including 1 non-consolidated joint venture (**JV**)
- **Technical Centres**: 5
- **Customer Service Centres**: 13
- **Products**: Electric Power Steering (**EPS**) and Steer-by-Wire (**SbW**), Steering Columns and Intermediate Shafts (**CIS**), Driveline Systems (**DL**), Hydraulic Power Steering (**HPS**), Software Solutions

Customers: 60+ global and domestic OEMs, including BMW Group (**BMW**), BYD Auto Co., Ltd. (**BYD**), Changan Automobile Co., Ltd. (**Changan**), Chery Automobile Co. Ltd. (**Chery**), Ford Motor Company (**Ford**), Guangzhou Automobile Group Co., Ltd. (**GAC**), General Motors Company and Subsidiaries (**GM**), Zhejiang Geely Holding Group Co., Ltd. (**Geely**), Great Wall Motor Company Limited (**GWM**), Lixiang Auto, Inc. (**Li Auto**), Maruti Suzuki India Limited (**Maruti-Suzuki**), Renault-Nissan-Mitsubishi Alliance (**RNM**), SAIC General Motors Co., Ltd. (**SAIC**), SAIC-GM-Wuling Automobile Co., Ltd. (**SGMW**), Stellantis N.V. (**Stellantis**), Volkswagen Group (**VW**), Guangzhou Xiaopeng Motors Technology Co. Ltd. (**XPeng**) and others.

Corporate Information

BOARD OF DIRECTORS

Executive Directors
LEI, Zili (雷自力)
(Chairman and Chief Executive Officer)
MILAVEC, Robin Zane

Non-Executive Directors
WANG, Jian (王堅)
ZHANG, Wendong (張文冬)
SHI, Shiming (石仕明)

Independent Non-Executive Directors
LIU, Jianjun (劉健君)
WANG, Bin (王斌)
YUE, Yun (岳雲)

COMPANY SECRETARY

CHU, Cheuk Ting (朱卓婷)

AUTHORISED REPRESENTATIVES

LEI, Zili (雷自力)
CHU, Cheuk Ting (朱卓婷)

LEGAL ADVISERS

As to Hong Kong Law
DLA Piper Hong Kong

As to Cayman Islands Law
Maples and Calder

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants and Registered PIE Auditors

AUDIT AND COMPLIANCE COMMITTEE

WANG, Bin (王斌) *(Chairman)*
SHI, Shiming (石仕明)
YUE, Yun (岳雲)

REMUNERATION AND NOMINATION COMMITTEE

LIU, Jianjun (劉健君) *(Chairman)*
ZHANG, Wendong (張文冬)
WANG, Bin (王斌)

HEADQUARTERS

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Auburn Hills, Michigan 48326, USA

REGISTERED OFFICE

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of America
Bank of China
Bank Pekao SA
China CITIC Bank
China Construction Bank
Comerica Bank
JPMorgan Chase & Co.
PKO Bank Polski SA
Shanghai Pudong Development Bank
Wells Fargo Capital Finance

STOCK CODE

Share Listing
Ordinary Shares
The Stock Exchange of Hong Kong Limited
(the **Hong Kong Stock Exchange**)
(Stock code: 1316)

COMPANY WEBSITE

http://www.nexteer.com/

2023 HIGHLIGHTS

US$4.2B REVENUE

NEXTEER RECORD HIGH

Revenue increased by 9.6% compared to 2022

55 PROGRAMME LAUNCHES

NEXTEER RECORD HIGH

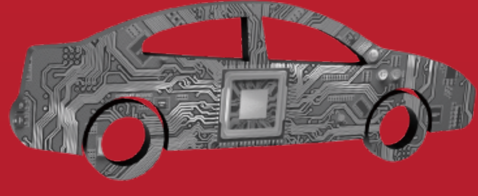
34 on EVs*

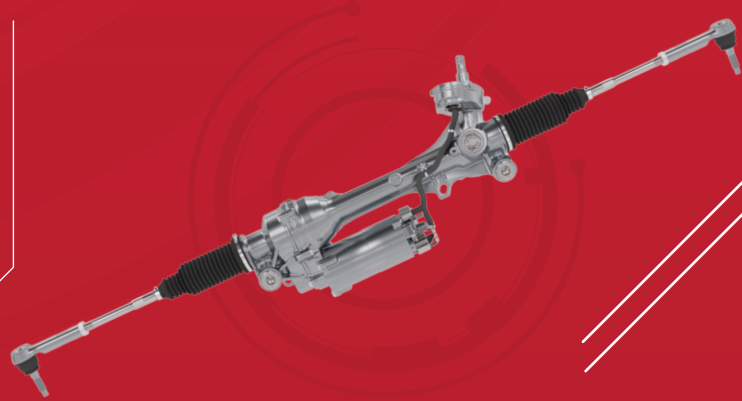
US$6.1B BOOKINGS

41% NEW CONQUEST

20% CHINESE OEMs

GROWTH IN STEER-BY-WIRE & SOFTWARE PROGRAMMES





PRODUCTION MILESTONE 100M EPS UNITS

*On fully EV or EV/ICE split programmes

CEO Statement

"In 2023, Nexteer made tremendous progress in setting the course for our future. We overcame many challenges and continued to successfully navigate a volatile environment, while also taking significant actions to improve the robustness of our business."

LEI, Zili
Chairman and Chief Executive Officer

Dear Shareholders:

On behalf of Nexteer, I am honoured to share with you our 2023 Annual Report and provide an overview of Nexteer's current business, strategy for future profitable growth and highlight a few of the year's successes in driving shareholder value.

IMPROVED BUSINESS ROBUSTNESS TO CREATE A STRONGER FUTURE & MORE PROFITABLE GROWTH

Across the automotive industry, the last few years have been plagued with operational, supply chain, commodity and logistics challenges. 2023 was no different as we continued to experience challenges which intensified pressure on already strained profitability, including:

- A United Autoworkers (**UAW**) strike in the US, impacting our North America (**NA**) operations
- Supply chain disruptions, including a US supplier which became incapable of meeting production requirements, resulting in downtime at one of our largest customers
- Ongoing inflation, lingering economic impacts and more

Through it all, our Nexteer team successfully navigated this volatile environment and took significant actions to improve the robustness of our business and create a stronger future. For example, our team successfully implemented many short-term spending reduction measures to mitigate the financial impact of the UAW strike. We also stabilized production on behalf of a struggling supplier and resourced alternative suppliers capable of a quick production ramp-up.

In addition, we implemented fixed cost reduction and footprint initiatives that will improve our profit margins, including a voluntary early retirement programme in the US, a global technical centre reorganisation and manufacturing footprint optimisations for DL and CIS in NA, among others.

CONTINUED GROWTH PATH: 2023 HIGHLIGHTS

Despite various challenges in 2023, I'm proud that our team proactively seized opportunities for continued growth such as:

- Tremendous growth in our Asia Pacific (**APAC**) Division
- New business opportunities with the global leader in battery electric vehicles (**BEV**)
- Continued SbW leadership
- New software product revenue

We also achieved many landmark milestones and breakthroughs including:

- US$6.1 billion in new business bookings, including 41% conquest bookings
- Record revenue as a company – surpassing US$4.2 billion
- Record growth in APAC – surpassing US$1.2 billion in revenue
- A record number of EPS units produced globally: 100 million
- Second SbW production business award
- First software business booking
- First EPS win with a global leading BEV company and achieves our full portfolio representation of EPS, CIS and DL at this customer
- New plant approved for construction in China to further capitalise on additional revenue growth opportunities
- Successfully launched 55 new customer programmes across all regions – a new company record
- Honoured for innovation, quality, excellence and exceptional customer relationships – including a national best list of America's Most Responsible Companies

REVIEW OF RESULTS

For the year ended December 31, 2023, the Company's revenue was US$4,206.8 million which represents a 9.6% increase when compared with 2022. Adjusting for foreign currency and commodity recoveries from our customers, Nexteer's revenue increased by 11.1%, outperforming the increase in global OEM vehicle production of 9.4%, by 170 basis points. Operating profit was US$61.4 million and net profit attributable to equity holders of the Company was US$36.7 million.

Nexteer's revenue growth for the full year 2023 continued to outpace the market as measured by the change in global OEM unit production, a result of our continued focus on expanding our regional and product line positions with current customers and securing conquest business with new customers. While revenue growth remained strong, inflationary and supply chain pressures reduced the Group's profit when compared to 2022.

APPRECIATION

In 2023, Nexteer made tremendous progress in setting the course for our future. We overcame many challenges and continued to successfully navigate a volatile environment, while also taking significant actions to improve the robustness of our business.

The continued commitment and efforts of our global One Nexteer team position us well to realise our vision of becoming the leading motion control technology company that accelerates mobility to be safe, green and exciting. As we drive to this shared future, our decisions are guided by our strategy for profitable growth and a mindset that focuses on the fundamentals to strengthen our resiliency and readiness for the challenges ahead. We appreciate the support of our shareholders and the efforts of our One Nexteer team that have prepared us to take advantage of the exciting growth opportunities ahead.

LEI, Zili
Chairman and Chief Executive Officer

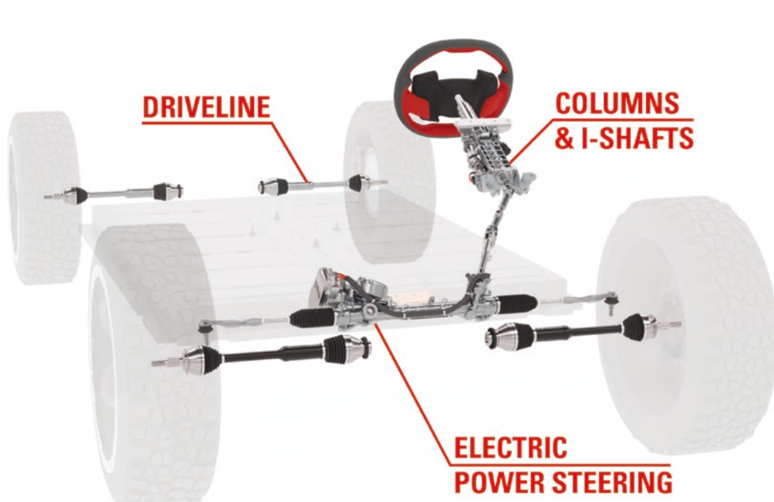
OUR PRODUCTS & TECHNOLOGIES

We design, develop, manufacture and distribute steering and DL systems and components, primarily for automotive OEMs.

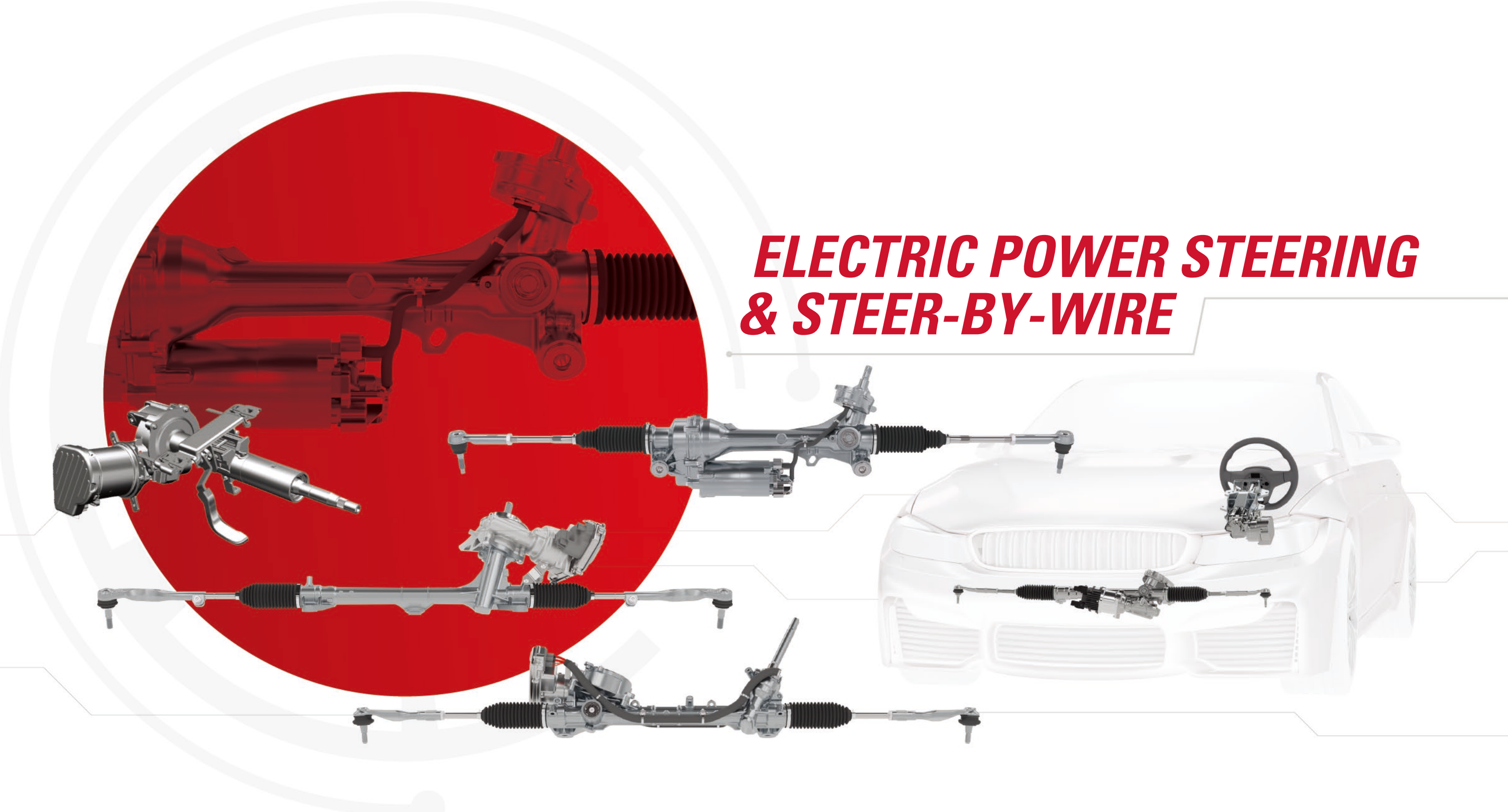
A steering system provides lateral directional control of the vehicle. Our steering system products include EPS, SbW and HPS, as well as CIS.

A DL system transfers power from the gearbox to the driven wheels. Our DL products include front-wheel drive halfshafts, intermediate drive shafts and rear-wheel drive halfshafts, as well as propeller shaft constant velocity joints.

We also collaborate with OEMs on software feature development, execution and vehicle integration. Our advanced steering software solutions support OEMs' needs in the increasing shift to "software-defined" vehicles (**SDVs**).



ELECTRIC POWER STEERING & STEER-BY-WIRE



EPS uses an electric motor to assist driver steering. Hardware and software are developed concurrently and work seamlessly together to connect the driver with the road – accounting for driving dynamics and the operating environment. This "connection to the road" provides the driver an experience consistent with the vehicle's brand (such as luxury, sport, etc.), while also giving important safety cues regarding the type of road surface the driver is traveling on (such as icy, gravel, etc.).

EPS is a key ADAS feature enabler. EPS translates data from the vehicle's electronic control unit (**ECU**) into precise mechanical steering functions. Many Nexteer EPS-enabled ADAS features are already on the road today such as park assist, lane keeping, lane departure warning, traffic jam assist and more.

SbW replaces the mechanical steering connection between the handwheel and roadwheels with algorithms, electronics and actuators. SbW emulates the "feel of the road," offers a wide performance range (including sporty, luxury, comfort, etc.) and enhances maneuverability through our dynamic variable steering ratio. SbW enables advanced safety and performance features and functionality, as well as opens new possibilities for vehicle light-weighting and packaging flexibility.

Our full portfolio of steering technologies meets global OEM needs for everything from small cars to heavy-duty trucks and light commercial vehicles – including internal combustion engine (**ICE**), hybrid and electric vehicles (**EVs**).

Nexteer's EPS & SbW Portfolio:

- Rack-Assist EPS (**REPS**)
- Dual Pinion-Assist EPS (**DPEPS**)
- Brush Motor Column-Assist EPS (**BEPS**)
- Single Pinion-Assist EPS (**SPEPS**)
- Column-Assist EPS (**CEPS**)
- SbW
- Automated Steering Actuator

Nexteer also offers High Output, High Availability and Modular options for our EPS systems. High Output EPS increases the steering capabilities, High Availability EPS increases safety and enables lower failures in time (**FIT**) levels and Modular EPS leverages a cost-effective, modular platform design.

Our EPS & SbW Technologies Solve OEM Challenges Across Multiple Megatrends, Including:

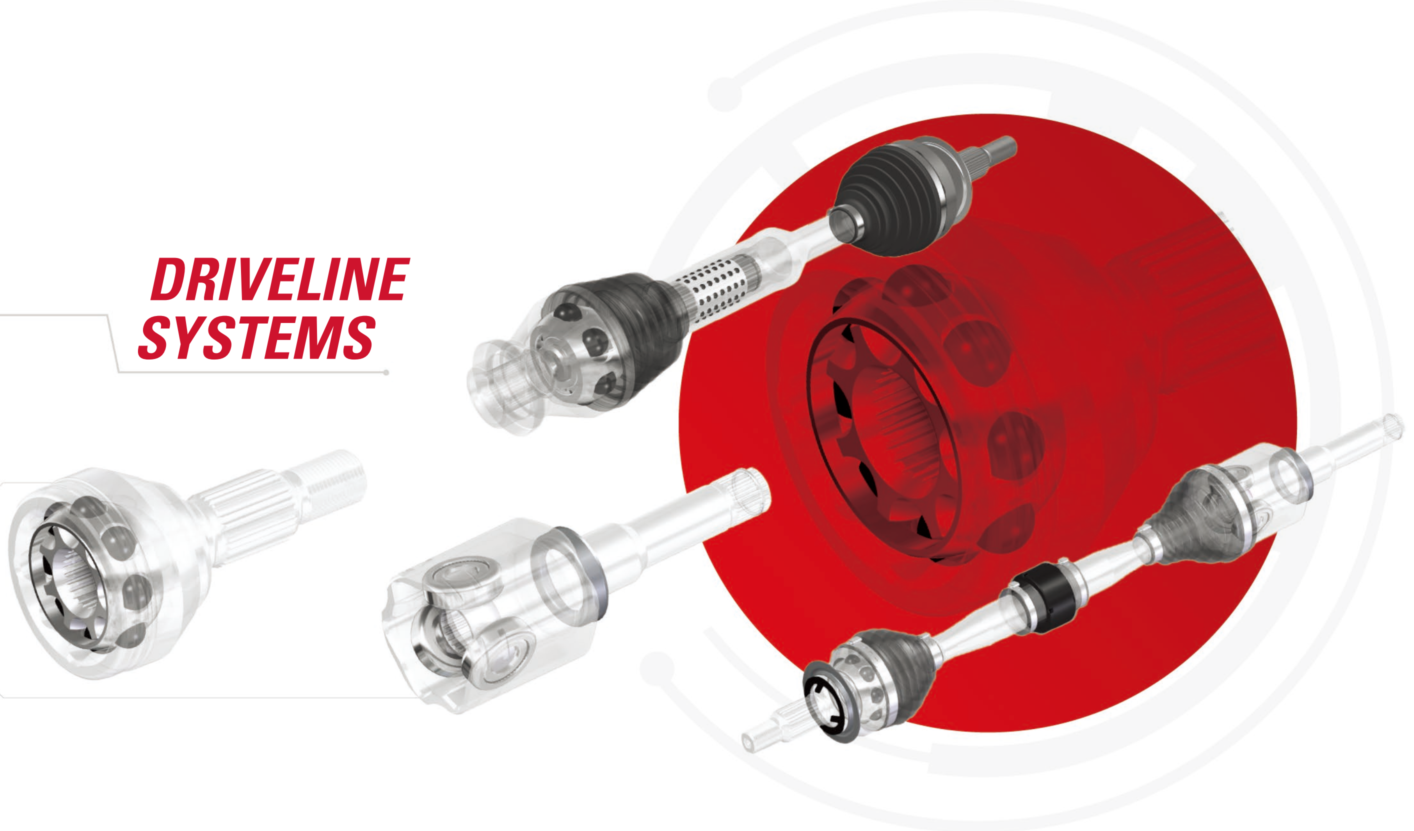
- Electrification
- Software/Connectivity
- ADAS/AD
- Shared Mobility

Major Vehicles Featuring Our EPS Products:

- **HO REPS**: GMC Hummer EV, BrightDrop EV600
- **REPS**:
  - **Ford**: F150, F150 Lightning EV, F150 Raptor, Bronco, Mustang
  - **Stellantis**: RAM 1500, RAM 1500 TRX, Jeep Grand Cherokee
  - **GM**: Chevrolet Silverado, GMC Sierra, Chevrolet Tahoe, GMC Yukon, Cadillac Escalade
  - **Geely**: Zeekr 001 EV
- **SPEPS**: Peugeot 208, Opel Corsa, BMW 1-Series, Jeep Avenger
- **CEPS**: BYD Song Pro/Song Plus, GAC Aion S/Y, Chery Tiggo 8 PHEV
- **BEPS**: BYD Dolphin, RNM Kwid

Our Products & Technologies

DRIVELINE SYSTEMS



DL systems are designed for a variety of vehicle segments and are custom engineered to meet specific vehicle requirements, transmitting torque from the engine to roadwheels. Our systems enhance vehicle handling and eliminate DL disturbances on front-wheel and all-wheel drive vehicles.

Consequently, Nexteer's halfshafts enhance a driver's comfort and control. Achieving best-in-class comfort and control – especially in terms of DL Noise, Vibration and Harshness (**NVH**) – which becomes even more challenging with EVs that are extremely quiet. Nexteer DL solves for these increased NVH requirements with premium, high efficiency outboard joints, ball spline axles and lower mass components.

Nexteer's wide range of halfshaft technology solutions can accommodate various configurations – and we can also custom-engineer components to meet an OEM's specific needs.

Nexteer's DL Portfolio:

- Front-Wheel and Rear-Wheel Drive Halfshafts for:
  - EVs
  - ICE Vehicles
  - Full-Size Full-Frame Vehicles
  - Performance Vehicles
  - High Angle Requirements
  - High Efficiency Requirements
  - Extreme Operating Environments
- Intermediate Driveshafts

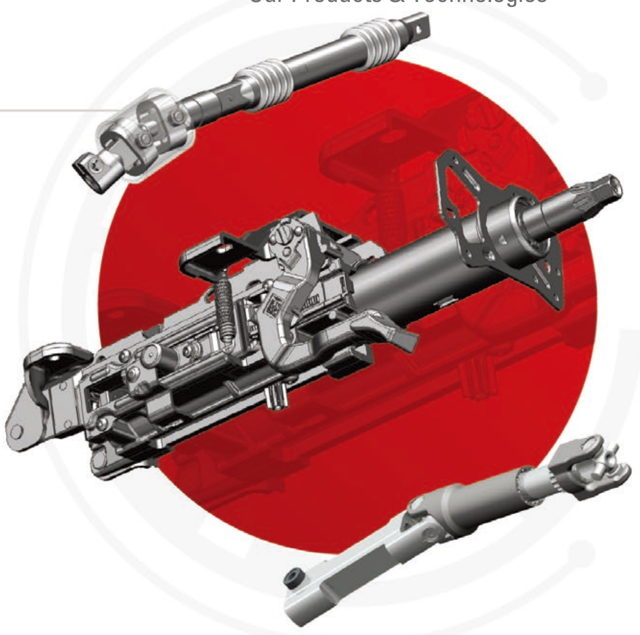
Our DL Technologies Solve OEM Challenges Across Multiple Megatrends, Including:

- Electrification
- ADAS/AD
- Shared Mobility

Major Vehicles Featuring Our DL Products:

- **GM**: GMC Hummer EV, Cadillac Lyriq EV, Chevrolet Blazer, Chevrolet Equinox, Chevrolet & GMC pickup trucks (LD/HD)
- **Stellantis**: Fiat 500 EV
- **VW**: Jetta, Golf, Taos

STEERING COLUMNS & INTERMEDIATE SHAFTS



CIS connects the steering wheel to the steering mechanism, to control lateral motion by transferring the driver's input torque from the steering wheel. Our advanced steering columns provide convenience features and help protect the driver in the event of a crash. Convenience features include manual and power adjustability, theft deterrence, sensors, actuators and ergonomically designed controls. Advanced energy absorption systems help improve vehicle safety ratings and include our active systems that automatically compensate for the position of the driver to deliver optimum crash protection.

Nexteer offers a wide CIS product portfolio to fit the advanced safety, performance and convenience needs of small cars, sport utility vehicles (**SUVs**) and trucks.

Nexteer's CIS Portfolio:

- Manual Adjustable Steering Columns
- Power Adjustable Steering Columns
- Stowable Steering Columns
- Crashworthiness – Adaptive Energy-Absorbing Technology
- Integrated Electronics & Sensors
- Security & Transmission Controls
- Wide Intermediate Shaft Portfolio

Our CIS Technologies Solve OEM Challenges Across Multiple Megatrends, Including:

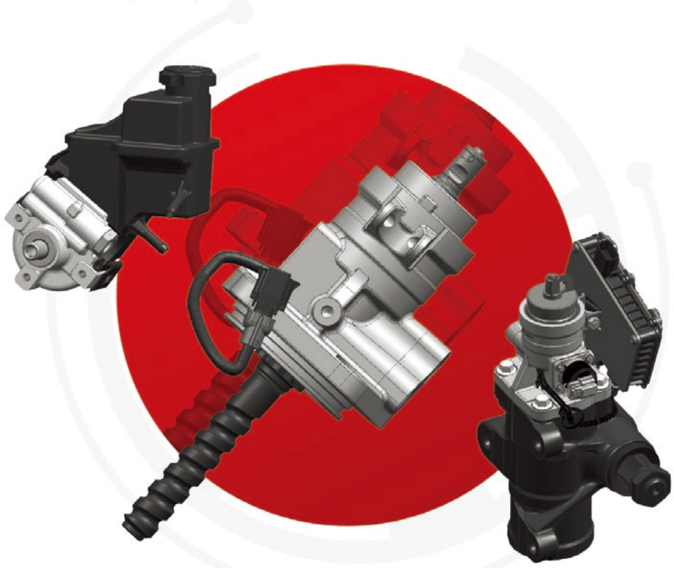
- Electrification
- ADAS/AD
- Software/Connectivity

Major Vehicles Featuring Our CIS Products:

- **Ford**: Bronco, Explorer, Ranger, F150, SuperDuty, Expedition, Econoline, Lincoln Aviator, Lincoln Navigator
- **GM**: Chevrolet Camaro, Chevrolet Colorado, Chevrolet Silverado (LD/HD), Chevrolet Tahoe, Chevrolet Suburban, Chevrolet Express, GMC Canyon, GMC Sierra (LD/HD), GMC Yukon, GMC Savanna, GMC Hummer EV, Cadillac CT4, Cadillac CT5, Cadillac Lyriq EV, Cadillac Escalade
- **Stellantis**: Jeep Wrangler, Jeep Gladiator, Chrysler Pacifica, RAM 1500, RAM Promaster
- **BMW**: 5 Series, 7 Series, iX
- **China OEMs**: Changan, Great Wall, Xpeng

HYDRAULIC POWER STEERING

HPS uses high pressure fluids to assist driver steering. An engine-driven power steering pump creates system pressure. Pressurised fluid is then routed into a steering gear cylinder that turns the wheels of the vehicle.



Nexteer produces two premium hydraulic based products: Magnetic Torque Overlay (**MTO**) and Smart Flow pump. These products bring advanced driver assistance functionality with reduced power consumption benefits. The MTO steering gear actuator targets medium and heavy-duty trucks, semi-trailer trucks and buses. The Smart Flow pump reduces parasitic loss on the engine to improve operating efficiency. We also introduced an MTO cartridge valve that enables integration with OEMs' current gear configurations.

Nexteer's HPS Portfolio:

- MTO
- Rack & Pinion Steering
- Recirculating Ball Steering Gears
- Fuel Efficient Power Steering Gears
- Pumps & Reservoirs

Major Vehicles Featuring Our HPS Products:

- **GM**: Chevrolet Silverado HD, Chevrolet Express, GMC Sierra HD, GMC Savanna
- **Stellantis**: RAM Promaster
- **Isuzu**: N-Series (Commercial)

SOFTWARE SOLUTIONS

The EVOLUTION from hardware to software-defined vehicles is leading to a REVOLUTION in advanced safety, performance and convenience – transforming OEM expectations and consumer experiences.

Nexteer's steering software enables advanced safety and performance features across all ADAS levels – from optimising steering assist and feel, to enabling driver assist features such as park assist, lane keeping and more – and all the way to fully autonomous driving.

As experts in steering feel, our software gives drivers an immersive steering experience that makes the vehicle come to life in the driver's hands. From sporty to luxury, our software translates a vehicle's brand into something a driver can actually feel. For autonomous applications, software plays a critical role as the vehicle must "feel", translate and anticipate the changing road conditions.

Our software capabilities in a connected environment will create intuitive, real-time access to new safety, performance and convenience features over the lifetime of a vehicle. For example, using these capabilities, Nexteer's collaboration with Tactile Mobility focuses on both proactive and preventative safety. On the proactive front, our road surface detection software identifies slippery surfaces and gives a "heads-up" communication to trailing vehicles. On the preventative front, software monitors vehicle health – such as tire wear – to ensure safety, performance and convenient maintenance scheduling.

Across all megatrends, a common safety requirement underpins them all – cybersecurity. Nexteer has proactively developed cybersecurity solutions with our OEM customers to ensure that steering systems are safe and protected.

Nexteer's Software Solutions:

- Software for Advanced Steering
- Road Surface Detection
- Vehicle Health Management
- Steer-by-Brake (**SbB**)
- Safety & Cybersecurity

Our Software Solutions Solve OEM Challenges Across Multiple Megatrends, Including:

- Electrification
- ADAS/AD
- Software/Connectivity
- Shared Mobility

Major Vehicles Featuring Our Software:

- All vehicles featuring our EPS also include varying levels of software, software-enabled features and cybersecurity per each of our OEM customers' requirements.
- Nexteer has produced more than 100 million EPS systems for vehicles globally.

BUSINESS OVERVIEW

STRATEGY FOR PROFITABLE GROWTH

We are committed to our six-point strategy for profitable growth to drive shareholder value and pursue our vision to be the global leading motion control technology company accelerating mobility to be safe, green and exciting.

Our strategy for profitable growth has served as our guidepost through the unprecedented environment we have navigated through over the past few years. This strategy continues to guide our daily decision-making as we move forward by defining and adjusting our business to align with the changing landscape and new challenges within the global automotive industry. We integrate our vision and strategy into our day-to-day operations, and we routinely review our strategic goals.

2023 BUSINESS HIGHLIGHTS

The following highlights demonstrate Nexteer's focus on delivering long-term profitable growth:

- Achieved record revenue of US$4.2 billion – with revenue increasing by 9.6% compared to 2022
  - Crossed over US$4 billion in annual revenue for the first time in our company's history
  - Free cash flow generation of US$105.0 million which significantly outperformed 2022
  - Continued above market revenue growth driven by strong new and conquest bookings over the past several years
- Achieved customer programme bookings totaling US$6.1 billion
  - 41% represented new/conquest business
  - Our first stand-alone software programme with a leading, global OEM
  - Our second SbW programme with a leading, global OEM
  - Our first EPS business win with a global EV leader – achieving all PL representation – EPS, CIS and DL – at this OEM
  - Continued bookings and aggressive growth plan with Chinese New Energy Vehicle (**NEV**) OEMs
  - NA EV truck programme volume increase

- Continued commitment to technology leadership and megatrend alignment for future growth – including electrification and software
    - Leveraging our SbW leadership and experience as OEMs' interest continues to grow, aligning with OEMs' growing software needs
    - Capitalising on our EPS leadership with new EV opportunities in China
- Successfully launched 55 customer programmes across all regions – a new company record for strong programme launches in a year
    - 53 of these customer programmes represented new or conquest business
    - 34 represented EV launches supported by our products
- Enhancing profitability through improving supply chain management, reducing fixed costs, optimising footprint for efficiencies and more

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.

Breakthrough Software Win: Our first stand-alone software business win with a leading global OEM was awarded in 2023 to develop standardised software plus steering and driver assist features across vehicle platforms. This is a growth milestone for us and capitalises on the SDV trend by leveraging our software capabilities.

Continued EV Alignment: In the second half of 2023, we won our first EPS business with a global EV leader, which now achieves our full portfolio representation of EPS, CIS and DL at this customer. Our first EPS win is part of the next generation platform, and we are focused on a strong development and launch cycle, thus enabling additional opportunities with this critical customer.

Continued SbW Leadership: A significant booking awarded in the first half of 2023 was another SbW vehicle platform with a leading global OEM. This programme is for a fully integrated SbW system – which includes a handwheel actuator (**HWA**), a roadwheel actuator (**RWA**) and all the software that integrates the steering system into the vehicle and all the functionality and communication to the vehicle.

This booking also marks our second SbW contract we have won to date. In addition, we have several paid SbW development programmes with global and leading Chinese OEMs. We anticipate these SbW development programmes to have a high likelihood of turning into production programmes in the future.

In addition to development programmes positioning Nexteer as an "incumbent" for future production opportunities, these development programmes with several OEMs give us critical insights to OEMs' various approaches – as well as the opportunity to influence SbW technical applications, sourcing strategies and more. Nexteer is also actively quoting and pursuing additional SbW opportunities with strategically targeted global customers.

SbW & the Convergence of Megatrends: Our 2023 SbW and EPS wins, as well as ongoing alignment to megatrends, highlight how we are well positioned for any shifts in mixed propulsion strategies (ICE + BEV). For example, these business bookings highlight our leadership in the convergence of electrification and the NA truck market. Nexteer's steering technologies are currently featured on the Ford F-150 Lightning electric truck, the GMC Hummer EV and the electric Chevrolet Silverado. We are on both the EV and ICE versions of these programmes, which is important as the mix between powertrains progresses toward EVs.

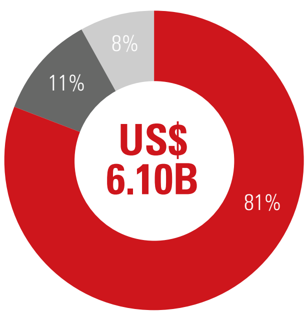
As OEMs transition platforms to electrification, they are looking for advanced steering solutions like SbW to meet the unique needs of EVs such as higher output and steering maneuverability for these heavier vehicles, as well as packaging flexibility, NVH performance and more. In the electrification race, SbW also helps OEMs differentiate their brands by enabling new safety and performance features not achievable with traditional EPS systems.

SbW – as with the rest of our EPS portfolio – also supports the growing transition from "hardware-defined" vehicles to "software-defined" vehicles. As vehicles become more connected, over-the-air (**OTA**) updates and software will create new possibilities for OEMs to extend platform lifespans while also introducing more frequent technology "refreshes" that do not have to wait for midcycle enhancements or new vehicle launches.

As OEMs plan their transition to SbW, they are often doing so to better navigate megatrends like electrification, domain electrical architecture and SDVs. Building on our proven SbW experience, as well as our experience solving motion control challenges across all megatrends, we are in a strong position as we capitalise on these converging trends.

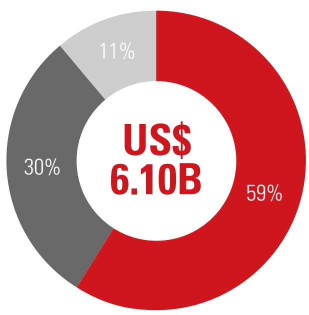
Bookings is not a measure defined by International Financial Reporting Standards (**IFRS**), and our methodology for determining Bookings may not be comparable to the methodology used by other companies in determining the value of their bookings. Assumptions relative to estimated lifetime programme volumes 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



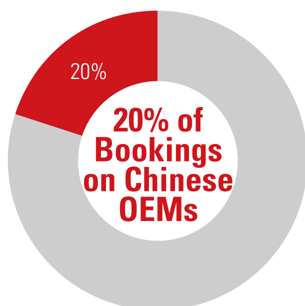
Bookings by Product Group

- EPS
- DL
- CIS



Bookings by Geographical Segment

- North America
- Asia Pacific
- Europe, Middle East, Africa and South America



Chinese OEMs

- % of bookings on Chinese OEMs

NEW PRODUCTION LAUNCHES

With the launch of 55 customer programmes in 2023, we introduced new or enhanced product applications in Steering and DL across all regions and vehicle segments. These programmes represented both global and local vehicle nameplates – of which 53 launches represented new or conquest business and 34 represented EV platforms. These launches included:

OEMs	Vehicle Nameplate	Our Products
North America		
Ford	Ford Mustang	REPS, Columns
	Ford Ranger	REPS, Columns
GM	Cruise Origin	REPS*
	GMC Hummer SUV EV	Halfshafts*, REPS*, Columns & I-Shaft*
	Chevrolet Silverado EV	Halfshafts*, REPS*, Columns & I-Shaft*
	GMC Canyon/Chevrolet Colorado	Columns, REPS
EMEASA		
BMW	BMW 5-Series	I-Shafts
Ford	Ford Transit Custom	Columns
GM	Chevrolet Montana	Halfshafts
Asia Pacific		
BMW	BMW X1	SPEPS
	Mini Cooper	SPEPS*
Changan	Changan Deepal SL03	CEPS*
	Changan Lamore	CEPS
	Ossan X5	CEPS
	Avatr 12	Columns*
Chery	Chery Arrizo 8	CEPS
	Exeed Sterra ES	REPS*
	Chery Luxeed S7	REPS*
	Exeed AtlantiX	CEPS
Daimler	Mercedes-Benz GLC	Halfshafts
GAC	Hyper GT	CEPS*
Geely	Volvo EX30	Halfshafts*
	Geely E8	Halfshafts*
	Jiyue 01	REPS*
	Polestar 4	REPS*
GM	Buick Electra E4	Columns & I-Shafts*, Halfshafts*
	Buick Electra E5	Columns & I-Shafts*, Halfshafts*
	Chevy Blazer EV (NA)	I-Shafts*
	Cadillac Optiq	Columns & I-Shafts*, Halfshafts*
	Cadillac GT4	Halfshafts
	Chevrolet Blazer EV (NA)	Halfshafts*
	Cadillac Lyriq V-Series	Halfshafts*
Great Wall	HAVAL F5	CEPS*, Halfshafts*
	HAVAL Kugou	Halfshafts
Human Horizons	Hiphi Y	REPS*
Lixiang Auto	Lixiang Auto L7	Columns*
NA EV OEM	Mid-Size Sedan	Columns*
RNM	Renault Kwid	CEPS
SGMW	Wuling Xingguang	CEPS*
Stellantis	Citroen C3 Aircross	CEPS
Tata	Tata Nexon	Halfshafts
VW	Audi e-Q5/Q6 (EU)	Halfshafts*
Wuling Auto Industry	Wuling Longka	CEPS
Xpeng	Xpeng X9	REPS*

Note:

* EV content included in customer programme

PROFITABILITY: IMPROVING BUSINESS ROBUSTNESS TO CREATE A STRONGER FUTURE

Across the automotive industry, the last few years have been plagued with operational, supply chain, commodity and logistics challenges. 2023 was no different as we continued to experience challenges which intensified pressure on already strained profitability, including:

- A prolonged UAW strike in the US, impacting our NA operations
- Supply chain disruptions, including a US supplier which became incapable of meeting production requirements, resulting in significant downtime at one of our largest customers;
- Ongoing inflation, lingering economic impacts and more

Through it all, our Nexteer team continued to effectively navigate this volatile environment and took significant actions to improve the robustness of our business and create a stronger future. We remain committed to executing our strategy for profitable growth as it will be the key enabler to our success at driving the business forward with above market revenue growth and increasing profit margins.

Mitigated Impact of UAW Strike: The operating exposure for Nexteer during the strike against GM, Ford and Stellantis was significant as the NA region represents 53.7% of our global revenue and the majority of our NA revenue is with these three OEMs. Our team successfully implemented many short-term spending reduction measures to mitigate the financial impact of the strike. Through end of 2023, the UAW strike negatively impacted our NA revenue by approximately US$59.1 million and EBITDA by US$15.3 million. After the strike ended, our team successfully ramped-up production to support our customers' quickly shifting production schedules.

Managed Unexpected Supply Chain Disruptions: In 2023, we experienced a supplier issue that caused production downtime for one of our customers. The issue was a result of a supplier's poor execution on a production line move between their facilities. The main causes were lack of an adequate inventory bank to facilitate the move, insufficient training and poor equipment maintenance. Nexteer exhausted all options to limit the impact on our customer. We deployed resources to ensure production was stabilised, supported the troubled supplier including premium freight and labor costs, and worked closely with the impacted customer to resource alternative suppliers capable of a high quality, quick production ramp-up. Production at the troubled supplier was fully re-sourced to the new suppliers by the end of 2023.

Monitoring Potential Macroeconomic Impacts: We continue to closely monitor customer demand that may be impacted by high interest rates and slowing economies. While inflation has improved, it remains above historic levels and continues to impact our input costs. Commodity and freight costs continue to improve compared to 2022.

As a result of these market factors, we have implemented many fixed cost reduction and footprint initiatives that will improve our profit margins and improve operational efficiencies, including:

- **Early Retirement Incentive Programme (ERIP)**: In 2023, we completed a voluntary ERIP for eligible US salaried employees who were considering retirement or a career change. This programme helped improve Nexteer's resiliency by reducing fixed costs.

- **Technical Centre Reorganisation**: In 2023, we renamed our technical centres to reflect our strategy to optimise research and development (**R&D**) in the context of thinking global yet acting local. As part of this effort, we are equipping our divisions with the necessary resources to drive efficient and effective business decisions, while also assessing best practices to support a thorough, strong global function alignment. Furthermore, we continue to rebalance our engineering resources to reflect the overall needs of our global customer base and optimise for cost and time efficiencies.

  Our five technical centres are now renamed according to their locations: US (**USTC**), Mexico (**MXTC**), EMEASA (**EUTC**), India (**INTC**) and APAC (**APTC**). The INTC will provide global support from a perspective of software production, virtual engineering, cybersecurity and R&D, while the divisional technical centres (USTC, MXTC, EUTC and APTC) will focus on the business needs of their division with a goal to enhance agility, speed, customer and market responsiveness, as well as R&D and innovation.

- **Optimising Manufacturing Footprint for Efficiencies**: We also continuously look for ways to improve efficiencies in our manufacturing footprint and processes. Two ongoing examples of this include:

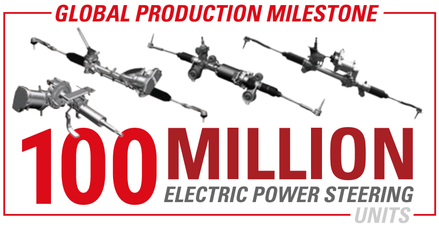
  o **US DL Transformation**: We finalised the footprint optimisation at our Saginaw, Michigan, US DL operations from two plants to one. This will improve our efficiency, quality and cost competitiveness.

  o **NA Columns Transition**: We announced that we will be relocating production of our steering columns business from our US site in Saginaw, Michigan to our Mexico site in Juarez over the next few years (targeting completion by 2026). While the benefits of this transition will occur over several years, we expect this transition to help us enhance profit margins via larger scale and more competitive production and supply chain costs.

TECHNOLOGY UPDATES & ACHIEVEMENTS

100 MILLION EPS PRODUCTION MILESTONE GLOBALLY

In 2023, Nexteer achieved the global production milestone of 100 million EPS systems – further highlighting our EPS technology and global market leadership. As the number one EPS supplier in NA and number three globally, Nexteer's growth has been fueled by our alignment to key megatrends like electrification and software, as well as our long-standing commitment to relentless innovation and experience as systems integrators.



In addition, Nexteer also accomplished several local EPS production milestones, including:

- **Querétaro, Mexico**: 20 million EPS systems

- **Saginaw, Mich., USA**: 15 million REPS systems

- **Tychy, Poland**: 15 million CEPS systems

- **China***: 25 million EPS systems

* China EPS production milestone accumulated from Suzhou, Liuzhou, Wuhan and Chongqing facilities.

GLOBAL FOOTPRINT TO FURTHER CAPITALISE ON APAC GROWTH

In November 2023, Nexteer announced we will further capitalise on APAC growth by increasing manufacturing and testing capacity through a strategic footprint expansion into Changshu within China's Jiangsu Province nearby the company's existing facilities in Suzhou.

To meet growing demand from both global and domestic OEM customers in APAC, Nexteer's approximately 21.4-acre site in Changshu will produce EPS alongside the company's two production facilities in Suzhou. In addition to supplementing production, the Changshu site will supplement Nexteer's APAC Technical Center's testing and validation capacity and will feature state-of-the-art testing and validation labs as well as an on-site test track. The Changshu production and testing facilities are expected to be operational in early 2025.

DISSOLUTION OF CNXMOTION, LLC JV

In February 2023, Nexteer and Continental Automotive Systems, Inc. agreed to dissolve their JV, CNXMotion LLC (**CNXMotion**), to reallocate resources in support of shifting business priorities. For example, Nexteer reassigned our employees from the JV to help the Company keep pace with growing demand for SbW and software-based technologies. CNXMotion was established in 2017 with the goals to accelerate R&D innovation and integrate steering and braking technologies for motion control. The venture resulted in 60+ records of invention, over 30 patent filings, several patent awards to-date, and software products such as SbB. The parent companies will continue to leverage the successful innovations generated from the JV, as well as consider future project-based collaboration opportunities.

DISSOLUTION OF DONGFENG NEXTEER STEERING SYSTEMS (WUHAN) CO., LTD.

In July 2023, Nexteer and Dongfeng Motor Parts and Components Group Co., Ltd. agreed to dissolve their JV, Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd.. Nexteer reallocated the resources and shifted the JV to Nexteer Automotive (Suzhou) Co., Ltd. Wuhan Branch, 100% owned by Nexteer. The facility and employees remained to better support global and domestic OEM customers in China market.

DISCONTINUATION OF eDRIVE BUSINESS

In March 2023, Nexteer discontinued our eDrive product line. Discontinuation was a strategic step that enables us to capitalise on SbW and future revenue streams that are being accelerated by the electrification megatrend. Our eDrive product line was announced in March 2022 with the launch of a 48-volt Integrated Belt-Driven Starter Generator (**iBSG**). Since then, OEM interest in SbW and software-related solutions has significantly increased. In March 2023, we reassigned employees in R&D and at our APTC who were focused on eDrive to other business priorities.

INTELLECTUAL PROPERTY PROTECTION & TECHNOLOGY

Nexteer is dedicated to protecting our intellectual property rights, which are crucial to our business growth and our ability to differentiate ourselves from competitors. We actively apply for protection for Nexteer's intellectual property to guard our exclusive rights. As of December 31, 2023, Nexteer's global portfolio includes 815 patent applications and 1,390 issued patents. The sustained growth in issued patents is a result of our robust applications in previous years and it demonstrates our efforts for observing and protecting intellectual property rights. In alignment with industry megatrends, 23% of patents granted during 2023 are related to Software-as-a-Product, SbW, and/or ADAS/AD enabling technologies. Additionally, 30% of our 2023 patent filings are directly related to these identified technologies. Our innovative and current patent portfolio is proof of our technological leadership in motion control technology.

DEMONSTRATED LEADERSHIP VIA TECHNOLOGY DEMONSTRATIONS & SPEAKING ENGAGEMENTS

In 2023, Nexteer's thought leaders continued to be sought after speakers at high-profile, industry events around the world to discuss the challenges, opportunities and solutions related to mobility megatrends and motion control technology.

Nexteer speakers were featured at the following 2023 events:

- Reuters Automotive Europe
- Next Generation Steering Systems Summit – USA
- Next Generation Steering Systems Summit – Europe
- Automotive News Roundtable Question & Answer
- Society of Automotive Engineers WCX™ World Congress Experience
- Society of Automotive Analysts Lunch & Learn Webinar
- EcoMotion
- Automotive Steering Systems USA
- ChassisTech Plus
- Moto Idea 2023 Conference – Europe
- XXIII Lean Conference – Europe
- Automotive Chassis Systems 2023 – Europe
- New Industry 4.0 Conference – Europe
- Center for Automotive Research (CAR) Management Briefing Seminars (MBS)

Nexteer President, CTO & CSO, Robin Milavec, speaking at a panel at CAR MBS.

CORPORATE UPDATES & ACHIEVEMENTS

EMBRACING OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)/SUSTAINABILITY JOURNEY

In addition to product and technology expertise, Nexteer continues to demonstrate industry leadership as a business partner and employer of choice through our commitment to corporate social responsibility.

Inspired by our vision – "we are the leading motion control technology company accelerating mobility to be safe, green and exciting" – we continue to identify opportunities to embrace sustainability in our Strategy for Profitable Growth, such as by aligning our innovation and technology with industry megatrends like electrification, by exploring levers with impacts improving operation efficiency and our environmental footprints, as well as by maintaining our commitment to conduct our business ethically and with transparency.

We believe that through sustainable practices, we can continue to improve our performance and provide greater value to our key stakeholders, including shareholders, employees, customers, suppliers, local communities, society and so on. As we advance our ESG journey, we continue to integrate sustainability into our global business strategies and culture. Furthermore, with fast-evolving global landscape and elevating stakeholder expectations, embracing ESG risks and opportunities with an Enterprise Risk Management (**ERM**) approach shall help us strengthen our business resilience and further alignment with enterprise strategy for sustainable growth.

During 2023, Nexteer was recognised for our ESG performance as a member of a national best list of America's Most Responsible Companies 2024 and America's Greatest Workplaces for Diversity 2024. In addition, Nexteer was named a constituent member of the Hong Kong Hang Seng Corporate Sustainability Benchmark Index (**HSSUSB**) for the seventh consecutive year. Around the world, our One Nexteer team collaborate for sustainable growth. Examples of achievement included renewable energy and emission reduction initiatives, such as ground-breaking a 25-acre solar field at our Saginaw, USA site, as well as multiple people and workplace awards celebrated by our global team. These recognitions encourage us to continue to pursue sustainable efforts collectively working with our stakeholders.

SUSTAINABILITY HIGHLIGHTS
FIVE **KEY FOCUS AREAS**

- **BUSINESS ETHICS**
- **SUPPLY CHAIN**
- **COMMUNITY**
- **VALUE CREATION**
- **HEALTH, SAFETY and ENVIRONMENT**

We publish an annual ESG/Sustainability Report in accordance with the Environmental, Social and Governance Reporting Guide, as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**). We invite you to learn more about our culture and the strides we are making to improve our sustainable performance by referencing our Corporate Sustainability information at https://www.nexteer.com/sustainability/.

CUSTOMER & INDUSTRY RECOGNITION

In 2023, Nexteer was honoured for innovation, quality, excellence and exceptional customer relationships. Here is a summary of achievements:

Innovation Awards

- China Lingxuan Award for Advanced Technology/Auto Software for Road Surface Detection & Early Intuitive Warning Software with Tactile Mobility
- China Automobile & Parts Innovative Technology/ADAS Award for Road Surface Detection & Early Intuitive Warning Software with Tactile Mobility
- China Automobil Industrie Innovative Technology Award for Road Surface Detection & Early Intuitive Warning Software with Tactile Mobility
- Auburn Hills Chamber of Commerce's Oakland University Innovator of the Year Award for SbW with Stowable Steering Column

Supplier Partnership, Quality and Manufacturing Awards

- GM Supplier Quality Excellence Award for Nexteer Ciudad Juarez (Mexico) – Third Consecutive Year
- ZEEKR Strategic Cooperation Award for Nexteer Suzhou (China)
- Wuling Motors Best Quality Performance Supplier Award for Nexteer Liuzhou (China)
- XPENG's Cooperation Award for Nexteer Suzhou
- GM Supplier Quality Excellence Award for Nexteer India
- Jiyue Best Delivery Award for Nexteer Suzhou
- GM Dongyue Quality Pioneer for Nexteer Wuhu (China)
- FAW VW Excellent Quality Award for Nexteer Zhuozhou (China)

Sustainability and People Awards

- Member of a national best list of America's Most Responsible Companies 2024 – Fourth Time in Five Years
- Member of the HSSUSB – Seventh Consecutive Year
- Super empresa Ranking 2023 for Nexteer Mexico – Fourth Time
- Jiangsu Province Corporate Social Responsibility Construction – Industry Top 10 Award for Nexteer Suzhou
- TOP HRM Excellent Employer Award for Nexteer China
- 2023 Great Place to Work Certification for Nexteer Brazil – Sixth Time Since 2017
- 2023 Great Place to Work Certification for Nexteer Morocco – Fourth Consecutive Year
- Top Organizations with Innovative HR Practices for Nexteer India

REGIONAL MARKET HIGHLIGHTS

In 2023, Nexteer continued optimisation of our global manufacturing footprint and technical centres to enhance efficiencies as well as customer and market responsiveness. Across all our locations, we operate within a "think global and act local" mindset. This enables us to remain aligned across all our locations as we collaborate, innovate and drive efficiencies to turn our vision into reality. The following is a brief overview of accomplishments by region during 2023.

NORTH AMERICA (NA)

Throughout the year, our NA segment remained focused on executing flawless programme launches and providing exceptional quality and technical support to our customers, as well as winning future business for our US and Mexico operations.

Our NA team secured US$3.6 billion in business bookings in 2023 – including several significant new programmes:

- Our first stand-alone software programme with a leading, global OEM
- Our second SbW programme with a leading, global OEM
- Our first EPS business with a global EV leader
- EV truck programme volume increase

The collective impact of NA's 2023 programme launches plus carry-over benefit from 2022 launches, enabled the NA segment to achieve a 0.53% increase in revenue when compared with 2022. Adjusting for commodity recoveries, the segment experienced a revenue increase of 1.1%, underperforming the market by 810 basis points due to the UAW strike and customer mix.

In 2023, the NA segment also executed 13 programme launches. With our dedication to launch excellence, Nexteer in Juarez, Mexico was recognised with GM's "Supplier Quality Excellence Award."

During the year, our NA team also took several actions to reduce costs and improve business robustness including:

- Completed transformation of our US DL operations from two plants to one to improve our efficiency, quality and cost competitiveness
- Began transitioning our NA CIS production from our US site in Saginaw, Michigan to our Juarez, Mexico site (targeting completion by 2026) to help us enhance profit margins via larger scale and more competitive production and supply chain costs
- Completed a voluntary early retirement programme for eligible US salaried employees
- Mitigated the impact of the UAW Strike in NA with cost reduction initiatives
- Managed unexpected supply chain disruptions from a troubled supplier by deploying resources to ensure stabilized production, supporting the troubled supplier including premium freight and labor, and working closely with the impacted customer to resource alternative suppliers capable of a quick production ramp-up

In 2023, we announced plans to open a new building for our new MXTC. The MXTC will focus on the business needs of the division with a goal to enhance agility, speed, customer and market responsiveness, as well as R&D and innovation. Furthermore, we continue to rebalance our engineering resources to reflect the overall needs of our global customer base and optimise for cost and time efficiencies.

In addition, our NA team continued to focus on activities that support our commitment to ESG and make Nexteer a great place to work, including breaking ground and starting construction on a 25-acre solar field at our Saginaw, Michigan, US site, opening a new, advanced, on-site medical facility for employees and their families at our Saginaw site, being recognised in numerous community service projects and more.

ASIA PACIFIC (APAC)

The APAC segment successfully launched 39 programmes in the region, covering international OEMs, local OEMs and key NEV customers in 2023. These programme launches, and the carry-over benefit from launches in 2022, enabled the APAC segment to achieve a historic level of revenue US$1.2 billion, presenting more than 25% increase when compared with 2022, with strong profitability and free cash flow performance. Adjusting for foreign currency and commodity recoveries, the segment experienced a revenue increase of 32.1%, outperforming the market by 2,290 basis points.

Nexteer AP Division strengthened leadership position in China's EPS market among Chinese domestic OEMs through NEV customer strategy. At the same time, Nexteer China DL business achieved a historic level of revenue.

Nexteer India also achieved steady increases in DL and EPS market penetration and consolidated customer relationships in the Indian automobile market.

In 2023, the APAC segment achieved US$1.8 billion bookings. In addition to incumbent customer programmes, the segment was also awarded several key conquest customer programmes in both EPS and DL business, especially on NEV models, providing further growth opportunities.

The APAC segment continued to develop in-region engineering capabilities benefitting current and future customers as well as fostering an innovative culture and environment throughout the organisation. The local engineering capabilities are further developed and applied in Modular REPS, High Output CEPS and Modular DPEPS within the APAC segment. SbW technology capabilities are also being developed, to capture future growth opportunities.

APAC continued delivering exceptional quality to our customers and contributing economic growth to the local community. Nexteer Wuhu company was awarded Wuhu Intelligent Factory and Top 100 Industrial Enterprises. Nexteer Chongqing company was recognised as Chongqing Digital Shopfloor and High & New Technology Enterprises.

The APAC segment earned a wide range of recognition from customers, government and associations in recognition of innovation, service, CSR activities and positive social impact. These included: 13 customer awards for excellent performance in 2023; three awards for being an employer of choice for Nexteer China and Top Organizations with Innovative HR Practices for Nexteer India; and three awards from leading trade media recognising Nexteer's capabilities in innovation and products, as well as community outreach including the establishment of a fifth Nexteer Library in a rural area in China.

EUROPE, MIDDLE EAST, AFRICA AND SOUTH AMERICA (EMEASA)

In 2023, the EMEASA segment continued its growth and product diversification trend by launching 3 new programmes across all sites. With the 2023 programme launches, EMEASA has further strengthened its alignment between Nexteer technologies and OEMs' needs and megatrends – including electrification. Adjusting for foreign currency and commodity recoveries, the segment experienced a revenue increase of 14.8%, outperforming the market by 430 basis points.

These programme launches, and the carry-over benefit of launches executed in 2022, enabled the EMEASA segment to achieve a 17% increase in 2023 revenue when compared with 2022. We continue to work with European customers such as Stellantis, BMW and RNM to grow our Steering and DL revenue in the region. In addition to successful launches, EMEASA also recorded new Booking successes in 2023 totaling US$0.7 million.

The growth of EMEASA was driven by new programmes and product groups, which are mainly developed in the region, the EUTC in Tychy, Poland and the Customer Service Centers in Germany, France, Italy and Brazil. The strengthening of regional engineering is made possible by the on-going expansion of the development team. With the global design responsibility for pinion-based EPS systems, EMEASA plays an important role in Nexteer's strategic innovation network.

To facilitate the expansion of EMEASA and fortify its technological capabilities and infrastructure at the EUTC, the region initiated the upgrade of its engineering facility. This comprehensive expansion, incorporating mechanical, electrical and software development, prototype shop, advanced test and validation, and training, will empower the region to enhance operational efficiencies and customer responsiveness, while upholding its reputation as an exceptional workplace.

Meanwhile in Brazil, volume recovered strongly in 2023 reaching a record revenue for the region in 2023, with 30% revenue increase compared to 2022.

Financial Highlights

Results (US$'000)	2023	2022	Change
Revenue	**4,206,793**	3,839,703	9.6%
Gross profit	**368,593**	367,151	0.4%
Profit before income tax	**64,227**	91,947	(30.1%)
Income tax expense	**(19,052)**	(26,434)	(27.9%)
Profit attributable to equity holders of the Company	**36,737**	58,013	(36.7%)
Profit for the year	**45,175**	65,513	(31.0%)
Adjusted EBITDA	**346,556**	364,825	(5.0%)

Assets and Liabilities (US$'000)	2023	2022	Change
Non-current assets	**1,856,924**	1,843,180	0.7%
Current assets	**1,547,669**	1,492,101	3.7%
Non-current liabilities	**304,722**	331,690	(8.1%)
Current liabilities	**1,089,030**	1,026,441	6.1%
Capital and reserves attributable to equity holders of the Company	**1,963,816**	1,933,825	1.6%

These financial highlights should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2023 (the **Consolidated Financial Statements**).

MANAGEMENT DISCUSSION & ANALYSIS

The following management discussion and analysis should be read in conjunction with the Consolidated Financial Statements, included herein, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

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 weakening 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 Consolidated Financial Statements 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 Consolidated Financial Statements 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 Consolidated Financial Statements 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. 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 US$'000	For the year ended December 31, 2022 US$'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 US$'000	For the year ended December 31, 2022 US$'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

Details of the borrowings of the Group during the year are set out in note 17 to the Consolidated Financial Statements.

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-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.

Please refer to the Business Overview section earlier in this report for more details on our alignment to these megatrends.

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.

FORWARD-LOOKING STATEMENTS

Any forward-looking statements and opinions contained within this Annual Report 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 Annual Report; 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.

Directors and Senior Management

DIRECTORS

The Board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information concerning the Directors of the Company (the **Directors**) during the year ended December 31, 2023 and as at the date of this annual report:

Name	Age	Position title	Date of appointment(s)	Roles and responsibilities
Executive Directors				
LEI, Zili (雷自力)	53	Executive Director, Chief Executive Officer and Chairman	June 21, 2022, June 21, 2022 and March 16, 2022 (formerly non-Executive director on June 8, 2021)	Overseeing our Group's strategic vision, direction and goals and overseeing the overall execution of our Group's strategy
MILAVEC, Robin Zane	56	Executive Director and President, Chief Technology Officer & Chief Strategy Officer	June 30, 2020, August 17, 2021 (formerly Senior Vice President on July 1, 2019) and July 1, 2019, respectively	Responsible for integrating corporate strategy, Global Engineering
Non-Executive Directors				
WANG, Jian (王堅)	62	Non-Executive Director	June 3, 2019	As a non-Executive Director
ZHANG, Wendong (張文冬)	47	Non-Executive Director	November 13, 2020	As a non-Executive Director
SHI, Shiming (石仕明)	44	Non-Executive Director	June 21, 2022	As a non-Executive Director
Independent Non-Executive Directors				
LIU, Jianjun (劉健君)	55	Independent non-Executive Director	June 15, 2013	As an Independent non-Executive Director
WANG, Bin (王斌)	58	Independent non-Executive Director	June 21, 2022	As an Independent non-Executive Director
YUE, Yun (岳雲)	53	Independent non-Executive Director	June 21, 2022	As an Independent non-Executive Director

Executive Directors

LEI, Zili (雷自力) (Chairman and Chief Executive Officer), aged 53, was appointed as our non-Executive Director on June 8, 2021 and redesignated as an Executive Director on June 21, 2022. He was appointed as the Chairman of the Board on March 16, 2022 and the Chief Executive Officer on June 21, 2022. He served as a member of the Audit and Compliance Committee from June 8, 2021 to March 16, 2022. Mr. LEI is a member of the Global Strategy Council (**GSC**) of the Company. Mr. LEI has over 28 years of relevant experience in the automotive industry. As the Chairman of the Board, Mr. LEI is primarily responsible for chairing Board and shareholders' meetings and setting agendas, as well as facilitating communication between the Board and management. He serves as the board of director of AVIC Airborne System Co., Ltd. since June 2022, the chairman of AVIC Automotive Systems Holding Co., Ltd. (**AVIC Auto**) since May 2021, the chairman and of AVIC Hande (Beijing) Investment Holding Co., Ltd., a non wholly-owned subsidiary of AVIC Auto since May 2021, and the chairman of Henniges Automotive Holdings, Inc. since August 2020. He served as the chairman of Pacific Century Motors, Inc. (**PCM China**) and the director of Nexteer Automotive (Hong Kong) Holdings Limited (**Nexteer Hong Kong**) since November 2020. From December 2021 to November 2022 Mr. LEI served as the chairman of Guizhou Guihang Automotive Components Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600523). From March 2013 to July 2020, he served as the executive director and general manager of AVIC Hubei Aviation Precision Machinery Technology Co., Ltd. From September 2000 to March 2013, he served successively as the deputy general manager, general manager of Hubei Aviation Precision Machinery Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, Stock Code: 002013). From April 1995 to September 2000, he served successively as the planner, deputy manager and manager of the Planning Department of China Aviation Life-support Research Institute Jiali Branch. From July 1990 to April 1995, he served as the technician in the Petrochemical Department of China Aviation Life-support Research Institute. Mr. LEI graduated from Department of Mechanical Engineering of Zhengzhou University of Aeronautics in July 1990, obtained a master's degree in business administration from Zhongnan University of Economics and Law in October 2005. Mr. LEI is currently a senior economist awarded by Aviation Industry Corporation of China, Ltd. (**AVIC**).

MILAVEC, Robin Zane, aged 56, was appointed as our Executive Director on June 30, 2020. He was appointed as President of the Company on August 17, 2021 and was appointed as Chief Technology Officer and Chief Strategy Officer of the Company on July 1, 2019. In his combined responsibilities, Mr. MILAVEC will facilitate global alignment and teamwork, while spearheading the strategic direction of Nexteer and ensuring technology roadmap alignment with industry mega-trends to proactively capture growth opportunities. Mr. MILAVEC is a member of the GSC. He has over 34 years of relevant experience in the automotive industry, including positions in Product Engineering, Manufacturing Engineering, Operations and Quality. Mr. MILAVEC has been appointed as a director of Nexteer (China) Holding Co., Ltd., a subsidiary of the Group, with effect from August 17, 2021. At the Company, he served as Senior Vice President from July 2019 to August 2021, Vice President of Global Engineering from January 2018 to July 2019, Vice President of Global Current Product Engineering from June 2017 to January 2018, Executive Director of Global Product Engineering from August 2016 to June 2017, Director of Corporate Engineering and Global Programme Office from 2012 to 2016 and Chief Product Engineer for electric power steering from 2009 to 2012. At Delphi Saginaw Steering Systems, he served as Chief Product Engineer for driveline from 2005 to 2009, Chief Manufacturing Engineer for driveline from 2003 to 2005, and as Quality Manager for Saginaw plants 4 and 5 from 2000 to 2003. He served as an Engineering Supervisor at the Delphi Automotive Mexico Technical Centre in Juarez, Mexico from 1995 to 1997. Mr. MILAVEC began his career with General Motors in 1989 as a Product Engineer at the former Saginaw Steering Gear Division, and held several positions in engineering, quality and operations prior to his Mexico assignment in 1995. He obtained a bachelor's degree in mechanical engineering from New Mexico State University in Las Cruces, the US, in 1989 and a master's degree in mechanical engineering from the University of Michigan in Ann Arbor, the US, in 1992.

Non-Executive Directors

WANG, Jian (王堅), aged 62, was appointed as our non-Executive Director and Chairman of the Board on June 3, 2019. Mr. WANG resigned as Chairman of the Board with effect from March 16, 2022. Mr. WANG has over 28 years of relevant experience in the automotive industry. He has also been appointed as Chief Executive Officer of AVIC Cabin Systems Co., Limited since April 2022. From January 2018 to November 2021, Mr. WANG served as the chief economist of AVIC, our controlling shareholder. From August 2020 to May 2021, Mr. WANG served as the chairman of the board of AVIC Auto (a subsidiary of AVIC), our controlling shareholder. From May 2014 to September 2018, he was a director and the chairman of the board of AVIC Electromechanical Systems Co., Ltd. (Stock Code: 002013.SZ), a wholly-owned subsidiary of AVIC. From February 2010 to September 2018, he was a director, executive director and general manager of Aviation Electromechanical Systems Co., Ltd., a wholly-owned subsidiary of AVIC. From January 2013 to May 2014, he was the chairman of the board of Hubei Aviation Precision Machinery Technology Co., Ltd. (known as AVIC Electromechanical Systems Co., Ltd. since February 2014), a non wholly-owned subsidiary of AVIC. From February 2009 to February 2010, he was the deputy general manager of AVIC Electromechanical Systems Ltd., a wholly-owned subsidiary of AVIC. From March 2006 to May 2012, he was a director of China National Aero-Technology Import & Export Corporation, a wholly-owned subsidiary of AVIC, and AVIC International Holding Corporation, a non wholly-owned subsidiary of AVIC, respectively. From October 1998 to February 2010, he was the head of the research centre of the Jincheng Nanjing Engineering Institute of Aircraft Systems, a subsidiary of AVIC. From October 1998 to February 2010, he successively served as a director, deputy general manager, general manager, vice chairman of the board, as well as chairman of the board and general manager of Jincheng Group Co. Ltd., a wholly-owned subsidiary of AVIC. From August 1982 to September 1998, he successively acted as a technician, head of technical section, head of technical transformation section, head of planning department, head of production department, general manager and chief economist of motor business division, director of technical centre, director of quality control centre, deputy general manager and general manager of Jincheng Machinery Co., Ltd. (formerly as Jincheng Machinery Plant), a wholly-owned subsidiary of AVIC. Mr. WANG holds a postgraduate master's degree. He graduated in July 1982 from Nanjing Aeronautical Institute, China (now known as Nanjing University of Aeronautics and Astronautics, China) with a bachelor's degree majoring in machinery manufacturing engineering. He graduated in March 2003 from Beijing University of Aeronautics and Astronautics, China with a master's degree in economics and obtained a master's degree in business administration from Cheung Kong Graduate School of Business, China in December 2010.

ZHANG, Wendong (張文冬), aged 47, was appointed as our non-Executive Director on November 13, 2020. Ms. ZHANG has served as the deputy general manager of Beijing E-Town International Investment & Development Co., Ltd. since July 2018 and the chairman of Beijing E-Town International Financing Guarantee Co., Ltd since June 2017. She has served as the chairman of Beijing E-town Semiconductor Technology Co., Ltd. since September 2023. From November 2017 to November 2021, Ms. ZHANG served as the non-executive director, the member of audit committee, the member of compensation committee and the member of nominating and corporate governance committee of the board of UTStarcom Holdings Corp, a company listed on NASDAQ (ticker symbol: UTSI). Ms. ZHANG also held various positions in Beijing E-Town International Investment & Development Co., Ltd., including assistant to the general manager from June 2015 to July 2018, the director of asset management department from January 2014 to June 2015 and the deputy director of asset management department from December 2012 to January 2014. From October 2007 to December 2012, she served as the head of the corporate development department of Dongfang Cultural Asset Management Company; from July 2000 to September 2007, she served as the manager of the project department of Beijing Shengandi Investment Management Consulting Company. Ms. ZHANG is currently a senior economist. Ms. ZHANG graduated with a major in economics and obtained a bachelor's degree from Minzu University of China in May 2005. She obtained a master's degree in business administration (MBA) from University of Chinese Academy of Sciences, China in July 2016.

SHI, Shiming (石仕明), aged 44, was appointed as our non-Executive Director on June 21, 2022. Mr. SHI has over 21 years of experience in the finance industry. Mr. SHI is currently an executive director of Nexteer Hong Kong, the immediate controlling shareholder of the Company. From July 2002 to February 2003, Mr. SHI worked in the finance department of Jiangxi Hongdu Aviation Industry Group. From February 2003 to June 2020, Mr. SHI worked in the finance department of AviChina Industry & Technology Company Limited (**AviChina**), a company listed on the Stock Exchange, and served successively in the roles of assistant to the chief manager, deputy manager and chief manager of finance. He was also a supervisor of AviChina from June 2018 to December 2020. From July 2020 to August 2023, Mr. SHI served as the chief financial officer of AVIC Automotive Systems Holding Co., Ltd., an indirect controlling shareholder of the Company. From September 2023, he has served as deputy general manager of AVIC Industry – Finance Holdings CO.,LTD.. Mr. SHI graduated from the department of economics and law of Zhongnan University of Economics and Law, the PRC in 2002, majoring in finance taxation, and obtained his master's degree in accounting from Renmin University of China, the PRC in 2009.

Independent Non-Executive Directors

LIU, Jianjun (劉健君), aged 55, was appointed as our Independent non-Executive Director on June 15, 2013. Mr. LIU was in the legal department of China Ocean Shipping (Group) Company container lines (中國遠洋運輸集團總公司集裝箱運輸) from July 1993 to March 1999, a partner at Zhong Sheng Law Firm, Beijing (北京中盛律師事務所), from April 2001 to October 2006, a senior associate in Zhong Lun Law Firm, Beijing (北京中倫律師事務所) from November 2006 to May 2007, and has been a partner at Zhonglun W&D Law Firm, Beijing (北京中倫文德律師事務所), since June 2007. Mr. LIU started practicing as lawyer in China in August 2001. He obtained a master's degree in law from Peking University, China, in July 1998, and a law degree from Washington University in St. Louis, the USA, in May 2004.

Dr. WANG, Bin (王斌), aged 58, was appointed as our Independent non-Executive Director on June 21, 2022. Dr. WANG is a professor of finance at the business school of Beijing Technology and Business University, as well as a member of its university-level academic committee. He is currently an independent director of UBS Securities Co., Ltd (瑞銀證券有限責任公司) and China Tea Co., Ltd (中國茶葉股份有限公司), respectively. Dr. WANG had retired as an independent non-executive director and chairman of the audit and risk management committee of China Tourism Group Duty Free Corporation Limited (listed on the Shanghai and Hong Kong Stock Exchanges) on June 29, 2023 due to the expiration of the current term of office. Dr. WANG graduated from Beijing Technology and Business University with a bachelor's degree in accounting in July 1987 and a master's degree in accounting in December 1989, and from the Chinese Academy of Fiscal Science (Ministry of Finance of China) with a doctorate in accounting in July 2001. Dr. WANG is the author of over 50 academic papers in top domestic and foreign academic publications and journals. He is one of the directors of Accounting Society of China, as well as the vice-chairman of its management accounting research committee since 2007. Dr. WANG has received various accolades in relation to his work as a top academic in China.

Mr. YUE, Yun (岳雲), aged 53, was appointed as our Independent non-Executive Director on June 21, 2022. Mr. YUE is a practicing lawyer, senior partner and deputy director of Beijing Jundu Law Firm with more than 19 years of experience in the legal field. Mr. YUE, Yun was a representative of the 9th, 10th and 11th Shanghai Lawyers' Congress, a member of the Shanghai Lawyers Association Mergers and Acquisitions Committee, and a member of the Shanghai Lawyers Association Disciplinary Committee. He previously served as an independent director of AECC Aviation Power Co., Ltd. (中國航發動力股份有限公司) from January 2015 to March 2021. Mr. YUE graduated from the department of social sciences of Hefei University in July 1992 and further obtained his master's degree in civil and commercial law from East China University of Political Science and Law in July 2005.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company (collectively, the **Senior Management**) during the year ended December 31, 2023 and as at the date of this annual report:

Name	Age	Position/Title
LEI, Zili (雷自力)(1)	53	Chief Executive Officer
MILAVEC, Robin Zane(1)	56	President, Chief Technology Officer and Chief Strategy Officer
BOYER, Hervé Paul	52	Senior Vice President and Global Chief Operating Officer
BIERLEIN, Michael John	47	Senior Vice President and Chief Financial Officer
BENSON, OT(3)	49	Vice President and EMEASA Division President
LI, Jun (李軍)	51	Vice President, APAC Division President
DRALLE, Jill Annette	52	Vice President, Chief Operating Officer – USA
HARRIS, Steven Robert	57	Vice President, Global Engineering
ZICHELLA, Giuseppe(2)	55	Vice President, Global Sales
PASTOR, Ricardo Antonio	58	Vice President, Global Quality and Manufacturing
SPENCER, Jr., Robert William	50	Vice President and General Counsel
BYERS, David Michael	58	Vice President, Global Sales and Programme Management
VILLARREAL, Abiel	50	Vice President, COO Mexico
RUIZ, Pascale Crystèle	52	Vice President, Chief Human Resources Officer

Notes:

(1) Please refer to the section headed 'Directors and Senior Management – Directors' earlier in this report for biographical details.

(2) Mr. ZICHELLA, Giuseppe ceased to act as Vice President, Global Sales with effect from March 6, 2023.

(3) Mr. BENSON, OT ceased to act as Vice President and EMEASA Division President with effect from March 22, 2023.

BOYER, Hervé Paul, aged 52, was appointed as our Senior Vice President, Global Chief Operating Officer and North America Division President in August 2021. He leads efforts to enhance Nexteer's operational efficiencies and profitability – including Nexteer's day-to-day value chain management and profit & loss performance across all divisions. He is also a member of the GSC. Mr. BOYER has over 23 years of relevant experience in the automotive industry. From March 2016 to August 2021, Mr. Boyer held the position of Vice President, Divisional President – EMEASA Division. Prior to Nexteer, from May 2015 to February 2016, Mr. BOYER held the position of executive director of the NBHX Electronics group where he had the responsibility to run the Interior Trims business. Mr. BOYER spent several years within the Faurecia group where he served as president of North America Operations from June 2012 to July 2014 for the Interior Systems business group. From January 2009 to June 2012, Mr. BOYER was vice president of the South Europe perimeter of Faurecia Interior Systems and previously served as vice president for French, US and Japanese Divisions, from May 2008 to December 2008. Mr. BOYER has also served as director for the Renault-Nissan Division from January 2006 to May 2008. From 2001 to 2005, Mr. BOYER held several sales and marketing positions at Faurecia Interior Systems and served as programme manager from September 1994 when he joined Sommer Allibert Industrie which was acquired by Faurecia group in late 2000. Mr. BOYER earned a degree in manufacturing engineering from L'Ecole Centrale de Nantes, France, in 1994 and attended the Advance Management Programme of Harvard Business School, the USA, in 2014.

BIERLEIN, Michael John, aged 47, was appointed as our Senior Vice President and Chief Financial Officer in September 2021. He is responsible for overseeing investor relations, treasury, capital funding and structure, mergers and acquisitions support, accounting and financial reporting, and financial planning and analysis. He is also a member of the GSC. Mr. BIERLEIN has 24 years of relevant experience in the automotive industry. From August 2020 to August 2021, Mr. BIERLEIN served as Nexteer's North America Chief Financial Officer and Global Engineering Finance after serving as Executive Director, Strategic Financial Planning from March 2015 to August 2020. Prior to joining Nexteer, Mr. BIERLEIN spent 17 years with Delphi Corporation in a variety of financial leadership roles both at a divisional and corporate level ranging from Financial Director and Controller to Senior Manager – Strategic Planning, Labour Negotiations, Financial Planning and Analysis and Plant Controller. Mr. BIERLEIN earned a degree in Finance in 1998 and a Masters of Business Administration in 2003 from Michigan State University, the USA.

LI, Jun (李軍), aged 51, was appointed as our Vice President, APAC Division President and eDrive Product Line on January 1, 2022. In this role, he is responsible for leading and achieving the strategic objectives of the APAC Division, as well as leading global cross-functional collaboration to define and execute this product line's technology, portfolio strategy, customer strategy and industrialisation plans. He is a member of the GSC. Mr. LI offers over 20 years of relevant experience in the automotive industry. Prior to his current role, Mr. LI was Vice President and APAC Division President from November 2017 to January 2020 and he was responsible for eDrive product line from January 2020 to December 2021. From October 2016 to November 2017, Mr. LI was Executive Director and Chief Operating Officer – Asia Pacific Division with the same responsibility. Before that, he served as Asia Pacific Steering Business Director from February 2015 to October 2016 and was responsible for developing the overall business plan and competitiveness. From May 2012 to January 2015, Mr. LI held the position as General Manager to oversee the operations of Nexteer Automotive (Suzhou) Co., Ltd. (**Nexteer Suzhou**). From 2010 to May 2012, Mr. LI served as Plant Manager and was responsible for the overall operational management of Nexteer Suzhou Plant 53. During 2008 and 2010, he took the role as Programme Manager of China's first EPS Programme at Saginaw Steering (Suzhou) Co., Ltd. From 2004 to 2007, Mr. LI served as Programme Launch Manager and Engineering Manager at Delphi Automotive in Shanghai. Prior to joining Nexteer and Delphi Automotive, he held various supervisory positions in manufacturing, project management and engineering at Dongfeng Motor Group for 6 years, and 5 years at China Aerospace Science and Technology Corporation. He obtained a Diploma in Science and Technology in mechanical engineering from Huazhong University of Science & Technology, China in 1991, and a master's degree in business administration from the University of Electronic Science & Technology of China, China, in 2004.

DRALLE, Jill Annette, aged 52, was appointed as our Vice President, Chief Operating Officer, USA on March 17, 2021. She is responsible for the entire USA business, gaining commitments from the business lines and leveraging corporate functions to meet the business plan of the division. Ms. DRALLE brings over 26 years of relevant automotive experience. Prior to her current role, she was Chief Operating Officer of US Operations with a dual role as General Manager of the Columns-HPS Business Unit in Saginaw from May 2019 to March 2021. Ms. DRALLE has held many essential positions at Nexteer since 2008. She was Executive Director of Operational Excellence & Strategy for North America from 2014 to 2018, Plant Manager of Driveline from 2012 to 2014, Plant Operations Manager from 2011 to 2012, and Lean Change Agent for multiple plants from 2008 to 2011. Before Ms. DRALLE joined Nexteer she worked at Delphi Automotive Systems in varying key roles in industrial and manufacturing engineering, quality and operations management. Ms. DRALLE began her automotive career in 1994 with General Motors at the former Saginaw Steering Gear Division and held numerous assignments of increasing responsibility in manufacturing engineering. Ms. DRALLE obtained a bachelor's degree in engineering from Saginaw Valley State University, the USA, in 1993 and was honoured as a distinguished alumni in 2019.

HARRIS, Steven Robert, aged 57, was appointed as our Vice President, Global Engineering in July 2021. He is responsible for global product and manufacturing engineering activities, implementing the product portfolio and production support. He is also a member of the GSC. Mr. HARRIS has over 33 years of relevant automotive experience. Over his career at Nexteer, which began in 1989 as GM/Delphi Steering Systems, he has held multiple, progressive leadership positions across the hydraulic power steering product line (HPS), and electric power steering (EPS) product line. From 2012 to 2016, Mr. HARRIS took an international assignment in Nexteer APAC Suzhou, China starting as Senior Manager EPS Product Engineering, followed by Chief Product Engineer, Steering Systems, before being appointed APAC Engineering Director. In 2016, Mr. HARRIS returned to the US as Executive Director for EPS Product Engineering. Mr. HARRIS earned a degree in Mechanical Technology from Purdue University, the USA, in 1988 and an MBA from the University of Michigan-Flint, the USA, in 1996.

PASTOR, Ricardo Antonio, aged 58, was appointed as our Vice President, Global Quality and Programme Launch on November 16, 2017. He is responsible for all facets of the Global Quality function including strategic planning, execution, measurement and administration of quality systems and controls. He is also in charge of Customer Programme Implementation (**CPI**) where he leads the optimisation of the CPI process and oversees programme launches to ensure successful performance. Mr. PASTOR is a member of the GSC. Mr. PASTOR brings over 33 years of experience in the automotive industry. Mr. PASTOR served as Executive Director of Global Quality at Nexteer since June 2015. Prior to leading the Global Quality function, he was Quality Director for the International and China Divisions from 2010 to 2015. Mr. PASTOR was senior manager in manufacturing planning in 2009, Director of footprint expansion for Asia Pacific from 2006 to 2009 and Chief Engineer for Europe from 2004 to 2006 at Delphi Automotive. Mr. PASTOR held many other leadership positions in engineering quality and programme launch prior to 2006. Over his career, Mr. PASTOR had nine years of expatriate assignments between Europe and China. Mr. PASTOR began his automotive career with General Motors in 1984 at the former Saginaw Steering Gear Division. He obtained a Bachelor of Science degree in electrical engineering with minors in mathematics and chemistry, summa cum laude, from Saginaw Valley State College, the USA, in 1987 and a Master of Science degree in electrical engineering from Oakland University, the USA, in 1990.

SPENCER, Jr., Robert William, aged 50, was appointed our Vice President and General Counsel, in January 2023. He is responsible for all global legal and compliance matters for the organisation and acts as the Company's primary legal advisor in managing major transactions. He is also responsible for overseeing Nexteer's global compliance and sustainability functions. He is a member of Nexteer's GSC. Mr. SPENCER has over 25 years of experience in managing global legal and compliance functions across the automotive, financial and technology industries. Prior to Nexteer, Mr. SPENCER was General Counsel at Henniges Automotive from 2019 to 2023. From 2007 to 2019, he served as Senior Director, Senior Counsel and Assistant Secretary at Dana Incorporated as well as was General Counsel of its Commercial Vehicle and Electrification division. From 2005 to 2007, he served as Vice President, Finance and Securities Counsel and Assistant Secretary, at Comerica Incorporated, and from 2003 to 2004, he was Director and Associate Counsel at Bread Financial (formerly Alliance Data Systems Corporation). Mr. SPENCER's experience also includes posts as a corporate associate with Benesch Friedlander Coplan & Aronoff, LLP (2000-2003) and Stark & Knoll Co., L.P.A. (1998-2000). Mr. SPENCER earned a Bachelor of Science in Business Administration from the Fisher College of Business at The Ohio State University, USA, in 1995, a Juris Doctor from the University of Illinois, USA, in 1998, and a Master of Business Administration from the Ross School of Business at the University of Michigan, USA, in 2017.

BYERS, David Michael, aged 58, was appointed as our Vice President, Global Sales on March 7, 2023. He is responsible for all commercial efforts for the organisation around the globe – leading cross-functional teams to achieve strategic sales goals and playing an integral role in the future profitable growth of the Company. He is a member of the GSC. Mr. BYERS has over 33 years of automotive engineering experience. In his most recent role, he served as Vice President, Electric Power Steering Product Line from March 17, 2021 to March 7, 2023, responsible for developing the overall global EPS product line business plan, strategy and competitiveness. He previously served as Product Line Executive Director – Global EPS from December 2019 to March 2021. He has been an impactful leader at Nexteer, Delphi and GM serving in different roles such as Product Line Executive Director for Rack EPS, Chief Manufacturing Engineer and other leadership roles within engineering. Overall, Mr. BYERS has 15 years of product engineering experience, 15 years of manufacturing engineering/operations experience and 3 years of Product Line Management experience. He has been responsible for 11 US patents and 4 defensive publications throughout his career. Mr. BYERS began his automotive career with General Motors in 1987 at the former Saginaw Steering Gear Division. He obtained a Bachelor of Science degree in mechanical engineering from Clarkson University, the USA, in 1987 and a Master of Business Administration from the University of Michigan – Flint, the USA, in 1993.

VILLARREAL, Abiel, aged 50, was appointed as our Vice President, Chief Operating Officer – Mexico in April 1, 2023. He is responsible for guiding the regional leadership team to achieve their strategic objectives, drive performance results, and contribute to the overall success of Mexico. Mr. VILLARREAL offers nearly 18 years of relevant automotive experience. Prior to his current role, he joined Nexteer as Site Manager and previously served in various leadership positions for 5 years at ZF/TRW and 8 years with Delphi Corporation. Mr. VILLARREAL obtained a Bachelor's degree in Mechanical and Administration from Universidad Autonoma de Nuevo Leon in Monterrey, MX in 1995.

RUIZ, Pascale Crystèle, aged 52, was appointed as our Vice President, Global Human Resources (HR) on August 16, 2023 and is responsible for all HR activities in support of the overall business plan and strategic direction of the organization. Ms. RUIZ offers more than 26 years of service in Nexteer's HR organization, joining Nexteer (Delphi) in 1997. She has progressed through increasingly expanded HR roles in Europe until her appointment as HR Director for the European Division in 2007. Upon the company's transition to Nexteer, she also oversaw HR for the International Division, which included India, Mexico, Brazil, and Australia. During her role as HR Director for Europe, she also served as Global Talent Manager in 2016-2017 and then became HR Director, EMEA-SA Division until relocating to the United States as CHRO. Ms. RUIZ obtained a Master's degree with HR specialization from the Montpellier Business School, Ecole Supérieure de Commerce de Montpellier.

RELATIONSHIPS BETWEEN DIRECTORS AND SENIOR MANAGEMENT

None of the Directors or members of the Senior Management are related to any other Director or member of the Senior Management.

Directors' Report

The Directors are pleased to present their report together with the Consolidated Financial Statements.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on August 21, 2012 as an exempted company with limited liability under the Companies Laws (as amended), of the Cayman Islands (the **Companies Law**). The Company's shares (the **Shares**) were listed on the Hong Kong Stock Exchange on October 7, 2013.

PRINCIPAL ACTIVITIES

The Group develops, manufactures and supplies advanced steering and driveline systems to OEMs throughout the world.

BUSINESS REVIEW

A review of the business of the Group for the year ended December 31, 2023 and a discussion on the Group's future prospects are provided in the Management Discussion and Analysis on pages 28 through 39 and in the CEO Statement on pages 6 through 7. An analysis of the Group's performance during the year using financial key performance indicators is provided within the Financial Highlights on page 5. In addition, discussions on the Group's key policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report on pages 65 through 79 and in this Directors' Report.

KEY RISK AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks rests with every function at divisional and department levels. The Group recognises that operational risks cannot be eliminated completely and that it may not always be cost-effective to do so.

Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. Functions such as, but not limited to, Internal Audit and Internal Control have the responsibility for providing assurance on the internal control framework. Key operational risk exposures are communicated to Senior Management as early as possible so that appropriate risk response can be taken.

Financial Risk

In the course of business activities, the Group is exposed to a variety of financial risks, including market, liquidity and credit risks. The currency environment, interest rate cycles and mark-to-market value of investment securities may pose significant risks to the Group's financial condition, results of operations and businesses. The financial risk management objectives and policies of the Group can be found in note 3 to the Consolidated Financial Statements.

Business Risks

Cyclical industry and a decline in production levels

Our sales are driven by the number of vehicles produced by the automotive manufacturers which is ultimately dependent on consumer demand. The automotive industry is cyclical and sensitive to general economic conditions, including the global credit markets, interest rates, consumer credit, and consumer spending and preferences. Automotive sales and production can also be affected by the age of the vehicle fleet and related scrappage rates, labour relation issues, fuel prices, regulatory requirements, government initiatives, trade agreements, restructuring actions of our customers and suppliers, increased competition and other factors.

Concentration of sales and terms and conditions of the agreement with GM

The supply of products to GM are governed by various agreements and standard terms and conditions applicable to each programme. Certain limited programmes also remain subject to a supply agreement, dated November 30, 2010, pursuant to which we have agreed to continue to manufacture and deliver certain products to GM. For the years ended December 31, 2023 and 2022, our largest customer, GM, accounted for approximately 33% and 32% our consolidated revenues, respectively. A significant decrease in business from GM could materially and adversely impact our business, results of operations and financial condition.

Loss of business or lack of commercial success

Purchase orders generally provide for the supply of a customer's annual requirements for a particular vehicle model, and in some cases, for the supply of a customer's requirements for the life of a particular vehicle model, rather than for the purchase of a specific quantity of products. Lack of commercial success could reduce our revenues or margins and thereby adversely affect our financial condition, operating results and cash flows.

Inability to achieve product cost reductions

During negotiations with the customers, customers tend to demand price reduction over the life of a vehicle model. We also bear significant responsibility on the product design, development and manufacturing engineering. Our financial performance is largely dependent on our ability to achieve product cost reductions through product design enhancement and manufacturing efficiencies. If we fail to achieve cost reductions, it would adversely affect our financial condition, operating results and cash flows.

Increase in costs and restrictions on availability of raw materials and component supply

The cost of raw materials accounted for approximately 65.4% and 66.7% of our consolidated revenues for the years ended December 31, 2023 and 2022, respectively. Raw material, energy, and commodity costs can be volatile. If the costs of raw materials, energy, commodities, and product components increase or the availability thereof is restricted, it could adversely affect our financial condition, operating results and cash flows.

Adverse developments affecting or the financial distress of one or more of our suppliers could adversely affect our financial performance

We obtain components and other products and services from numerous automotive suppliers and other vendors throughout the world. We are responsible for managing our supply chain, including suppliers that may be the sole sources of products that we require, that our customers direct us to use or that have unique capabilities that would make it difficult and/or expensive to re-source. In certain instances, entire industries may experience short-term capacity constraints. Additionally, our production capacity, and that of our customers and suppliers, may be adversely affected by natural disasters or other significant disruptions. Any such significant disruption could adversely affect our financial performance. Furthermore, unfavorable economic or industry conditions could result in financial distress within our supply base, thereby increasing the risk of supply disruption. An economic downturn or other unfavorable industry conditions in one or more of the regions in which we operate could cause a supply disruption and thereby adversely affect our financial condition, operating results, and cash flows.

Substantial international operations

As a result of our global presence, a significant portion of our revenues and expenses are denominated in currencies other than the US dollar. International operations are subject to certain risks inherent in doing business abroad, including exposure to local economic conditions; political, economic, and civil instability and uncertainty (including acts of terrorism, civil unrest, drug cartel-related and other forms of violence, and outbreaks of war, such as the actions taken by Russia in Ukraine); labour unrest; an outbreak of a contagious disease, an epidemic or pandemic or other public health crises, which may cause us or our suppliers and/or customers to temporarily suspend operations in the affected city or country; currency exchange rate fluctuations; and increases in working capital requirements related to long supply chains.

Highly competitive industry and efforts by our competitors to gain market share

We operate in a highly competitive industry and our competitors are seeking to expand market share with new and existing customers. Our competitors' efforts to grow market share could create downward pressure on our product pricing and margins. If we are unable to differentiate our products or maintain a low-cost footprint, we may lose market share or be forced to reduce prices, thereby lowering our margins. Any such occurrence could adversely affect our financial condition, operating results and cash flows.

Our existing indebtedness and the inability to access capital markets

As at December 31, 2023, we had approximately US$49.1 million of outstanding indebtedness, as well as US$370.4 million available but not yet drawn under our credit facilities. The debt instruments governing our indebtedness contain covenants that may restrict our business activities or our ability to execute our strategic objectives, and our failure to comply with these covenants could result in a default under our indebtedness. Additionally, any downgrade in the ratings that rating agencies assign to us and our debt may ultimately impact our access to capital markets. Our inability to generate sufficient cash flow to satisfy our debt and lease obligations, to refinance our debt obligations or to access capital markets on commercially reasonable terms could adversely affect our financial condition, operating results and cash flows.

Impairment charges relating to our long-lived assets

We regularly monitor our long-lived assets for impairment indicators. Our consolidated balance sheet as at December 31, 2023 reflects a carrying amount of capitalised engineering and product development costs of US$732.4 million, a carrying amount of property, plant and equipment of US$1,000.2 million and a carrying amount of right-of-use assets of US$51.4 million. In the event that we determine that our long-lived assets are impaired, we may be required to record a significant charge to earnings that could adversely affect our financial condition or operating results as set out in notes 2.4, 6 and 8 to the Consolidated Financial Statements.

Our intellectual property portfolio

We own intellectual property, including patents, trademarks, copyrights and trade secrets. In some cases, we enter into licensing agreements with respect to intellectual property. In addition, we rely on unpatented proprietary technology. These assets play an important role in maintaining our competitive position. We may assert claims against third parties that we believe are infringing on our intellectual property rights. These claims, regardless of their merit or resolution, are typically costly to pursue. Risks related to the protection of our intellectual property could have a material adverse effect on our business, results of operations and financial condition.

Significant product liability lawsuit or warranty claim

In the event that our products fail to perform as expected, whether alleged or due to an actual fault, we may be subject to product liability lawsuits and other claims or we may be required by our customers or regulators to participate in a recall or other corrective action involving such products. We have also entered into agreements with certain customers where these customers may pursue claims against us for all or a portion of the amounts sought in connection with product liability and warranty claims. We carry insurance for certain product liability claims, but such coverage may be limited. These types of claims could adversely affect our financial condition, operating results and cash flows. As at December 31, 2023, our consolidated balance sheet includes provisions totalling US$50.7 million related to estimated warranty and product liability obligations.

Information technology

A failure of our information technology (**IT**) infrastructure could adversely impact our business and operations. We rely on the capacity, reliability and security of our IT systems and infrastructure. IT systems are vulnerable to disruptions, including those resulting from natural disasters, cyber-attacks or failures in third-party provided services. Disruptions and attacks on our IT systems pose a risk to the security of our systems and our ability to protect our networks and the confidentiality, availability and integrity of our third-party data. As a result, such attacks or disruptions could potentially lead to the inappropriate disclosure of confidential information, including our intellectual property, improper use of our systems and networks, manipulation and destruction of data, production downtimes and both internal and external supply shortages. This could cause significant damage to our reputation, affect our relationships with our customers and suppliers, lead to claims against the Group and ultimately, adversely affect our business.

Environmental laws and regulations

Our global facilities are subject to numerous laws and regulations designed to protect the environment. If we fail to comply with present and future environmental laws and regulations, we could be subject to future liabilities, which could adversely affect our financial condition, operating results and cash flows.

Stakeholders' growing expectations on ESG matters

Increased public awareness and concern regarding global climate change may result in more regional, federal, national and/or international requirements to reduce or mitigate the effects of greenhouse gas (**GHG**) emissions. There continues to be various and complex climate legislation, which creates economic and regulatory uncertainty. Such regulatory uncertainty extends to future incentives for energy efficient vehicles and costs of compliance, which may impact the demand and supply for our products and our results of operations.

There is a growing consensus that GHG emissions are linked to global climate changes. Climate changes, such as acute and chronic conditions, create potential financial risk to our business. For example, the demand for our products and services may be affected by unseasonable weather conditions. Climate changes could also disrupt our operations by impacting the availability, cost of materials and logistics needed for manufacturing and could increase insurance and other operating costs. These factors may impact our decisions to construct new facilities or maintain existing facilities in areas most prone to physical climate risks. Besides physical climate risks, the Group could also be subject to transition climate risks in the form of rising cost of carbon, market and technology risk exposures during transition to a low-carbon economy.

Further, stakeholder expectations, such as those from customers, investors, regulators, suppliers and employees in ESG subjects have been rapidly evolving. For example, various stakeholders require that the Group provide information pertaining to ESG-related matters, such as GHG emissions, renewable energy, labour practices and supply chain management. The enhanced stakeholder focus on ESG issues relating to the Group requires the continuous monitoring of various and evolving standards and the associated reporting requirements. A failure to adequately meet stakeholder expectations may result in the inability to pursue or secure business opportunities, operation and supply chain risks, diluted market valuation, an inability to attract customers or an inability to attract and retain top talent.

Income tax legislation and regulatory environment

The Group continues to monitor the developments by the office of Organisation for Economic Cooperation and Development (**OECD**) and its continued efforts toward Base Erosion and Profit Shifting initiative by focusing on two pillars which could affect the Group's ETR. Pillar One addresses tax presence in a country and profit allocation between countries. Pillar Two, also known as Global-Anti Base Erosion Rules (**GLoBE**), is designed to ensure large multinational enterprises (**MNEs**) pay a 15% minimum tax where the ETR is below 15%. The OECD has agreed to enact Pillar Two legislation effective January 1, 2024 for certain jurisdictions and other jurisdictions January 1, 2025. The expected timing of Pillar One is uncertain.

The Group continues to monitor proposed changes to US tax laws and regulations that have been proposed by US Congress which could affect the Group's ETR. Since the likelihood of these or other changes to US tax law being enacted are unclear, the Group is currently unable to determine the impact these changes may have to its tax expense, including if the proposed changes may materially impact the Group's earnings and cash flows.

The preferential tax treatment that our People's Republic of China (**PRC**) subsidiaries enjoy may be changed or discontinued, which may adversely affect our business, result of operations and financial condition. Nexteer Automotive Suzhou Co., Ltd., Nexteer Lingyun Driveline (**Zhuozhou**) Co., Ltd. and Nexteer Lingyun Driveline (**Wuhu**) Co., Ltd. are expected to maintain high-tech certificates, which are scheduled to expire in 2024, 2025, and 2025, respectively. In order to maintain eligibility for the preferential income tax rate of 15%, the subsidiaries are obligated to meet on-going requirements. We cannot assure that we will maintain this preferential tax rate for future periods. Nexteer Automotive Systems (**Liuzhou**) Co., Ltd. received a special 'Go West' preferential 15% income tax rate through 2030. Any of these changes could impact the Group, our shareholders, and affiliates, and could adversely affect the Group by changing our ETR and limiting the Group's ability to utilise cash in a tax efficient manner.

Strategic Objectives Risk

Our financial performance depends, in part, on our ability to successfully execute our strategic objectives. Our strategy is to deliver superior long-term shareholder value by growing our business through investments and improving our competitive position, while maintaining a strong balance sheet and returning cash to our shareholders. Our failure to execute our strategic objectives could adversely affect our financial condition, operating results and cash flows.

Joint Venture Partners Risk

Some of the businesses of the Group are conducted through non wholly-owned subsidiaries and joint ventures in which the Group shares control with the joint venture partners. There is no assurance that any of these joint venture partners will continue their relationships with the Group in the future or whether their goals or strategies are in line with the Group. Such joint venture partners may have business interests or goals which are different from the Group. They may experience financial and other difficulties or may be unable to fulfill their obligations under the joint ventures which may affect the Group's businesses and operations.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of approximately US$7.5 million, or US$0.0030 per 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.

DISTRIBUTABLE RESERVES

As at December 31, 2023, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to approximately US$569.6 million (as at December 31, 2022: US$569.7 million).

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2023 are set out in note 34 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Amended and Restated Memorandum and Articles of Association of the Company (the **Articles of Association**) or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

EQUITY-LINKED AGREEMENTS

Details of the share options granted in prior years and current year are set out in note 25 of the Consolidated Financial Statements and 'Share Option Scheme' section contained in this Directors' Report. For the year ended December 31, 2023, no Shares were granted or exercised. Except as disclosed above, the Company has not entered into any equity-linked agreements for the year ended December 31, 2023.

ESG SUMMARY

The Group is committed to conducting our business in an environmentally sound manner and has adopted the ESG Reporting Guide as required by the Listing Rules. The Board will continue to monitor such policies to ensure the Group remains compliant with the relevant laws and regulations that have a significant impact on the Group in relation to the environment, employment, labour and operation. In addition to carrying out the corporate-wide programmes the Group has initiated, all of our employees are required to be familiar with environmental laws and regulations relevant to their employment responsibilities and to comply with them. In accordance with the ESG Reporting Guide, as set out in Appendix C2 to the Listing Rules, details of the above information will be set out in our ESG report (annual Sustainability Report), which is to be published and available on the Company's website (https://www.nexteer.com/sustainability/), as well as the Hong Kong Stock Exchange's website (https://www.hkexnews.hk/) at the same time as this Annual Report.

If a printed copy of the ESG report is needed, please make your written request to the Company's share registrar – contact information provided on page 76. We appreciate your kind consideration of environmental footprint and encourage your assessing the ESG report via websites provided above.

CHARITABLE DONATIONS

During 2023, the charitable contributions and other donations made globally by us amounted to US$0.2 million.

In 2023, our employees volunteered more than 16,200 hours of time supporting local charitable efforts and creating brand awareness through the Group's philanthropic activities.

DIRECTORS

The Directors in office during the year ended December 31, 2023 and as at the date of this annual report were as follows:

Executive Directors
LEI, Zili (雷自力) *(Chairman)*
MILAVEC, Robin Zane

Non-Executive Directors
WANG, Jian (王堅)
ZHANG, Wendong (張文冬)
SHI, Shiming (石仕明)

Independent Non-Executive Directors
LIU, Jianjun (劉健君)
WANG, Bin (王斌)
YUE, Yun (岳雲)

Further details of the Directors are set forth in the section headed 'Directors and Senior Management' in this annual report.

Pursuant to Article 16.2 of the Articles of Association, any Director appointed by the Board, either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next following AGM of the Company and shall then be eligible for election at that meeting.

Pursuant to Article 16.18 of the Articles of Association, at every AGM one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Details of the Directors to be re-elected at the AGM will be set out in the circular to the shareholders of the Company prior to its upcoming AGM.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Except as disclosed in the section headed 'Directors and Senior Management' in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the publication of the 2023 interim report of the Company.

SERVICE CONTRACTS OF DIRECTORS

Executive Directors

Each of the Executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as Executive Directors for a term of three years with effect from June 21, 2022 or June 30, 2023, which shall be renewed as determined by the Board or the shareholders of the Company. The appointment of each of the Executive Directors may be terminated by either party by giving at least three months' written notice to the other.

Non-Executive Directors

Each of the non-Executive Directors has entered into a service contract with the Company pursuant to which they agreed to act as a non-Executive Director for a term of three years with effect from, June 3, 2022, June 14, 2022 or November 13, 2023, which shall be renewed as determined by the Board or the shareholders of the Company. The appointment of each of the non-Executive Directors may be terminated by either party by giving at least three months' written notice to the other.

Independent Non-Executive Directors

Each of the Independent non-Executive Directors has been appointed for a term of three years with effect from June 14, 2022 or June 15, 2022, which shall be renewed as determined by the Board or the shareholders of the Company. The appointment of each of the Independent non-Executive Directors may be terminated by either party giving at least three months' written notice to the other.

All of the appointments of Directors are subject to the provisions of the Articles of Association with regard to vacating the office of Directors, removal and retirement by rotation of Directors. Except for directors' fees, none of the Independent non-Executive Directors is expected to receive any other remuneration for holding their office as an Independent non-Executive Director.

None of the Directors who are proposed for re-election at the forthcoming AGM has or is proposed to have a service contract that is not terminable by the Company within one year without the payment of compensation (other than statutory compensation).

DIRECTOR'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

There were no transactions, arrangements and significant contracts with any member of the Group as the contracting party and in which the Directors and the Directors' connected party possessed direct or indirect substantial interests, and which was still valid on December 31, 2023 or at any time during such year and related to the business of the Group.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

During the year ended December 31, 2023, none of the Directors are considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY

Article 33 of the Articles of Association provides that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or willful defaults. The Company has arranged for appropriate insurance coverage in respect of potential legal actions against its Directors and Senior Management during the year ended December 31, 2023 and as of the date of this report.

PRINCIPAL SUBSIDIARIES

The Group's operations are conducted on a global basis through its direct or indirect subsidiaries. Details of the subsidiaries of the Company as at December 31, 2023 are set out in note 35 to the Consolidated Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2023, the percentages of purchases attributable to the Group's major suppliers are as follows:

- the largest supplier: 12%
- five largest suppliers in aggregate: 28%

During the year ended December 31, 2023, the percentages of revenue attributable to the Group's major customers are as follows:

- the largest customer: 33%
- five largest customers in aggregate: 81%

As far as the Company is aware, none of the Directors nor any of his associates and none of the shareholders possessing over 5% of the interest in the share capital of the Company possessed any interests in the abovementioned suppliers and customers.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on June 5, 2014, the Company adopted a share option scheme (the **Share Option Scheme**).

1. **Purpose**
The purposes of the Share Option Scheme are: (1) to align the interests of the Company's Directors and Senior Management, as well as other key employees with the Company's performance and strategic objectives so as to lay a foundation for the Company's future development and maximise the shareholders' value and (2) to attract, retain and motivate employees in key positions required for attaining the Company's strategic objectives by offering competitive general remuneration in the human resources market.

2. **Participants**
The Board may, at their discretion, invite any Directors (excluding Independent non-Executive Directors), Senior Management, as well as other key employees approved by the Board (which means those who are responsible for the decision-making, operation and management of the Company) as the Participants (as defined under the Share Option Scheme).

3. **Maximum number of shares subject to Options (as defined under the Share Option Scheme)**

(a) The shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option scheme(s) adopted by the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not in aggregate exceed 249,780,400 shares (the **Scheme Mandate Limit**), representing approximately 9.95% of the issued share capital of the Company as at the date of this report.

(b) The Company may refresh the Scheme Mandate Limit at any time subject to prior approval of the shareholders in a general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the shares in issue as at the date of the aforesaid approval by the shareholders in a general meeting. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed.

(c) The Company may also seek separate approval of the shareholders in a general meeting to grant Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before the aforesaid shareholders' meeting at which such approval is sought.

(d) Subject to the requirements of the Listing Rules, the number of securities may be issued upon the exercise of all outstanding Options granted under the Share Option Scheme and any other schemes shall not exceed 30% of the relevant class of securities in issue of the Company (or its related subsidiaries) from time to time.

(e) Unless approved by the shareholders in the manner set out in this paragraph, the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted under the Share Option Scheme of the Company to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the **Individual Limit**). Any further grant of Options to a Participant which would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of the shareholders in a general meeting with such Participant and his associates abstaining from voting.

(f) Each grant of Options to any Director, Chief Executive Officer of the Company (**Chief Executive or Chief Executive Officer**) or substantial shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the Independent non-Executive Directors of the Company. Where any grant of Options to a substantial shareholder, or any of its respective associates, would result in the number of shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

(i) Representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Hong Kong Stock Exchange) of the shares in issue; and

(ii) Having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange on the date on which the Board resolves to make an Offer (as defined under the Share Option Scheme) of that Option to the Participant or such other date as designated by the Board (the **Date of Grant**), in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Hong Kong Stock Exchange), such further grants of Options shall be subject to the prior approval by the shareholders (voting by way of poll) in a general meeting. The Company shall send a circular to the shareholders in accordance with the Listing Rules and all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour of the resolution at such general meeting.

(g) The number of share options available for grant under the scheme mandate as at January 1, 2023 and December 31, 2023 was 166,636,790 and 166,636,790, respectively.

(h) During the period ended December 31, 2023, there were 8,635,250 shares that may be issued in respect of options granted under the scheme, which is 0.34% of the weighted average number of shares in issue.

4. **Acceptance period**
A Share Option may be accepted by a Participant within a certain number of days from the date of the offer of the grant of the Option as indicated in the offer.

5. **Exercise period**
The period within which the Options may be exercised must expire no later than 10 years from the relevant Date of Grant.

6. **Minimum holding period**
The Option must be held for one year from the Date of Grant before it can be exercised. The vesting period shall be three years and one-third shall be vested at each anniversary from the Date of Grant.

7. **Consideration for acceptance**
The consideration payable for acceptance of the Option of grant by each Participant is HK$1.00. If the Participant does not accept such grant of Option pursuant to the procedures specified in the respective grant agreement or notice within the stipulated timeframe, such Option shall be regarded as unaccepted and lapsed.

8. **Subscription Price**
The Subscription Price (as defined under the Share Option Scheme) shall be such price determined by the Board in its absolute discretion and notified to the Participant in the Offer and shall be no less than the higher of:

(a) the closing price of a share as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange on the Date of Grant;

(b) the average closing price of the shares as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange for the five business days immediately preceding the Date of Grant; or

(c) the nominal value of a share.

9. The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme was adopted and has a remaining term of approximately 1 year as at the date of this report.

10. There were no options under the Share Option Scheme (Options) vested during the year ended December 31, 2023.

The summary of the Options granted under the Share Option Scheme that were still outstanding as at December 31, 2023 are as follows:

	Grant date	Options Granted	Options held at January 1, 2023	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year	Options held at December 31, 2023	Exercise period[1]	Exercise price per share (HK$)	Share price on the grant date[2] (HK$)	Share price on the exercise date (HK$)	Weighted average closing price of the Company's shares immediately before the exercise date (HK$)
Directors												
LEI, Zili	October 25, 2022	1,667,970	1,667,970	–	–	555,990	1,111,980	October 25, 2022 – October 24, 2032	4.268	4.140	N/A	N/A
MILAVEC, Robin Zane	May 30, 2018	526,730	175,580	–	–	–	175,580	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	1,667,970	–	–	–	–	–	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
	October 25, 2022	2,633,650	2,633,650	–	–	877,890	1,755,760	October 25, 2022 – October 24, 2032	4.268	4.140	N/A	N/A
WANG, Jian	August 21, 2019	702,300	–	–	–	–	–	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
	October 25, 2022	351,150	351,150	–	–	117,050	234,100	October 25, 2022 – October 24, 2032	4.268	4.140	N/A	N/A
ZHANG, Wendong	October 25, 2022	351,150	351,150	–	–	117,050	234,100	October 25, 2022 – October 24, 2032	4.268	4.140	N/A	N/A
SHI, Shiming	October 25, 2022	351,150	351,150	–	–	117,050	234,100	October 25, 2022 – October 24, 2032	4.268	4.140	N/A	N/A
Sub-total		8,252,070	5,530,650	–	–	1,785,030	3,745,620					
Other Employee Participants (in aggregate)	June 11, 2014	11,236,860	–	–	–	–	–	June 11, 2014 – June 10, 2024	5.150	5.150	N/A	N/A
	June 10, 2015	10,358,990	175,570	–	–	175,570	–	June 10, 2015 – June 9, 2025	8.610	8.480	N/A	N/A
	June 10, 2016	10,602,490	630,540	–	–	351,160	279,380	June 10, 2016 – June 9, 2026	7.584	7.340	N/A	N/A
	May 29, 2017	11,919,310	315,270	–	–	175,580	139,690	May 29, 2017 – May 28, 2027	11.620	11.620	N/A	N/A
	May 30, 2018	12,446,040	666,430	–	–	175,580	490,850	May 30, 2018 – May 29, 2028	12.456	11.960	N/A	N/A
	August 21, 2019	11,304,800	–	–	–	–	–	August 21, 2019 – August 20, 2029	6.390	6.390	N/A	N/A
	October 25, 2022	7,023,050	7,023,050	–	–	3,043,340	3,979,710	October 25, 2022 – October 24, 2032	4.268	4.140	N/A	N/A
Sub-total		74,891,540	8,810,860	–	–	3,921,230	4,889,630					
Total		83,143,610	14,341,510	–	–	5,706,260	8,635,250					

Notes:

(1) The Options granted in 2014, 2015, 2016, 2017, 2018, 2019, and 2022 must be held for one year from June 11, 2014, June 10, 2015, June 10, 2016, May 29, 2017, May 30, 2018, August 21, 2019, and October 25, 2022, respectively. The Options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third at each anniversary of the Date of Grant of the share option. The October 25, 2022 grant contains various performance targets in order to vest. These performance targets require the Group to achieve a minimum return on invested capital, three-year compound annual growth rate, and operating margin. Also, the Group's return on invested capital, three-year compound annual growth rate, and operating margin must exceed benchmark companies.

(2) The exercise price for the Options granted on June 11, 2014, May 29, 2017 and August 21, 2019 was the closing price of the shares quoted on the Hong Kong Stock Exchange on the trading day on the Date of Grant of the Options. The exercise price for the Options granted on June 10, 2015, June 10, 2016, May 30, 2018, and October 25, 2022 was the average closing price for five consecutive trading days prior to the Date of Grant of the Options. The closing price of the shares of the Company immediately before the date of the Options (i.e. October 24, 2022) granted during the reporting year was HK$3.98.

PENSION SCHEMES

The Group has both defined contribution and defined benefit plans. Various subsidiaries within the Group operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee administered funds, determined by periodic actuarial calculations.

More detailed information regarding pension schemes is set out in note 18 to the Consolidated Financial Statements.

NON-COMPETITION UNDERTAKING FROM OUR CONTROLLING SHAREHOLDERS

On June 15, 2013, each of AVIC, AVIC Auto, PCM China and Nexteer Hong Kong (together the **Controlling Shareholders**) provided a non-competition undertaking (the **Non-competition Undertaking**), pursuant to which each of the Controlling Shareholders has unconditionally and irrevocably undertaken that apart from the Retained Business as defined in the prospectus of the Company dated September 24, 2013 (the **Prospectus**) it will not, and will procure its subsidiaries not to, whether directly or indirectly through third parties or the provision of support to such third parties, engage in any automotive steering systems and driveline systems business (the **Core Business**) that competes, or is likely to compete, directly or indirectly with our Group. Details of the Non-competition Undertaking were disclosed in the Prospectus under the section headed 'Relationship with our Controlling Shareholders'.

On August 21, 2020, Yubei Steering Systems (Xinxiang) Co., Ltd. (formerly known as Yubei Steering Systems Co., Ltd.) (**Yubei Steering**) notified the Company in writing that AVIC has approved the transfer of the 24.93% equity interest in Yubei Steering. Pursuant to the Non-competition Undertaking, the Company can exercise the pre-emptive right of first refusal to acquire such interest. As of August 31, 2020, the Independent non-Executive Directors had resolved that the Company would not exercise the pre-emptive right of first refusal to acquire the 24.93% equity interest in Yubei Steering. For details, please refer to the announcement of the Company dated September 8, 2020.

For the year ended December 31, 2023, the Group has not (1) pursued or declined any new business opportunity referred to us by the Controlling Shareholders nor (2) exercised or waived the pre-emptive rights under the Non-competition Undertaking. Certain Controlling Shareholders have provided an annual confirmation of its compliance with the Non-competition Undertaking. The Independent non-Executive Directors have reviewed and were satisfied that such Controlling Shareholders have complied with the Non-competition Undertaking for the year ended December 31, 2023.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There were no contracts of significance (including for the provision of services) with any member of the Group as the contracting party and in which any of the Controlling Shareholders possessed direct or indirect substantial interests, and which was still valid on December 31, 2023 or any time during such year and related to the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARE AND UNDERLYING SHARES

As at December 31, 2023, the interests or short positions of the Directors or Chief Executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the **SFO**)) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the **Model Code**) are as follows:

Interest in the Company

Name	Capacity	Nature of interest	No. of underlying Shares of the Company held[1]	Approximate percentage of total issued Shares[2]
LEI, Zili	Director	Beneficial owner	1,111,980 (L)	0.04%
MILAVEC, Robin Zane	Director	Beneficial owner	1,931,340 (L)	0.08%
SHI, Shiming	Director	Beneficial owner	234,100 (L)	0.01%
WANG, Jian	Director	Beneficial owner	234,100 (L)	0.01%
ZHANG, Wendong	Director	Beneficial owner	234,100 (L)	0.01%

Notes:

(L) Denotes a long position in Shares.

(1) These represent the interests in underlying Shares in respect of the Options granted by the Company.

(2) The calculation is based on the total number of shares in issue as at December 31, 2023 of 2,509,824,293.

Except as disclosed above, as at December 31, 2023, none of our Directors and Chief Executive of the Company have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept under section 352 of the SFO or (ii) otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except as disclosed above, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any of its subsidiaries were granted to any Director or their respective spouse or children under 18 years of age, nor were any such rights exercised by them. Neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended December 31, 2023.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at December 31, 2023, the following shareholders (excluding the Directors and Chief Executive of the Company) had interests or short positions in any Shares and underlying Shares of the Company which will be required to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity	No. of Shares	Approximate percentage of total Issued Shares(1)
Nexteer Automotive (Hong Kong) Holdings Limited (**Nexteer Hong Kong**)(2)	Beneficial Owner	1,105,000,000 (L)	44.03%
Pacific Century Motors, Inc. (**PCM China**)(2)	Interest of controlled corporation	1,105,000,000 (L)	44.03%
AVIC Automotive Systems Holding Co., Ltd. (**AVIC Auto**)(3)	Interest of controlled corporation	1,105,000,000 (L)	44.03%
Aviation Industry Corporation of China, Ltd. (**AVIC**)(3)	Interest of controlled corporation	1,105,000,000 (L)	44.03%
Beijing E-Town International Investment & Development Co. Ltd.(4)	Interest of controlled corporation	525,000,000 (L)	20.92%
Beijing E-Town International Automotive Investment & Management Co., Ltd.(4)	Beneficial Owner	525,000,000 (L)	20.92%

Notes:

(L) Denotes a long position in Shares.

(1) The calculation is based on the total number of 2,509,824,293 Shares in issue as at December 31, 2023.

(2) Nexteer Hong Kong is wholly-owned by PCM China, which is in turn owned as to 72.88% by AVIC Auto and as to 27.12% by Beijing E-Town International Automotive Investment & Management Co., Ltd. (北京亦莊國際汽車投資管理有限公司) (a direct wholly-owned subsidiary of Beijing E-Town International Investment & Development Co., Ltd.). Each of PCM China and AVIC Auto is deemed to be interested in the 1,105,000,000 Shares held by Nexteer Hong Kong.

(3) AVIC Auto is owned as to 70.11% by AVIC. AVIC is deemed to be interested in the 1,105,000,000 Shares held by Nexteer Hong Kong.

(4) On September 23, 2022, Beijing E-Town International Automotive Investment & Management Co., Ltd. (北京亦莊國際汽車投資管理有限公司) (a direct wholly-owned subsidiary of Beijing E-Town International Investment & Development Co., Ltd.) became a direct holder of 525,000,000 shares of the Company. Beijing E-Town International Investment & Development Co., Ltd. is deemed to be interested in the 525,000,000 Shares held by Beijing E-Town International Automotive Investment & Management Co., Ltd.

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS OF OTHER MEMBERS OF OUR GROUP

So far as our Directors are aware, as at December 31, 2023, the persons other than our Directors and our Chief Executive who were directly interested in 10% or more of the issued and outstanding share capital of our subsidiaries carrying rights to vote in all circumstances at general meetings of each relevant subsidiary, were as follows:

Member of our Group	Person with 10% or more interest (other than the Company)	Capacity	Percentage of the substantial shareholder's interest
Nexteer Lingyun Driveline (Zhuozhou) Co., Ltd.	Lingyun Industrial Corp., Ltd.	Registered owner	40%
Nexteer Lingyun Driveline (Wuhu) Co., Ltd.	Lingyun Industrial Corp., Ltd.	Registered owner	40%
Chongqing Nexteer Steering Systems Co., Ltd.	Chongqing Jianshe Industry (Group) Co., Ltd.	Registered owner	50%

Except as disclosed above, as at December 31, 2023, our Directors are not aware of any person who, as at December 31, 2023, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of any other member of our Group.

CONNECTED TRANSACTIONS

The Group's related parties transactions for the year ended December 31, 2023 set out in note 32 to the Consolidated Financial Statements did not constitute connected transactions or continuing connected transactions (as defined in Chapter 14A of the Listing Rules).

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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed for the year ended December 31, 2023.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of the annual report, the Company has maintained the public float as required by the Listing Rules up to the date of this annual report.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to the Shares of the Company, they are advised to consult an expert.

AUDITOR

The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu, the Company's external auditor.

The Consolidated Financial Statements for the years ended December 31, 2019 and 2020 have been audited by PricewaterhouseCoopers. On June 8, 2021 PricewaterhouseCoopers retired as auditor of the Company and Deloitte Touche Tohmatsu was appointed as auditor of the Company following the retirement of PricewaterhouseCoopers.

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.

On behalf of the Board
Mr. LEI, Zili
Chairman and Chief Executive Officer

Hong Kong, March 26, 2024

Corporate Governance Report

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 Listing Rules.

Except as expressly described below, in the opinion of 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 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 BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board is responsible for leadership and control of the Company and the Group and for promoting the success of the Group by directing and supervising the Group's affairs. In addition, the Board is responsible for overseeing ESG issues. The Board is also responsible for overseeing the corporate governance and financial reporting of the Company and for reviewing the effectiveness of the Group's system of internal control and risk management. To assist it in fulfilling its duties, the Board has established two board committees: the Audit and Compliance Committee and the Remuneration and Nomination Committee.

The Group is managed collectively by our core management team, which is comprised of the Board and Senior Management of the Group. Members of our Senior Management are responsible for overseeing their respective divisions and functions and making day-to-day decisions of the Group. They meet regularly to discuss issues of their respective functions and make relevant decisions and report to our Board regularly and when necessary. Our Senior Management as a whole is also responsible for formulating the overall strategies, annual budget, key business, financial and other operational policies and preparing proposals of any key business, financial and other operational decisions of the Group taking into account inputs from different functions for the Board's approval. The Board will consult with our Senior Management on such proposals and discuss the same at the Board level with an aim to reach a consensus that is in the best interest of the Group. Once the key policies and decisions are formulated and made, our Senior Management as a whole will implement the same throughout the Group. Accordingly, the overall strategic and other key business, financial and operational policies and decisions of the Group are made collectively from its inception to implementation after thorough discussion at both Board and Senior Management levels.

The Board has established clear guidelines with respect to matters that must be approved or recommended by the Board, including, without limitation, approval and adoption of the Group's annual operating budget and capital expenditure budget; the hiring or dismissal of the Chief Executive Officer, Chief Financial Officer (the **CFO**), Company Secretary or certain other members of the Senior Management team; and approving and recommending significant transactions. The Group has arranged for appropriate insurance coverage in respect of potential legal actions against its Directors and Senior Management.

Composition of the Board, Number of Board Meetings and Directors' Attendance

As at December 31, 2023, the Board consists of eight Directors, including two Executive Directors, namely LEI, Zili (Chairman) and MILAVEC, Robin Zane, three non-Executive Directors namely WANG, Jian, ZHANG, Wendong and SHI, Shiming and three Independent non-Executive Directors, namely LIU, Jianjun, WANG, Bin and YUE, Yun. The biographical details of each current Director and their respective responsibilities and dates of appointment are included in the section headed 'Directors and Senior Management' of this annual report. None of the Directors or chief executive is related to one another.

The following is the attendance record of the Directors at the Board and committee meetings, and general meetings held for the year ended December 31, 2023:

	Attendance/number of Meetings in 2023			
Name of Director	Board	Remuneration and Nomination Committee	Audit and Compliance Committee	Annual General Meeting
LEI, Zili (雷自力)	4/4	N/A	N/A	1/1
MILAVEC, Robin Zane	4/4	N/A	N/A	1/1
WANG, Jian (王堅)	3/4	N/A	N/A	0/1
ZHANG, Wendong (張文冬)	4/4	6/6	N/A	1/1
SHI, Shiming (石仕明)	4/4	N/A	2/4	1/1
LIU, Jianjun (劉健君)	4/4	6/6	N/A	1/1
WANG, Bin (王斌)	4/4	6/6	4/4	1/1
YUE, Yun (岳雲)	4/4	N/A	4/4	1/1

PRACTICES AND CONDUCT OF MEETINGS

Notice of regular Board meetings is given to all Directors at least 14 days in advance, and reasonable notice is generally given for other Board meetings. Annual meeting schedules and the draft agenda of each meeting are normally made available to Directors in advance. Arrangements are in place to allow Directors to include items in the agenda, and final agendas together with relevant supporting documents are sent to Directors at least 3 days before each regular Board meeting, and as soon as practicable before other Board meetings, so that the Board can make informed decisions on matters placed before it. Each Director also has separate and independent access to the Senior Management where necessary. Minutes of the Board meetings are kept by the Company Secretary. Draft minutes are circulated to Directors for comment within a reasonable time after each meeting.

If a Director or any of their associates has a material interest in a transaction, that Director is required to abstain from voting and not to be counted in the quorum at the meeting for approving the transaction.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended December 31, 2023, the Board met the requirements of the Listing Rules relating to the appointment of at least three Independent non-Executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written confirmation from each of the Independent non-Executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all Independent non-Executive Directors to be independent.

BOARD INDEPENDENCE

In order to ensure that independent views and input of the Independent non-Executive Directors are made available to the Board, the Remuneration and Nomination Committee and the Board are committed to assess the Directors' independence annually with regards to all relevant factors related to the Independent non-Executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as independent non-executive Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman meets with the Independent non-executive Directors regularly without the presence of the Executive Directors.

All Directors are entitled to seek advice from the Company Secretary as well as from independent professional advisors at the Company's expenses. During the year ended December 31, 2023, the Company has reviewed the mechanisms established to ensure independent views and input are available to the Board and was satisfied with the implementation and effectiveness of such mechanisms.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company uses a formal and transparent procedure for the appointment, election and removal of Directors, which is set out in the Company's Articles of Association and is led by the Remuneration and Nomination Committee, which will make recommendations on appointment of new Directors to the Board for approval.

Further details relating to the appointment, election and removal of Directors and the service contracts of Directors are set out in the sections headed 'Directors' and 'Service Contracts of Directors' in the Directors' Report included in this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director receives a comprehensive introduction to the Company in order to ensure his understanding of the business and operations of the Group and awareness of a director's responsibilities and obligations. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge by attending internal training and external seminars. For the year ended December 31, 2023, the Company arranged in-house training for all Directors relating to on-going compliance obligations, corporate governance and other related topics.

During the year ended December 31, 2023, the Directors participated in the following training:

Directors	Types of training
Executive Directors	
LEI, Zili *(Chairman)*	A, B, C, D
MILAVEC, Robin Zane	A, B, C, D
Non-Executive Directors	
WANG, Jian	A, B, C, D
ZHANG, Wendong	A, B, C
SHI, Shiming	A, B, C, D
Independent Non-Executive Directors	
LIU, Jianjun	A, B, C, D
WANG, Bin	A, B, C, D
YUE, Yun	A, B, C, D

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: attending in-house training relating to the on-going compliance obligations, corporate governance and other related topics

D: reading newspapers, journals, Company's newsletters and updates relating to the economy, general business, automotive component manufacturing industry or Directors' duties and responsibilities, etc.

COMMITTEES

The Board has established the Audit and Compliance Committee, and the Remuneration and Nomination Committee for overseeing particular aspects of the Group's affairs. All Board committees are established with defined written terms of reference which are posted on the Company's website, the Hong Kong Stock Exchange's website and are available to shareholders upon request. Meetings of the Board committees generally follow the same procedures as meetings of the Board.

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 (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 Board recognises that corporate governance should be the collective responsibility of the Directors and delegates the corporate governance duties to the Audit and Compliance Committee which include:

- Reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;
- Developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors;
- Developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board and report to the Board on matters;
- Reviewing the Company's compliance with the Hong Kong CG Code and disclosure in the Corporate Governance Report; and
- Considering any other topics, as determined by the Board.

There were four meetings of the Audit and Compliance Committee held for the year ended December 31, 2023, the attendance record of the committee members is set out above. The following is a summary of the major work performed by the Audit and Compliance Committee during 2023:

- Reviewed the reports and findings from management including Internal Audit on the implementation and refinement of the risk management and internal control measures.
- Reviewed the amendment of terms of reference for the Audit and Compliance Committee;
- Reviewed the internal audit plan;
- Confirmed the independence and objectivity of the Company's external auditor, Deloitte Touche Tohmatsu;
- Reviewed the independent auditor's non-insurance services-preapproval approval policies and procedures;
- Met with the external auditor and reviewed their 2023 audit plan;
- Reviewed the annual results and the adequacy of the risk management and internal control system for the year ended December 31, 2022;
- Reviewed the risk management associated with the strike of United Auto Workers and supplier chain management;
- Reviewed the amendments of compliance policies and code of conduct; and
- Reviewed the interim results for the six months ended June 30, 2023.

Subsequent to December 31, 2023 and up to the date of this annual report, a meeting of the Audit and Compliance Committee was held on March 25, 2024 to review the annual results and the adequacy of the risk management and internal control system for the year ended December 31, 2023.

THE REMUNERATION AND NOMINATION COMMITTEE

The Board established the Remuneration and Nomination 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 code provisions B.3.1 and E.1.2 in Part 2 of the Hong Kong CG Code. These terms of reference include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skill as well as time commitments of members. The Remuneration and Nomination Committee consists of, Mr. LIU, Jianjun, Ms. ZHANG, Wendong and Dr. WANG, Bin. All members of the Remuneration and Nomination Committee are non-Executive Directors, among whom Mr. LIU, Jianjun and Dr. WANG, Bin are Independent non-Executive Directors. The chairman of the Remuneration and Nomination Committee is Mr. LIU, Jianjun. The primary functions of the Remuneration and Nomination Committee include, without limitation, (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and Senior Management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) making recommendations on the remuneration packages of Executive and non-Executive Directors and Senior Management; (iii) reviewing and approving Senior Management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time; (iv) reviewing the structure, size, composition and diversity of the Board; (v) assessing the independence of Independent non-Executive Directors; (vi) making recommendations to the Board on matters relating to the appointment of Directors; and (vii) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The remuneration of Directors and Senior Management is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance. No Director or any of their associates takes part in any discussion about their own remuneration.

There were six meetings of the Remuneration and Nomination Committee held for the year ended December 31, 2023, the attendance record of the committee members is set out above. The following is a summary of the major work performed by the Remuneration and Nomination Committee during 2023:

- Reviewed the appointment of the Company's senior management;
- Reviewed and made a recommendation to the Board regarding the fees of the Independent non-Executive Directors and the Senior Management;
- Reviewed the amendment of terms of reference for the Remuneration and Nomination Committee;
- Reviewed the Executive employment agreement for senior management;
- Reviewed the policies regarding compensation;
- Reviewed the Value Creation Plan of the Company;
- Reviewed the Board structure, size, composition and board diversity (including ability, knowledge and experience etc.);
- Confirmed the independence of the Independent non-Executive Directors; and
- Considered the retirement and re-election of Directors at the AGM.

Subsequent to December 31, 2023 and up to the date of this annual report, a meeting of the Remuneration and Nomination Committee was held on March 25, 2024 to review the effectiveness of board diversity policy and its implementation, the mechanisms for independent view and input to the board, and the share option scheme and its implementation for the year end of December 31, 2023.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. To that end, the Company has adopted a Board diversity policy to set out the approach to achieve diversity on the Board. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, ethnicity, years of work experience, and professional experience. The Company will develop and maintain pipeline of potential successors to the Board to maintain diversity based on such aspects. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Company continues to pursue board diversity in multiple aspects, including appointment of a female Director to the Board in 2020. A visual snapshot of the Board's diversity and certain measurable objectives as at December 31, 2023 is shown on this page.

DIVERSITY SNAPSHOTS

Designation	**ED** 2	**NED** 3	**INED** 3
Age Group	**≤49** 2	**50-59** 5	**≥60** 1
Gender	**Female** 1	**Male** 7	
Number of Years as the Company's Board Members	**0-2** 3	**3-6** 4	**≥7** 1
Number of Years of Professional Experience		**20-29** 6	**≥30** 2

Directors	Professional experiences include
LEI, Zili	automotive, aviation technology, strategy, business administration
MILAVEC, Robin Zane	automotive, engineering strategy, operations, business administration, economics, management
WANG, Jian	automotive, aviation technology, strategy, corporate governance, operation management, finance, economics
ZHANG, Wendong	investment, strategy, international marketing management, finance, business administration, economics
SHI, Shiming	finance, accounting, risk management, investment, compliance
LIU, Jianjun	legal, compensation and compliance
WANG, Bin	finance, corporate governance, risk management, compensation, compliance
YUE, Yun	legal, internal control, investment, risk management

The Board currently has one female Director out of eight Directors, and is committed to improving gender diversity as and when suitable candidates are identified. The Company is of the view that gender diversity in respect of the Board has been achieved. Of the approximately 13,000 employees (including senior management) of the Group as at December 31, 2023, approximately 3,400 are female. Accordingly, the Company considers that gender diversity is also achieved in its workforce generally.

During the year ended December 31, 2023, the Board, through the Remuneration and Nomination Committee, has reviewed the implementation and effectiveness of the Board diversity policy and confirm that the Board has an appropriate mix of skills and experience to deliver the Company's strategy.

NOMINATION POLICY

The Remuneration and Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as directors of the Company at general meetings or to appoint as directors to fill casual vacancies. The Remuneration and Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

The factors listed below would be used as reference by the Remuneration and Nomination Committee in assessing the suitability of a proposed candidate: reputation for integrity and good character; judgment and diversity of experience in all its aspects, including but not limited to gender, age, ethnicity, years of work experience, and professional experience – including educational background, skills and knowledge; commitment to the Company in respect of available time and relevant interest; ability to provide insight in relation to the Company's line of business; requirement for the Board to have independent non-executive directors in accordance with the Listing Rules; whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules, taking into account factors like the candidate's relationship with the existing directors and any substantial interest in the Company; understanding of the fiduciary duties required; and compliance with the Board Diversity Policy and any measurable objectives adopted by the Remuneration and Nomination Committee for achieving diversity on the Board. These factors are for reference only, and not meant to be exhaustive and decisive. The Remuneration and Nomination Committee has the discretion to nominate any person, as it considers appropriate. Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director. The Remuneration and Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

The secretary of the Remuneration and Nomination Committee shall call a meeting of the Remuneration and Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Remuneration and Nomination Committee prior to its meeting. For filling a casual vacancy, the Remuneration and Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Remuneration and Nomination Committee shall make nominations to the Board for its consideration and recommendation. Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting. Nomination procedures to be followed by the shareholders shall be in accordance with the Articles of Association (as amended and/or from time to time). A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

DIVIDEND POLICY

The declaration of dividends is subject to the discretion of the Board and the approval of the Company's shareholders. Subject to applicable laws and regulations, the Company currently intends to pay dividends of not less than 20% of its net profits available for distribution. The Board may recommend a payment of dividends in the future after taking into account the Company's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditures and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to the Company's constitutional documents and the Companies Law (as amended) of the Cayman Islands including the approval of the Company's shareholders. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of the Board.

AUDITOR'S REMUNERATION

The Company's external auditor is Deloitte Touche Tohmatsu. A breakdown analysis of the remuneration paid to Deloitte Touche Tohmatsu for the year ended December 31, 2023 is set out below. The Audit and Compliance Committee has confirmed the independence and objectivity of the external auditor.

Service Category	Fees Paid US$'000
Audit Services	1,787
Non-audit Services	57
Total	1,844

Non-audit services include allowable tax consulting and compliance services.

COMPANY SECRETARY

The company secretary of the Company is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engages Ms. CHU, Cheuk Ting (**Ms. CHU**), a manager of the Listing Services Department of TMF Hong Kong Limited (a company secretarial service provider), as the company secretary. Mr. Crist Wu, the executive director of Board Affairs and Investor Relations, is the primary corporate contact person at the Company whom Ms. CHU contacts.

For the year ended December 31, 2023, Ms. CHU has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. Except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules. Poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each general meeting. There are no provisions under the laws of the Cayman Islands or the Articles of Association that allows shareholders to make proposals or move resolutions at an annual general meeting. Shareholders of the Company who wish to make proposals or move a resolution may, however, request the Board to convene an extraordinary general meeting by following the procedures below.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Extraordinary general meetings may be convened on the written request of any two or more shareholders of the Company deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requestors, provided that such requestors held as at the date of deposit of the request not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

Extraordinary general meetings may also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing at least one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s).

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the extraordinary general meeting to be held within a further 21 days, the requisitionist(s) themselves, or any of them representing more than one-half of the total voting rights of all of them, may convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the request, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

SHAREHOLDERS' ENQUIRIES

Enquiries about corporate governance or other related matters (including enquiries to be put to the Board) should be directed to the Company Secretary by email at company.secretary@nexteer.com or at the Company's headquarters address: 1272 Doris Road, Auburn Hills, Michigan 48326, USA.

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar as follows:

By Mail:	17M Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Hong Kong Customer Service Phone:	+852 2862 8555
Email:	hkinfo@computershare.com.hk

SHAREHOLDERS' COMMUNICATION POLICY

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

To promote effective communication, the Company adopts and publishes on its website a shareholders' communication policy which sets out various communication channels for establishing a two-way relationship and communication between the Company and the Shareholders. The policy is reviewed on an annual basis to ensure its effectiveness. The Company maintains a website of the Company at http://www.nexteer.com/, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

The annual general meeting of the Company provides opportunity for the Shareholders to communicate directly with the Directors. The Chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

As such, the Company reviewed its shareholders engagement and communication activities conducted in 2023 and was satisfied with the implementation and effectiveness of its shareholders' communication policy.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group has established a formal and transparent procedure for formulating policies on remuneration of Directors and Senior Management of the Group. Details of the remuneration of each of the Directors for the year ended December 31, 2023 are set out in note 25 to the Consolidated Financial Statements. The remuneration of Directors is determined by the Board, which receives recommendations from the Remuneration and Nomination Committee after considering the experience, knowledge and performance of the Directors. Under the Company's current compensation arrangements, the Executive Directors and Senior Management receive cash compensation in the form of salaries as well as bonuses that are subject to performance targets.

Remuneration paid to or accrued for the Senior Management (including two Executive Directors) for the year ended December 31, 2023 is within the following bands:

Band of remuneration in US$	No. of person
US$1 – US$250,000	2
US$250,001 – US$500,000	3
US$500,001 – US$750,000	6
US$750,001 – US$1,000,000	1
US$1,000,001 – US$1,250,000	1
US$1,250,001 – US$1,500,000	1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company has implemented a series of reports intended to allow the Board to assess the Group's financial and operational performance, as well as business results. On a monthly basis, management of the Group provides the Board with sufficient and adequate information to support its decision-making and oversight responsibilities.

The Board understands and acknowledges its responsibility for overseeing the preparation of the financial information in accordance with IFRS and for the internal control system necessary to enable the preparation of financial information that is free from material misstatement. This responsibility extends to annual and interim reports, other announcements and other financial disclosures required under the Listing Rules and/or statutory requirements. As at the date of this annual report, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's or the Group's ability to continue as a going concern.

The Company's external auditor is responsible for expressing an opinion on whether the Consolidated Financial Statements give a true and fair view of the state of affairs of the Group as at December 31, 2023, and of the Group's profit and cash flows for the year then ended in accordance with IFRS.

The auditor's statement about their reporting responsibilities on the Consolidated Financial Statements is set out in the section headed 'Independent Auditor's Report' of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has adopted a risk management and internal control system and associated procedures and conducts reviews of the effectiveness of the risk management and internal control system of the Group from time to time.

The responsibility for safeguarding the assets, for the prevention and detection of fraud and error, and for ensuring compliance with all applicable laws and regulations rests with the Board, the Audit and Compliance Committee and management of the Group. This responsibility includes implementing and ensuring the continued operation of the Group's risk management and internal control system which is designed to prevent and detect fraud and error.

The Board is responsible for maintaining an adequate system of risk management and internal control and for reviewing its effectiveness. Oversight over risk management and internal control is led by the Audit and Compliance Committee. While Senior Management is responsible for the implementation of such system of risk management and internal control, the Group has established an Internal Audit department to assist the Board and the Audit and Compliance Committee in their oversight and review responsibilities to monitor the compliance and effectiveness of the risk management and internal control measures. This will enable the Board and the Audit and Compliance Committee to conduct necessary reviews and to report to shareholders, at least on an annual basis, on the effectiveness of the Group's system of risk management and internal control. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and only provide reasonable and not absolute assurance against material misstatement or loss.

The head of the Internal Audit department has direct access to the Board through direct communication to the Chairman of the Audit and Compliance Committee. The head of the Internal Audit department has the right to consult the Audit and Compliance Committee without reference to management. With this independence, the Internal Audit department is able to perform key tasks, such as: (a) assessing and monitoring compliance with policies and the effectiveness of risk management and internal control measures with unrestricted direct access to any level of management whenever deemed necessary; and (b) conducting comprehensive internal audits to evaluate the system of financial, operation and compliance controls on a regular basis.

The Internal Audit department has completed a risk assessment process and developed an Internal Audit plan that focuses on the key risks to the Company. The Company reviewed the risk assessment and Internal Audit plans with the Audit and Compliance Committee in 2023. The Internal Audit department executed the Internal Audit plan and conducted a review of the effectiveness of the system of risk management and internal control for key high risk frameworks. The Internal Audit department reported a summary of audit findings and recommendations to the Audit and Compliance Committee. Management is responsible for ensuring that identified control weaknesses are rectified within a reasonable period.

Management and the CFO, in conjunction with the Board and the Audit and Compliance Committee, continue to evaluate the adequacy of resources, qualifications and experience of staff in the Group's accounting and financial reporting and Internal Audit functions, as well as that function's training programmes and budget. This exercise continues to result in the hiring of accounting and finance professionals to help ensure that the Group maintains adequate and sufficient staffing levels required for a public company. The Board has delegated to the Audit and Compliance Committee the responsibility for reviewing the Group's system of risk management and internal control and reporting the findings to the Board. The Audit and Compliance Committee conducted a review of (1) the findings and recommendations of the Internal Audit function; (2) the implementation status of recommended internal control recommendations; and (3) the reports and findings from management on the implementation of the internal control measures. Based on its annual review, the Board and the Audit and Compliance Committee are not aware of any material deficiencies in the effectiveness of risk management and internal control for the year ended December 31, 2023 and consider them effective and adequate.

Management identifies, evaluates and manages significant risks to the Group. Management annually self-assesses the effectiveness of the risk management and internal control activities. The Group's risk management and internal control policies and procedures are designed and updated (as necessary) in consideration of jurisdictional regulations, customer requirements and industry practice. The Group has successfully redesigned and continues to operate under its Business System meeting the International Automotive Task Force (**IATF**) and customer requirements, as well as promoting and focusing on continual improvements to its business processes and practices.

The risk management process facilitates the following sequence of activities and communication:

Risk management is a continuous process, occurring within functional departments, geographic segments and corporate oversight bodies. Management regularly assesses the nature, extent and magnitude of the identified risks and corresponding risk response plans. Management periodically evaluates the comparative significance of risk occurrence and consequences when considering risk response plans and associated plan effectiveness.

ANTI-CORRUPTION AND WHISTLEBLOWING POLICY AND SYSTEM

The Group is committed to preventing incidents of bribery, extortion, fraud, and money laundering. We follow global policies that promote the highest ethical standards for behaviour and compliance with laws and regulations where we do business. For details, please refer to the section headed "Preventing Corruption" in the "2023 Sustainability Report".

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2023, the second amended and restated memorandum and articles of association were approved by the shareholders of the Company at the annual general meeting of the Company held on June 20, 2023.

For details, please refer to the Company's announcement dated March 17, 2023, the circular dated May 19, 2023 and the poll results announcement dated June 20, 2023.

Independent Auditor's Report

Deloitte. 德勤

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NEXTEER AUTOMOTIVE GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Nexteer Automotive Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 84 to 151, which comprise the consolidated balance sheet as at December 31, 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board ("**IAASB**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our audit addressed the key audit matter
Capitalisation of product development costs	
Refer to notes 2.3, 4(a)(i) and 8 to the consolidated financial statements. The Group incurs significant costs and efforts on research and development activities, which include costs to develop customer-specific applications, prototypes and testing. As disclosed in note 8 to the consolidated financial statements, capitalised product development costs within intangible assets as at December 31, 2023 amounted to US$732.4 million and product development costs capitalised during the year ended December 31, 2023 amounted to US$145.7 million. Our audit was focused on this area given the significance of the development costs capitalised during the year ended December 31, 2023, as well as the complexity of the process used by management to account for these costs. Management uses significant judgement as part of this process including assessing whether costs are appropriately identified for capitalisation and that such costs are appropriately associated with programmes in the development phase of production in accordance with the capitalisation criteria as set out in note 2.3 to the consolidated financial statements. The key inputs utilised by management to calculate the development costs to be capitalised include labour hours and labour rates applied, as well as material costs.	We obtained understanding of the Group's process of capitalisation of product development costs and tested the design and implementation of relevant controls identified in this process. We obtained an analysis prepared by management of all individual development projects costs capitalised in the period and agreed this analysis to the amounts recorded in the general ledger. We considered the product development cost components included in the analysis for capitalisation and assessed the determination for capitalisation of such costs by comparing the nature of the costs capitalised by management to the capitalisation criteria as set out in note 2.3 to the consolidated financial statements. We also tested samples of projects as follows: • We met with finance management, inquired of engineers, and reviewed programme documentation to determine whether the programmes had entered the development phase of the projects and whether the associated costs were thus eligible for capitalisation. We conducted interviews with individual project managers responsible for the projects selected to corroborate management's explanations and to obtain an understanding of the development phase of the specific projects. We also inspected agreements between the Group and their customers to support existence of the development programmes. These procedures enabled us to assess whether the projects would allow the underlying expenditure to meet the criteria for capitalisation as set out in note 2.3 to the consolidated financial statements. • To determine whether costs were directly attributable to projects, we obtained detailed listings of hours worked on individual projects and selected samples of the employees' hours recorded. We obtained timesheets approved by the appropriate project managers to check that the employees selected for testing were involved on the projects and to evaluate the nature of the work they had been performing. We also recalculated the amount of costs capitalised for the projects selected, by applying a labour rate per employee to the timesheet hours. • We also compared the labour rates, referred to above, that had been applied to the hours identified as appropriate for capitalisation to the employee costs within the general ledger. • To test whether material costs were directly attributable to projects and capitalisable, we tested samples of capitalised material costs to assess whether the programmes to which they were being applied were in the development phase.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Hung Suk Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 26, 2024

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	6	**1,000,227**	971,192
Right-of-use assets	7	**51,351**	62,146
Intangible assets	8	**732,560**	725,145
Deferred income tax assets	9	**27,053**	13,886
Investments in joint ventures	32(b)	**18,440**	23,395
Income taxes receivable		**4,133**	21,108
Other receivables and prepayments	13	**23,160**	26,308
		1,856,924	1,843,180
Current assets			
Inventories	10	**299,074**	293,692
Trade receivables	11	**750,496**	753,104
Notes receivable	12	**52,550**	50,064
Income taxes receivable		**14,435**	28,504
Other receivables and prepayments	13	**119,360**	120,793
Restricted bank deposits	14	**13**	10
Cash and cash equivalents	15	**311,741**	245,934
		1,547,669	1,492,101
Total assets		**3,404,593**	3,335,281

The notes on pages 90 to 151 are an integral part of these Consolidated Financial Statements.

	Notes	As at December 31, 2023 US$'000	2022 US$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	34	**32,377**	32,377
Other reserves	16	**(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	7	**37,097**	48,376
Borrowings	17	**34,988**	49,838
Retirement benefits and compensations	18	**25,706**	23,038
Deferred income tax liabilities	9	**8,583**	18,944
Provisions	19	**66,196**	71,006
Deferred revenue	20	**110,229**	104,613
Other payables and accruals	22	**21,923**	15,875
		304,722	331,690
Current liabilities			
Trade payables	21	**833,401**	815,402
Other payables and accruals	22	**158,123**	134,523
Current income tax liabilities		**17,916**	12,928
Retirement benefits and compensations	18	**2,877**	4,132
Provisions	19	**21,159**	22,721
Deferred revenue	20	**27,244**	24,240
Borrowings	17	**14,122**	–
Lease liabilities	7	**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

The notes on pages 90 to 151 are an integral part of these Consolidated Financial Statements.

The Consolidated Financial Statements on pages 80 to 151 were approved by the Board of Directors on March 26, 2024 and were signed on its behalf.

LEI, Zili
Director

MILAVEC, Robin Zane
Director

Consolidated Income Statement

For the year ended December 31, 2023

	Notes	For the year ended December 31, 2023 US$'000	2022 US$'000
Revenue	5	**4,206,793**	3,839,703
Cost of sales	24	**(3,838,200)**	(3,472,552)
Gross profit		**368,593**	367,151
Engineering and product development costs	24	**(150,694)**	(145,080)
Selling and distribution expenses	24	**(19,721)**	(18,250)
Administrative expenses	24	**(135,094)**	(132,474)
Other (losses) gains, net	23	**(1,684)**	14,974
Operating profit		**61,400**	86,321
Finance income	26	**5,021**	8,651
Finance costs	26	**(5,064)**	(3,655)
	26	**(43)**	4,996
Share of results of joint ventures	32(b)	**2,870**	630
Profit before income tax		**64,227**	91,947
Income tax expense	27	**(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	28	**US$0.01**	US$0.02

The notes on pages 90 to 151 are an integral part of these Consolidated Financial Statements.

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

The notes on pages 90 to 151 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Attributable to equity holders of the Company								
	Share capital US$'000	Share premium US$'000 (note 16)	Merger reserve US$'000 (note 16)	Share-based compensation reserve US$'000 (note 16)	Exchange reserve US$'000 (note 16)	Retained earnings US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total 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 (note 25(a))	–	–	–	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 (note 25(a))	**–**	**–**	**–**	**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**

The notes on pages 90 to 151 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	Notes	For the year ended December 31, 2023 US$'000	2022 US$'000
Operating activities			
Cash generated from operations	30(a)	**410,018**	335,682
Income tax paid, net		**(5,894)**	(41,926)
Net cash generated from operating activities		**404,124**	293,756
Investing activities			
Purchase of property, plant and equipment		**(171,950)**	(120,343)
Addition of intangible assets		**(140,262)**	(146,380)
Others		**13,064**	3,249
Net cash used in investing activities		**(299,148)**	(263,474)
Financing activities			
Proceeds from borrowings	30(b)	**30,065**	178,050
Repayments of borrowings	30(b)	**(30,920)**	(207,562)
Repayments of lease liabilities	30(b)	**(14,682)**	(14,401)
Finance costs paid		**(7,025)**	(9,627)
Dividends paid to equity holders of the Company		**(11,796)**	(23,843)
Dividends paid to non-controlling interests		**(4,041)**	(7,797)
Net cash used in financing activities		**(38,399)**	(85,180)
Net increase (decrease) in cash and cash equivalents		**66,577**	(54,898)
Cash and cash equivalents at beginning of year		**245,934**	326,516
Effect of exchange rate changes on cash and cash equivalents		**(770)**	(25,684)
Cash and cash equivalents at end of year		**311,741**	245,934

The notes on pages 90 to 151 are an integral part of these Consolidated Financial Statements.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board. In addition, the Consolidated Financial Statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The Consolidated Financial Statements have been prepared under the historical cost convention except for notes receivable that are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 4.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.2 Property, plant and equipment

Items of property, plant and equipment (including tools but excluding construction-in-progress) are measured at cost less accumulated depreciation and accumulated impairment losses. Improvements that materially extend the useful life of these assets are capitalised. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on items of property, plant and equipment is calculated using the straight-line basis to allocate their cost to their residual values over their estimated useful lives as follows:

Land improvements	3-20 years
Leasehold improvements	6-18 years or over lease term, whichever is shorter
Buildings	20-40 years
Machinery, equipment and tooling	3-20 years
Furniture and office equipment	3-18 years

Tooling represents tools, dies, jigs and other items used in the manufacturing of customer-specific parts. Tools owned by the Group are capitalised as property, plant and equipment and depreciated to cost of sales over their useful lives.

The assets' residual values and useful lives are reviewed annually and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.4).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) gains, net in the Consolidated Financial Statements.

Construction-in-progress represents leasehold improvements, buildings, machinery and equipment under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes the costs of construction, installation, testing and other direct costs, and capitalised interest. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2 'Inventories'. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.3 Intangible assets

Research and development

The Group incurs significant costs and effort on research and development activities, which include costs to develop customer-specific applications, prototypes and testing. Research expenditures are charged to the consolidated income statement as an expense in the period the expenditure is incurred. Development costs are recognised as assets if they can be clearly assigned to a newly developed product or process and all the following can be demonstrated:

(i) The technical feasibility to complete the development project so that it will be available for use or sale;

(ii) The intention to complete the development project to use it;

(iii) The ability to use the output of the development project;

(iv) The manner in which the development project will generate probable future economic benefits for the Group;

(v) The availability of adequate technical, financial and other resources to complete the development project and use or sell the intangible asset; and

(vi) The expenditure attributable to the asset during its development can be reliably measured.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalised in connection with the intangible asset include costs of materials and services used or consumed and employee costs incurred in the creation of the asset. Development expenditures not satisfying the above criteria are recognised in the consolidated income statement as incurred.

Capitalised development costs are amortised using the straight-line method over the life of the related production programme, usually four to eight years.

2.4 Impairment of non-financial assets

Intangible development assets not ready to use are not subject to amortisation and are tested annually for impairment and whenever there is an indication of impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For an individual asset without future economic benefits, impairment is recognised. For the purposes of assessing impairment of cash-generating units, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.5 Impairment of financial assets

On a forward-looking basis, the Group assesses the expected credit losses associated with its financial assets carried at amortised cost and at fair value through other comprehensive income (**FVOCI**). The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach required by IFRS 9 "Financial Instruments" (**IFRS 9**), which requires lifetime expected credit losses to be recognised from initial recognition of these trade receivables. For other financial assets at amortised cost, the Group recognises a loss allowance equal to 12-month expected credit losses unless there has been a significant increase in credit risk of the financial assets since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses. Except for notes receivable measured at FVOCI, the Group recognises an impairment gain or loss in profit or loss for all financial assets by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For notes receivable measured at FVOCI, impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of notes receivable.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.5 Impairment of financial assets (Continued)

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group writes off a financial asset when there is no reasonable expectation of recovery. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Inventory cost includes direct material, direct labour and related manufacturing overhead costs (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

2.7 Cash and cash equivalents

Cash and cash equivalents presented on the consolidated balance sheet and consolidated statement of cash flows include:

- cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

- cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.8 Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

(i) Inside basis differences

Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Such deferred income tax is not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(ii) Outside basis differences

Deferred income taxes are recognised on temporary differences arising on investments in subsidiaries and joint arrangements, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(d) Uncertainty over income tax treatments

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.9 Provisions

Provisions for litigation, environmental liabilities, warranties, decommissioning and other are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.10 Share-based payment

The Group established an equity-settled, share-based compensation plan in June 2014, under which the Group receives services from certain employees as consideration for equity instruments (**options**) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity (**share-based compensation reserve**). The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market performance and service vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The Group established performance awards in November 2020 and June 2021 under which the Group receives services from certain employees as consideration for performance awards that are indexed to the share price of the Group. The fair value of the employee services received in exchange for the grant of the performance award is recognised as an expense and a corresponding liability. The total amount to be expensed is determined by reference to the positive difference between the stock price on the vesting date and the initial stock price for the performance award.

Non-market performance, if any, and service conditions are included in assumptions about the number of options and performance awards that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options and performance awards that are expected to vest based on the non-market performance, if any, and service conditions. It recognises the impact of the revision to original estimates, if any, in the Consolidated Financial Statements, with a corresponding adjustment to equity for the options and liability for the performance awards.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.11 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 set out in this note.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.11 Amendments to standards (Continued)

(a) Amendments to standards adopted by the Group (Continued)

(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 27.

(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 7 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.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's treasury department focuses on minimising potential adverse effects on the Group's financial performance.

(a) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

(i) Foreign exchange risk

The Group operates internationally but is exposed to foreign exchange risk arising from various currency exposures. Management monitors and analyses expected exchange rate developments and considers hedging foreign currency exposure should the need arise.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk primarily arises from current and non-current borrowings. Changes in interest rates on borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. As at December 31, 2023 and December 31, 2022, all of the Group's outstanding borrowings were in floating rate instruments with undrawn facilities with floating interest rates. In the event there is a change in market conditions the Group will assess the costs and benefits of both variable and fixed rate borrowings and enter into interest rate swaps should the need arise. The Group does not currently hold any interest rate swaps.

As at December 31, 2023, if the interest rates had been 100 basis points higher (lower) than the prevailing rate, with all other variables held constant, profit before income tax for the year ended December 31, 2023 would have been US$494,000 (year ended December 31, 2022: US$1,132,000) lower (higher).

(b) Credit risk

The Group sells to automotive manufacturers throughout the world. Credit risk arises from deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables. The treasury department is responsible for managing and analysing the credit risk for each new customer before standard payment and delivery terms and conditions are offered. The customer's creditworthiness is assessed based on a number of variables.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. Financial assets are written off when there is no reasonable expectation of recovery, such as the debtor failing to engage in a repayment plan with the Group. Where financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group's largest customer is General Motors Company and subsidiaries (**GM**) and its affiliates, which comprised 33% of revenues during the year ended December 31, 2023 (year ended December 31, 2022: 32%). Trade receivables from GM and its affiliates was 26% of total trade receivables as at December 31, 2023 (December 31, 2022: 29%).

The Group monitors the credit ratings of its banks and financial institutions. As at December 31, 2023, the Group holds approximately 61% (December 31, 2022: 71%) of its cash in financial institutions with credit ratings of A3 (Moody's) or higher, meaning the institutions have a very strong to extremely strong capacity to meet financial commitments. The majority of the remaining cash is held in banks within investment grade.

(c) Liquidity risk

The Group monitors forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining sufficient availability on its undrawn committed borrowing facilities as to not breach borrowing limits or covenants (where applicable) on any of its facilities. The Group's forecasting takes into consideration debt financing plans, covenant compliance and if applicable, external regulatory or legal requirements.

The tables below analyse the Group's financial liabilities and lease liabilities. The categories are based on the remaining period as at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows including principal and interest.

	Within 1 year US$'000	1–2 years US$'000	2–5 years US$'000	Over 5 years US$'000
As at December 31, 2023				
Borrowings	15,775	35,542	–	–
Lease liabilities	16,975	11,931	21,420	7,179
	32,750	47,473	21,420	7,179
Trade payables	833,401	–	–	–
Other payables and accruals	90,492	5,961	–	–

	Within 1 year US$'000	1–2 years US$'000	2–5 years US$'000	Over 5 years US$'000
As at December 31, 2022				
Borrowings	1,738	16,118	36,190	–
Lease liabilities	15,020	16,612	26,549	10,499
	16,758	32,730	62,739	10,499
Trade payables	815,402	–	–	–
Other payables and accruals	76,921	5,578	–	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and maintain an optimal capital structure to reduce the cost of capital. The Group monitors the gearing ratio to evaluate capital efficiency. Gearing ratio is a rate of total borrowings divided by total equity at the end of each year and is displayed as follows:

	As at December 31, 2023 US$'000	2022 US$'000
Total borrowings (note 17)	**49,110**	49,838
Total equity	**2,010,841**	1,977,150
Gearing ratio	**2.4%**	2.5%

3.3 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities, including cash and cash equivalents, restricted bank deposits, trade receivables, notes receivable and other receivables, trade payables and other payables and accruals and current borrowings approximate their fair values. The fair value of non-current borrowings for disclosure purposes as disclosed in note 17 is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The Group has notes receivable measured at FVOCI and included in Level 2 of the fair value hierarchy as at December 31, 2023 and 2022. Notes receivable are measured at FVOCI as (i) they are held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The fair value of financial assets at FVOCI is estimated by discounting the future contracted cash flows at the current market interest rate that is available to the Group for similar financial instruments. The Group's other financial assets or liabilities are measured at amortised cost using the effective interest method as at December 31, 2023 and 2022. The different levels of the fair value hierarchy are defined as follows:

- The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in **Level 1**.

- The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in **Level 2**.

- If one or more of the significant inputs is not based on observable market data, the instrument is included in **Level 3**.

There were no transfers of financial assets or financial liabilities between fair value hierarchy classifications.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In addition, management has applied judgements in the process of applying the Group's accounting policies. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, and the critical judgement in applying accounting policies that have significant effect on amounts recognised in the Consolidated Financial Statements are addressed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Intangible assets

(i) Capitalisation

The Group incurs significant costs and effort on research and development activities, which include costs to develop customer-specific applications, prototypes and testing. Development costs are recognised as assets if they can be clearly assigned to a newly developed product or process and the capitalisation criteria set out in note 2.3 can be demonstrated.

Management uses significant judgement as part of this process including assessing whether costs are appropriately identified for capitalisation and that such costs are appropriately associated with programmes in the development phase of production in accordance with the capitalisation criteria. The key inputs utilised by management to calculate the development costs to be capitalised include labour hours and labour rates applied, as well as material costs.

The Group's development activities are tracked and documented to support the basis of determining if and when the capitalisation criteria were met.

(ii) Impairment

The Group is required to test for impairment of intangible development assets not available for use on an annual basis. The recoverable amount is determined based on the higher of fair value less costs of disposal and value in use.

Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the intangible development assets not available for use can be supported by the net present value of future cash flows specific to each development asset. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of future unlevered free cash flows and the selection of discount rates to reflect the risks involved.

The Group uses the most recent detailed calculation of that asset's recoverable amount made in a preceding period when all of the following criteria are met: the assets and liabilities of the Group have not changed significantly from the most recent calculation; the most recent calculation resulted in an amount that exceeded the asset's carrying amount by a substantial margin; and based on an analysis of events that have occurred and circumstances that have changed since the most recent calculation, the likelihood that a current recoverable amount determination would be less than the asset's carrying amount is remote.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Warranty provisions

The Group recognises a provision when there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably.

The Group recognises expected warranty costs for products sold principally at the time of sale of the product or when it is determined that such obligations are probable and can be reasonably estimated. Amounts recorded are based on the Group's estimates of the amount that will eventually be required to settle such obligations. These accruals are based on factors such as specific customer arrangements, past experience, production changes, industry developments and various other considerations. The Group's estimates are adjusted from time to time based on facts and circumstances that impact the status of existing claims.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognised only if it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. This determination requires significant judgement regarding the realisability of deferred tax assets. For entities with a recent history of losses, there would need to be convincing other evidence that sufficient taxable profits would be available in the future. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5 REVENUE AND SEGMENT INFORMATION

5.1 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.

5 REVENUE AND SEGMENT INFORMATION (Continued)

5.1 Revenue from contracts with customers (Continued)

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, 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

Notes:

(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.

5.2 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.

5 REVENUE AND SEGMENT INFORMATION (Continued)

5.2 Segment information (Continued)

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

5.2 Segment information (Continued)

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	2022
	US$'000	US$'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

5 REVENUE AND SEGMENT INFORMATION (Continued)

5.2 Segment information (Continued)

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

	For the year ended December 31, 2023 US$'000	2022 US$'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

5 REVENUE AND SEGMENT INFORMATION (Continued)

5.2 Segment information (Continued)

Revenue by type

	For the year ended December 31, 2023 US$'000	2022 US$'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 US$'000	2022 US$'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

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and land improvements US$'000	Leasehold improvements US$'000	Buildings US$'000	Machinery, equipment and tooling US$'000	Furniture and office equipment US$'000	Construction-in-progress US$'000	Total US$'000
As at January 1, 2022							
Cost	13,406	19,979	92,779	1,619,165	10,721	93,547	1,849,597
Accumulated depreciation	(2,799)	(12,020)	(20,237)	(821,919)	(3,726)	–	(860,701)
Net book amount	10,607	7,959	72,542	797,246	6,995	93,547	988,896
Year ended December 31, 2022							
Opening net book amount	10,607	7,959	72,542	797,246	6,995	93,547	988,896
Additions, net [(i)]	2,250	1,997	2,358	126,674	3,072	9,684	146,035
Disposals	–	(6)	–	(3,894)	(88)	–	(3,988)
Depreciation	(292)	(1,870)	(2,803)	(127,815)	(1,160)	–	(133,940)
Exchange differences	(194)	(247)	(3,701)	(20,307)	(642)	(720)	(25,811)
Net book amount as at December 31, 2022	12,371	7,833	68,396	771,904	8,177	102,511	971,192
As at January 1, 2023							
Cost	**15,396**	**21,327**	**90,782**	**1,673,403**	**12,791**	**102,511**	**1,916,210**
Accumulated depreciation	**(3,025)**	**(13,494)**	**(22,386)**	**(901,499)**	**(4,614)**	**–**	**(945,018)**
Net book amount	**12,371**	**7,833**	**68,396**	**771,904**	**8,177**	**102,511**	**971,192**
Year ended December 31, 2023							
Opening net book amount	**12,371**	**7,833**	**68,396**	**771,904**	**8,177**	**102,511**	**971,192**
Additions, net [(i)]	**1,435**	**488**	**3,811**	**157,417**	**3,019**	**3,398**	**169,568**
Disposals	**–**	**(32)**	**–**	**(6,923)**	**(14)**	**–**	**(6,969)**
Depreciation	**(341)**	**(2,155)**	**(3,024)**	**(129,959)**	**(2,368)**	**–**	**(137,847)**
Exchange differences	**220**	**9**	**225**	**3,328**	**(47)**	**548**	**4,283**
Net book amount as at December 31, 2023	**13,685**	**6,143**	**69,408**	**795,767**	**8,767**	**106,457**	**1,000,227**
As at December 31, 2023							
Cost	**17,096**	**21,529**	**95,011**	**1,801,132**	**15,585**	**106,457**	**2,056,810**
Accumulated depreciation	**(3,411)**	**(15,386)**	**(25,603)**	**(1,005,365)**	**(6,818)**	**–**	**(1,056,583)**
Net book amount	**13,685**	**6,143**	**69,408**	**795,767**	**8,767**	**106,457**	**1,000,227**

Note:

(i) Upon completion, transfers from construction-in-progress to other classes of property, plant and equipment are included in additions, net.

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Certain of the Group's property, plant and equipment have been pledged as collateral under the Group's borrowing arrangements. The carrying amounts of property, plant and equipment pledged as collateral were US$286,199,000 as at December 31, 2023 (December 31, 2022: US$277,809,000).

Depreciation has been charged to the following function of expenses:

	For the year ended December 31, 2023 US$'000	2022 US$'000
Cost of sales	**119,515**	117,194
Engineering and product development costs	**12,672**	10,001
Administrative expenses	**5,660**	6,745
	137,847	133,940

7 LEASES

For all asset classes, the Group accounts for each lease component of a contract and its associated non-lease components as a single lease component, rather than allocating a stand-alone value to each component of the lease. The Group does not recognise right-of-use assets (**ROU assets**) and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group's leases are mainly comprised of real-estate and vehicles. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	Real-Estate US$'000	Other US$'000	Total US$'000
Balance as at December 31, 2022	49,860	12,286	62,146
Depreciation charge for the year ended December 31, 2022	11,439	2,705	14,144
Balance as at December 31, 2023	**42,671**	**8,680**	**51,351**
Depreciation charge for the year ended December 31, 2023	**11,763**	**3,927**	**15,690**

Additions to the ROU assets during the year ended December 31, 2023 were US$4,394,000 (year ended December 31, 2022: US$14,356,000).

7 LEASES (Continued)

Right-of-use assets (Continued)

Depreciation has been charged to the following function of expenses:

	For the year ended December 31, 2023 US$'000	2022 US$'000
Cost of sales	**11,075**	9,840
Engineering and product development costs	**2,066**	1,979
Administrative expenses	**2,549**	2,325
	15,690	14,144

Lease liabilities

(a) Gross lease liabilities – minimum lease payments:

	As at December 31, 2023 US$'000	As at December 31, 2022 US$'000
Within 1 year	**16,975**	15,020
Between 1 and 2 years	**11,931**	16,612
Between 2 and 5 years	**21,420**	26,549
Over 5 years	**7,179**	10,499
	57,505	68,680
Less: future finance charges	**(6,220)**	(7,809)
	51,285	60,871

(b) Present value of lease liabilities:

	As at December 31, 2023 US$'000	As at December 31, 2022 US$'000
Within 1 year	**14,188**	12,495
Between 1 and 2 years	**10,637**	14,626
Between 2 and 5 years	**19,551**	23,810
Over 5 years	**6,909**	9,940
	51,285	60,871
Less: non-current portion	**(37,097)**	(48,376)
Current portion	**14,188**	12,495

For the year ended December 31, 2023, the Group recognised interest expense on lease liabilities of US$2,877,000 (year ended December 31, 2022: US$2,831,000) in the Consolidated Financial Statements.

For the year ended December 31, 2023, the Group's total cash outflow for leases amounted to US$14,682,000 (year ended December 31, 2022: US$14,401,000).

8 INTANGIBLE ASSETS

	Product development costs US$'000	Computer software development costs US$'000	Total US$'000
Cost			
As at January 1, 2022	1,331,473	27,266	1,358,739
Additions	153,159	–	153,159
Impairment	(9,317)	–	(9,317)
Exchange differences	(10,980)	–	(10,980)
As at December 31, 2022	1,464,335	27,266	1,491,601
Accumulated amortisation			
As at January 1, 2022	623,666	26,266	649,932
Amortisation	120,484	619	121,103
Exchange differences	(4,579)	–	(4,579)
As at December 31, 2022	739,571	26,885	766,456
Net book amount			
As at December 31, 2022	724,764	381	725,145
Cost			
As at January 1, 2023	**1,464,335**	**27,266**	**1,491,601**
Additions	**145,726**	**20**	**145,746**
Reversals of impairment, net	**1,558**	**–**	**1,558**
Exchange differences	**(2,543)**	**–**	**(2,543)**
As at December 31, 2023	**1,609,076**	**27,286**	**1,636,362**
Accumulated amortisation			
As at January 1, 2023	**739,571**	**26,885**	**766,456**
Amortisation	**138,163**	**198**	**138,361**
Exchange differences	**(1,015)**	**–**	**(1,015)**
As at December 31, 2023	**876,719**	**27,083**	**903,802**
Net book amount			
As at December 31, 2023	**732,357**	**203**	**732,560**

The additions for the year ended December 31, 2023 include US$5,484,000 of capitalised interest related to the borrowings associated with product development costs (year ended December 31, 2022: US$6,779,000). Borrowing costs were capitalised at the weighted average of the borrowing rates of 4.6% for the year ended December 31, 2023 (year ended December 31, 2022: 4.0%).

8 INTANGIBLE ASSETS (Continued)

Amortisation has been charged to the following function of expenses:

	For the year ended December 31,	
	2023	2022
	US$'000	US$'000
Cost of sales	**138,173**	120,672
Administrative expenses	**188**	431
	138,361	121,103

Impairment tests

Capitalised product development costs not yet available for use amounting to US$263,200,000 as at December 31, 2023 (December 31, 2022: US$286,500,000) are tested annually based on the recoverable amount of the cash-generating unit to which the intangible asset is related.

The recoverable amount of the cash-generating units is determined based upon value in use from the most recent detailed calculations. The value in use is estimated using the discounted cash flow approach. For significant cash-generating units, the pre-tax discount rates used for the year ended December 31, 2023 to estimate present value of future cash flows range between 12.0% and 14.0% (year ended December 31, 2022: between 11% and 14%), which are based on an estimated weighted average cost of capital depending on geographical location and risk factors and includes estimates of country risk premiums. Estimated cash flows are based on the estimated useful life of the cash-generating unit.

In determining value in use, it is necessary to make a series of assumptions to estimate future cash flows. There is risk in future profitability forecasts including, but not limited to, assumptions of customer volumes and commodity pricing. The assumptions for customer volumes and commodity pricing are reviewed annually as part of management's budgeting and strategic planning cycles.

The assumptions related to customer volume and timing of sales to customers may vary due to a number of factors, including variation in demand for customers' products, customers' attempts to manage their inventories, design changes, changes in customers' manufacturing strategy, etc. Accordingly, many of the Group's customers do not commit to long-term production schedules.

The assumptions related to commodity pricing may vary as raw material costs are influenced by several commodities and the volatility of these prices may have an adverse impact on the Group's business. However, to mitigate the risk the Group continues its efforts to pass material, component and supply cost increases to the Group's customers.

During the year ended December 31, 2023, the Group recognised a net reversal of product development intangible asset impairments of US$1,558,000. The Group reversed impairments on a previously impaired programme of US$4,100,000 in the Consolidated Financial Statements as engineering and product development costs in the North America segment. The Group recorded impairments of US$1,536,000, US$177,000 and US$829,000 related to both programme cancellations and declining volumes on specific customer programmes recorded in the Consolidated Financial Statements 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$5,184,000 in the Consolidated Financial Statements 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$9,317,000 related to programme cancellations and declining volumes on specific customer programmes, with US$9,284,000 recorded in the Others segment and US$33,000 recorded in the Asia Pacific segment.

9 DEFERRED INCOME TAXES

The reconciliation of deferred income tax assets (liabilities), net to the consolidated balance sheet is as follows:

	As at December 31, 2023 US$'000	2022 US$'000
Deferred income tax assets	**27,053**	13,886
Deferred income tax liabilities	**(8,583)**	(18,944)
Deferred income tax assets (liabilities), net	**18,470**	(5,058)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Property, plant and equipment US$'000	Retirement benefits and compensation US$'000	Provisions and accruals US$'000	Tax losses and credits US$'000	Intangible assets US$'000	Others US$'000	Total US$'000
Deferred income tax assets							
As at January 1, 2022	16,276	12,673	38,077	81,523	–	16,170	164,719
Credit (charged) to income statement	9,853	1,720	12,027	(59,330)	–	(4,475)	(40,205)
Charged to equity	–	(530)	–	–	–	–	(530)
Exchange differences	78	59	114	14	–	26	291
As at December 31, 2022	26,207	13,922	50,218	22,207	–	11,721	124,275
As at January 1, 2023	**26,207**	**13,922**	**50,218**	**22,207**	**–**	**11,721**	**124,275**
(Charged) credit to income statement	**(20,231)**	**(7,315)**	**(40,974)**	**(14,179)**	**1,395**	**915**	**(80,389)**
Charged to equity	**–**	**164**	**–**	**–**	**–**	**–**	**164**
Exchange differences	**88**	**68**	**128**	**16**	**–**	**28**	**328**
As at December 31, 2023	**6,064**	**6,839**	**9,372**	**8,044**	**1,395**	**12,664**	**44,378**
Deferred income tax liabilities							
As at January 1, 2022	(72,892)	(3)	(2,391)	–	(90,218)	(14,595)	(180,099)
Credit (charged) to income statement	5,804	(49)	60	–	36,849	8,039	50,703
Exchange differences	21	–	28	–	–	14	63
As at December 31, 2022	(67,067)	(52)	(2,303)	–	(53,369)	(6,542)	(129,333)
As at January 1, 2023	**(67,067)**	**(52)**	**(2,303)**	**–**	**(53,369)**	**(6,542)**	**(129,333)**
Credit (charged) to income statement	**49,069**	**42**	**2,258**	**–**	**53,369**	**(1,385)**	**103,353**
Exchange differences	**24**	**–**	**32**	**–**	**–**	**16**	**72**
As at December 31, 2023	**(17,974)**	**(10)**	**(13)**	**–**	**–**	**(7,911)**	**(25,908)**

9 DEFERRED INCOME TAXES (Continued)

Deferred income tax assets are recognised for tax loss carry-forwards and deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred income tax assets being calculated at applicable tax rates have not been recognised as management believes it is more likely than not that they would not be utilised before expiration as follows:

	As at December 31, 2023 US$'000	2022 US$'000
Tax losses and credits	**72,750**	63,076
Deductible temporary differences	**3,429**	11,032
	76,179	74,108

As at December 31, 2023, the Group has US$69,971,000 (December 31, 2022: US$88,161,000) of worldwide gross net operating loss carry-forwards, of which US$25,720,000 does not expire and the remainder expires over the years 2024-2039 (2022: 2023-2030). The Group has recognised US$27,676,000 (December 31, 2022: US$9,124,000) of worldwide losses as deferred tax assets. The remaining tax losses of US$42,295,000 (December 31, 2022: US$79,037,000) have not been recognised due to unpredictability of future profit streams. Additionally, the Group has US$63,553,000 (December 31, 2022: US$68,290,000) of research tax credits which expire over the years 2037-2043. The Group has recognised US$nil (December 31, 2022: US$20,331,000) of research tax credits as a deferred tax asset.

As at December 31, 2023, deferred income tax liabilities of US$3,300,000 (December 31, 2022: US$3,850,000) have been provided for withholding tax that would be payable on the portion of unremitted earnings of certain subsidiaries intended to be distributed in the foreseeable future and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax liabilities have not been recognised on the remaining unremitted earnings because the Group is able to control the timing of reversal of the temporary differences. Unremitted earnings totaled US$2,138,309,000 as at December 31, 2023 (December 31, 2022: US$1,993,895,000).

10 INVENTORIES

	As at December 31, 2023 US$'000	2022 US$'000
Raw materials	**226,315**	229,896
Work-in-progress	**33,729**	30,252
Finished goods	**56,733**	49,273
	316,777	309,421
Less: allowances for write-down	**(17,703)**	(15,729)
	299,074	293,692

The cost of inventories recognised as an expense and included in cost of sales for the year ended December 31, 2023 amounted to US$3,604,925,000 (year ended December 31, 2022: US$3,282,441,000).

The carrying amounts of inventories pledged as collateral were US$117,508,000 as at December 31, 2023 (December 31, 2022: US$114,283,000).

11 TRADE RECEIVABLES

	As at December 31, 2023 US$'000	2022 US$'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 US$'000	2022 US$'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.

11 TRADE RECEIVABLES (Continued)

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

	For the year ended December 31, 2023 US$'000	2022 US$'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).

12 NOTES RECEIVABLE

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$52,550,000 as at December 31, 2023 (December 31, 2022: US$50,064,000). The notes receivable are measured at FVOCI.

Ageing analysis of notes receivable based on note date is as follows:

	As at December 31, 2023 US$'000	2022 US$'000
0 to 30 days	**28,108**	12,849
31 to 60 days	**6,176**	13,439
61 to 90 days	**6,126**	11,191
Over 90 days	**12,140**	12,585
	52,550	50,064

13 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2023	2022
	US$'000	US$'000
		(Restated)
Other taxes recoverable [(i)]	**25,750**	33,433
Prepaid assets	**46,102**	47,697
Contract assets [(ii)]	**48,655**	47,718
Deposits to vendors	**10,764**	8,614
Others	**11,249**	9,639
	142,520	147,101
Less: non-current portion	**(23,160)**	(26,308)
Current portion	**119,360**	120,793

Notes:

(i) Balance mainly represents value-added tax recoverable.

(ii) As stated in note 5, the Group has contracts with customers that require revenue to be recognised over time as costs are incurred. Contract assets balance represents rights to consideration for work completed but not billed, at the reporting date on production parts, tooling and engineering and development/prototypes.

14 RESTRICTED BANK DEPOSITS

As at December 31, 2023, restricted bank deposits of US$13,000 (December 31, 2022: US$10,000) are maintained with banks for issuance of letters of credit and pledges of bank borrowings.

15 CASH AND CASH EQUIVALENTS

The Group's RMB balances of US$176,780,000 are deposited with banks in China as at December 31, 2023 (December 31, 2022: US$122,219,000). The RMB is not a freely convertible currency. The conversion of these RMB denominated balances into foreign currencies in China is subject to rules and regulations of foreign exchange control promulgated by the China government. Cash balances denominated in RMB will be used as part of the normal operating activities in China and are classified as unrestricted cash on this basis.

16 OTHER RESERVES

	Share premium (i) US$'000	Merger reserve (ii) US$'000	Share-based compensation reserve (iii) US$'000	Exchange reserve (iv) US$'000	Total other reserves US$'000
As at January 1, 2022	1,642	113,000	6,061	(86,810)	33,893
Value of employee services provided under Share Option Scheme (note 25(a))	–	–	135	–	135
Dividends paid to shareholders	(1,642)	–	–	–	(1,642)
Exchange differences	–	–	–	(56,748)	(56,748)
As at December 31, 2022	–	113,000	6,196	(143,558)	(24,362)
Value of employee services provided under Share Option Scheme (note 25(a))	**–**	**–**	**238**	**–**	**238**
Exchange differences	**–**	**–**	**–**	**5,250**	**5,250**
As at December 31, 2023	**–**	**113,000**	**6,434**	**(138,308)**	**(18,874)**

Notes:

(i) Share premium
Share premium of the Group represents the difference between the fair value of shares issued and their respective par value.

(ii) Merger reserve
The Company was incorporated on August 21, 2012 and the Group's reorganisation was completed on January 30, 2013. The merger reserve in the Consolidated Financial Statements as at December 31, 2023 and 2022 represent the aggregate amount of share capital of PCM US Steering Holding LLC and PCM (Singapore) Steering Holding Pte. Limited.

(iii) Share-based compensation reserve
The share-based compensation reserve comprises the value of employee services provided under the Share Option Scheme. The reserve is relieved when options are exercised in the amount of services recognised related to those options.

(iv) Exchange reserve
Exchange reserve arises from currency translations of all group entities that have a functional currency different from the US dollar being translated into the Group's presentation currency of US dollar.

17 BORROWINGS

	As at December 31, 2023 US$'000	2022 US$'000
Non-Current		
Borrowings from banks		
– Unsecured [1a(i)]	**35,306**	50,283
Add: Non-current portion of:		
– Debt issuance costs [1b]	**(318)**	(445)
Total Non-Current	**34,988**	49,838
Current		
Borrowings from banks		
– Unsecured [1a(i)]	**14,122**	–
Total Current	**14,122**	–
Total borrowings	**49,110**	49,838

(1) Notes:

(a) The Group has the following significant utilised and unutilised bank facilities at the end of the reporting period:

(i) An unsecured credit facility containing certain financial covenants, consisting of 3 term loan tranches, obtained by a subsidiary of the Company with a balance of US$49,428,000 as at December 31, 2023 (December 31, 2022: US$50,283,000). Tranche 1 has a balance of US$14,122,000 (2022: US$14,367,000) and matures in December 2024. Tranche 2 has a balance of US$14,122,000 (2022: US$14,367,000) and matures in February 2025. Tranche 3 has a balance of US$21,184,000 (2022: US$21,549,000) and matures in April 2025. Each tranche bears interest at the China Loan Prime Rate minus 0.25%. The credit facility has no remaining unused capacity as at December 31, 2023 and 2022.

(ii) A revolving line of credit of US$nil as at December 31, 2023 (December 31, 2022: US$nil) obtained by a subsidiary of the Company which bears interest at SOFR plus a range of 1.35% to 1.85% (2022: 1.25% to 1.75%) per annum, depending on borrowing type, matures in June 2026 and is secured by trade receivables, inventories and machinery and equipment. Availability under the agreement fluctuates according to a borrowing base. In addition, outstanding amounts under the credit facility may become immediately due and payable upon certain events of default, including failure to comply with the financial covenant in the credit agreement, a fixed charge coverage ratio requirement that applies when excess availability under the credit line is less than certain thresholds, or certain other affirmative and negative covenants in the agreement. As at December 31, 2023 the Group has availability of US$320,569,000 (2022: US$322,039,000) of the US$325,000,000 line of credit.

(iii) A factoring facility with availability to borrow up to US$44,319,000 (2022: US$42,633,000) by a subsidiary of the Company which bears interest at EURIBOR or WIBOR plus 1.50% per annum, is secured by certain receivables. As of December 31, 2023, the subsidiary has availability to borrow based on collateral up to US$22,189,000 (2022: US$20,552,000).

(iv) An overdraft facility with availability to borrow up to US$20,442,000 (2022: US$18,209,000) by a subsidiary of the Company which bears interest at EURIBOR plus 1.50% per annum or WIBOR plus 1.30% per annum, depending on the currency borrowed, is secured by certain receivables and expires in August 2024.

17 BORROWINGS (Continued)

(1) Notes: (Continued)

(a) The Group has the following significant utilised and unutilised bank facilities at the end of the reporting period: (Continued)

(v) A revolving line of credit with availability to borrow up to US$3,608,000 (2022: US$2,415,000) by a subsidiary of the Company which bears interest at the India Marginal Cost of Funds Based Lending Rate + 0.8% per annum, is secured by property, plant and equipment, trade receivables and inventories.

(vi) A revolving line of credit with availability to borrow up to US$3,608,000 (2022: US$2,415,000) by a subsidiary of the Company which bears interest at the India Marginal Cost of Funds Based Lending Rate + 0.4% per annum, is secured by property, plant and equipment, trade receivables and inventories.

(b) The Group capitalised debt issuance costs related to various borrowings as noted above. Amortisation of the debt issuance costs is recognised in the Consolidated Financial Statements as finance cost over the period of the borrowing using the effective interest method. The unamortised balance of debt issuance costs is US$318,000 as at December 31, 2023 (December 31, 2022: US$445,000).

(2) Maturity of borrowings

	As at December 31, 2023 US$'000	2022 US$'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

(3) The carrying amount and fair value of non-current borrowings are as follows:

	Carrying amount As at December 31,		Fair value As at December 31,	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
Bank borrowings	**35,306**	50,283	**35,492**	50,331

The fair values of bank borrowings are based on discounted cash flows using applicable discount rates based upon the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics as at the balance sheet dates. Such discount rates were 3.2% (2022: 3.4%) as at December 31, 2023, and were within Level 2 of the fair value hierarchy.

(4) Weighted average annual interest rates

	As at December 31, 2023	2022
Bank borrowings	**4.1%**	3.3%

18 RETIREMENT BENEFITS AND COMPENSATIONS

	As at December 31, 2023 US$'000	2022 US$'000
Pension – defined benefit plans [(a)]	**19,108**	15,443
Extended disability benefits [(b)]	**2,475**	3,481
Workers' compensation [(c)]	**7,000**	8,246
	28,583	27,170
Less: non-current portion	**(25,706)**	(23,038)
Current portion	**2,877**	4,132

(a) **Pension – defined benefit plans**

The Group sponsors various defined benefit plans that generally provide benefits based on negotiated amounts for each year of eligible service. The Group's most significant plans are under regulatory frameworks in Mexico, Germany, France, Korea and the US. The US Supplemental Executive Retirement Plan (**US SERP**) is a frozen plan. The plans had no curtailments or settlements affecting the defined benefit obligation.

The Group employs Mercer (U.S.) Inc., an independent qualified actuary, to measure pension costs using the projected unit credit method. The amounts recognised in the Consolidated Financial Statements are determined as follows:

	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Non-US plans US$'000	US SERP US$'000	Total US$'000	Non-US plans US$'000	US SERP US$'000	Total US$'000
Present value of defined benefit obligations [(i)]	**19,503**	**859**	**20,362**	15,986	1,047	17,033
Fair value of plan assets [(ii)]	**(1,254)**	**–**	**(1,254)**	(1,590)	–	(1,590)
Deficit of funded plans	**18,249**	**859**	**19,108**	14,396	1,047	15,443

There is no current requirement for the Group to fund the deficit between the fair value of plan assets and the present value of the defined benefit plan obligations as at December 31, 2023.

18 RETIREMENT BENEFITS AND COMPENSATIONS (Continued)

(a) Pension – defined benefit plans (Continued)

(i) Movement in the present value of defined benefit obligations:

	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Non-US plans US$'000	US SERP US$'000	Total US$'000	Non-US plans US$'000	US SERP US$'000	Total US$'000
Opening balance	15,986	1,047	17,033	16,628	1,331	17,959
Current service cost	1,220	–	1,220	1,152	–	1,152
Past service cost	42	–	42	–	–	–
Interest cost	1,306	45	1,351	900	19	919
Losses (gains) from changes in financial assumptions	297	4	301	(2,645)	(78)	(2,723)
Experience losses (gains)	627	(18)	609	552	(6)	546
(Gains) losses from changes in demographic assumptions	(24)	–	(24)	4	–	4
Exchange differences	1,867	–	1,867	191	–	191
Benefits paid	(1,818)	(219)	(2,037)	(796)	(219)	(1,015)
Ending balance	19,503	859	20,362	15,986	1,047	17,033

(ii) Movement in the fair value of plan assets:

	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Non-US plans US$'000	US SERP US$'000	Total US$'000	Non-US plans US$'000	US SERP US$'000	Total US$'000
Opening balance	(1,590)	–	(1,590)	(1,664)	–	(1,664)
Interest income	(88)	–	(88)	(45)	–	(45)
Loss on plan assets, excluding amounts included in interest income	33	–	33	13	–	13
Administrative expenses	4	–	4	4	–	4
Employer contributions	(1,448)	(219)	(1,667)	(778)	(219)	(997)
Exchange differences	17	–	17	84	–	84
Benefits paid	1,818	219	2,037	796	219	1,015
Ending balance	(1,254)	–	(1,254)	(1,590)	–	(1,590)

18 RETIREMENT BENEFITS AND COMPENSATIONS (Continued)

(a) Pension – defined benefit plans (Continued)

Plan assets comprise as follows:

	As at December 31, 2023	2022
Equities	**3%**	3%
Bonds	**4%**	2%
Cash and cash equivalents	**3%**	2%
Others	**90%**	93%
	100%	100%

Amounts recognised in other comprehensive income:

	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Non-US plans US$'000	**US SERP US$'000**	**Total US$'000**	Non-US plans US$'000	US SERP US$'000	Total US$'000
(Losses) gains from changes in financial assumptions	**(297)**	**(4)**	**(301)**	2,654	78	2,732
Experience (losses) gains	**(627)**	**18**	**(609)**	(552)	6	(546)
Gains (losses) from changes in demographic assumptions	**24**	**–**	**24**	(4)	–	(4)
Loss on plan assets, excluding amounts included in interest income	**(33)**	**–**	**(33)**	(13)	–	(13)
Total	**(933)**	**14**	**(919)**	2,085	84	2,169

18 RETIREMENT BENEFITS AND COMPENSATIONS (Continued)

(a) **Pension – defined benefit plans** (Continued)

Amount recognised in the Consolidated Financial Statements:

	For the year ended December 31, 2023			For the year ended December 31, 2022		
	Non-US plans US$'000	**US SERP US$'000**	**Total US$'000**	Non-US plans US$'000	US SERP US$'000	Total US$'000
Current and past service cost	**1,262**	**–**	**1,262**	1,152	–	1,152
Interest cost, net	**1,218**	**45**	**1,263**	855	19	874
Administrative expenses	**4**	**–**	**4**	4	–	4
Total	**2,484**	**45**	**2,529**	2,011	19	2,030
Included in:						
Cost of sales	**1,731**	**–**	**1,731**	1,441	–	1,441
Engineering and product development costs	**510**	**–**	**510**	406	–	406
Selling and distribution costs	**126**	**–**	**126**	110	–	110
Administrative expenses	**117**	**45**	**162**	54	19	73
	2,484	**45**	**2,529**	2,011	19	2,030

Principal actuarial assumptions used were as follows:

	December 31, 2023		December 31, 2022	
	Non-US plans	**US SERP**	Non-US plans	US SERP
Discount rate	**7.93%**	**4.72%**	7.90%	4.95%
Salary increase rate	**4.91%**	**N/A**	4.83%	N/A
Price inflation rate	**3.66%**	**N/A**	3.47%	N/A
Pension increase rate	**2.00%**	**N/A**	2.00%	N/A

18 RETIREMENT BENEFITS AND COMPENSATIONS (Continued)

a. Pension – defined benefit plans (Continued)

Balances of pension obligations derived from changes in the discount rate and salary increase rate as at the respective year-ends were as follows:

	December 31, 2023			December 31, 2022		
	Non-US plans US$'000	US SERP US$'000	Total US$'000	Non-US plans US$'000	US SERP US$'000	Total US$'000
1% increase in discount rate	17,852	843	18,695	14,641	1,026	15,667
1% decrease in discount rate	21,409	876	22,285	17,507	1,068	18,575
1% increase in salary increase rate	20,659	N/A	20,659	16,921	N/A	16,921
1% decrease in salary increase rate	18,427	N/A	18,427	15,145	N/A	15,145

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation the same actuarial method has been applied in arriving at the pension liability recognised in the Consolidated Financial Statements.

b. Extended disability benefits

Costs associated with extended disability benefits provided to injured employees in the US are accrued throughout the duration of active employment. Workforce demographic data and historical experience are utilised to develop projections of time frames and related expenses for these post-employment benefits based on an actuarially determined estimate.

c. Workers' compensation

The Group is self-insured up to a certain amount of workers' compensation claims for hourly workforce and accrues estimated costs for filed claims based upon an actuarially determined estimate. Workers' compensation liability includes benefits related to medical, dental and vision benefits.

19 PROVISIONS

	As at December 31, 2023			As at December 31, 2022		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Litigation (i)	223	13,644	13,867	109	13,053	13,162
Environmental liabilities (ii)	150	11,839	11,989	150	11,863	12,013
Warranties (iii)	20,286	30,396	50,682	22,462	36,272	58,734
Decommissioning (iv)	–	10,317	10,317	–	9,818	9,818
Other provision	500	–	500	–	–	–
	21,159	66,196	87,355	22,721	71,006	93,727

19 PROVISIONS (Continued)

Movement of provisions is as follows:

	Litigation (i) US$'000	Environmental liabilities (ii) US$'000	Warranties (iii) US$'000	Decom-missioning (iv) US$'000	Other provision US$'000	Total US$'000
As at January 1, 2022	808	12,039	55,775	9,374	–	77,996
Additions, net	12,589	2	21,241	490	–	34,322
Payments	(249)	(31)	(16,583)	–	–	(16,863)
Exchange differences	14	3	(1,699)	(46)	–	(1,728)
As at December 31, 2022	13,162	12,013	58,734	9,818	–	93,727
As at January 1, 2023	**13,162**	**12,013**	**58,734**	**9,818**	**–**	**93,727**
Additions, net	**1,311**	**4**	**14,263**	**491**	**500**	**16,569**
Payments	**(652)**	**(32)**	**(22,398)**	**–**	**–**	**(23,082)**
Exchange differences	**46**	**4**	**83**	**8**	**–**	**141**
As at December 31, 2023	**13,867**	**11,989**	**50,682**	**10,317**	**500**	**87,355**

Notes:

(i) Litigation

The balance represents a provision primarily for certain employment litigation claims brought against the Group by former directors, who commenced separate legal proceedings against the Group during the second half of 2022 for, among others, the payment of various termination benefits of US$10,935,000. As at December 31, 2023, the legal proceedings are in progress and the Group will continue to contest both cases vigorously.

(ii) Environmental liabilities

A provision is recognised for remediation costs to be incurred for the restoration of the manufacturing sites upon the initial recognition of the related assets.

(iii) Warranties

A provision is recognised for warranty costs associated with products sold to the customer principally at the time of sale or when it is determined that such obligations are probable and can be reasonably estimated.

(iv) Decommissioning

This represents asset retirement obligations at certain of the Group's facilities.

20 DEFERRED REVENUE

Contract liabilities are associated with consideration received from customers in advance of transferring goods promised in a contract. The Group periodically receives upfront consideration from customers in connection with engineering, prototyping and pre-production programme-specific activities. These revenue amounts are deferred and recognised over the life of the related programme, which typically ranges between four and eight years. The carrying amount of deferred revenue is as follows:

	As at December 31, 2023			As at December 31, 2022		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Pre-production activity	**27,244**	**110,229**	**137,473**	24,240	104,613	128,853

Movement of deferred revenue is as follows:

	As at December 31, 2023 US$'000	2022 US$'000
As at January 1	**128,853**	110,428
Additions	**53,622**	46,589
Recognised in profit or loss	**(44,791)**	(27,687)
Exchange differences	**(211)**	(477)
As at December 31	**137,473**	128,853

21 TRADE PAYABLES

	As at December 31, 2023 US$'000	2022 US$'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).

21 TRADE PAYABLES (Continued)

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

	As at December 31, 2023 US$'000	2022 US$'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

22 OTHER PAYABLES AND ACCRUALS

	As at December 31, 2023 US$'000	2022 US$'000
Accrued expenses	**136,096**	125,417
Deposits from customers	**452**	499
Other taxes payable	**17,990**	10,818
Others (i)	**25,508**	13,664
	180,046	150,398
Less: non-current portion	**(21,923)**	(15,875)
Current portion	**158,123**	134,523

Note:

(i) Included in others is the estimated customer claim in respect of production downtime caused to the customer due to unexpected supply chain disruption.

23 OTHER (LOSSES) GAINS, NET

	For the year ended December 31, 2023 US$'000	2022 US$'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

24 EXPENSE BY NATURE

	For the year ended December 31, 2023 US$'000	2022 US$'000
Inventories used, including finished goods and work-in-progress	**2,761,979**	2,542,487
Employee benefit costs (note 25)	**576,701**	495,388
Temporary labour costs	**159,037**	111,472
Supplies and tools	**202,682**	198,791
Depreciation on property, plant and equipment (note 6)	**137,847**	133,940
Depreciation on right-of-use assets (note 7)	**15,690**	14,144
Amortisation on intangible assets (note 8)	**138,361**	121,103
Impairment charges (reversals), net, on		
– trade receivables (note 11)	**138**	(426)
– intangible assets (note 8)	**(1,558)**	9,317
Write-down (reversal of write-down) on inventories (note 10)	**1,974**	(223)
Warranty expenses (note 19)	**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

25 EMPLOYEE BENEFIT COSTS

	For the year ended December 31, 2023 US$'000	2022 US$'000
Salary expenses	**411,741**	360,891
Pension costs – defined contribution plans	**34,837**	31,457
Pension costs – defined benefit plans (note 18)	**2,529**	2,030
Other employee costs	**127,594**	101,010
	576,701	495,388

25 EMPLOYEE BENEFIT COSTS (Continued)

(a) Share options

Pursuant to a shareholders' resolution passed on June 5, 2014, the Company adopted a share option scheme (**the Scheme**). The Scheme will remain in force for a period of 10 years commencing from June 5, 2014 and the period within which the option may be exercised must expire no later than 10 years from the relevant date of grant.

The subscription price for the shares under the option to be granted will be determined by the Board of Directors and will be the higher of: (a) the closing price of the shares of the Company as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant; or (c) the nominal value of the shares of the Company. The valuation of share options involves the use of option pricing models that involve variables and assumptions that are subject to estimates and subjective assumptions.

The options will be vested and become exercisable after the grantees complete a period of service of 1 to 3 years from the date of grant and subject to the Group achieving its performance targets.

On June 11, 2014, the Board of Directors approved an initial grant of share options under the Scheme, pursuant to which options to subscribe for 11,236,860 shares, representing approximately 0.4499% of the issued share capital of the Company as at the date of grant, were granted to 15 selected participants at the exercise price of HK$5.150 per share.

On June 10, 2015, the Board of Directors approved a second grant of share options under the Scheme, pursuant to which options to subscribe for 10,358,990 shares, representing approximately 0.415% of the issued share capital of the Company as at the date of grant, were granted to 13 selected participants at the exercise price of HK$8.610 per share.

On June 10, 2016, the Board of Directors approved a third grant of share options under the Scheme, pursuant to which options to subscribe for 10,602,490 shares, representing approximately 0.424% of the issued share capital of the Company as at the date of grant, were granted to 13 selected participants at the exercise price of HK$7.584 per share.

On May 29, 2017, the Board of Directors approved a fourth grant of share options under the Scheme, pursuant to which options to subscribe for 11,919,310 shares, representing approximately 0.476% of the issued share capital of the Company as at the date of grant, were granted to 13 selected participants at the exercise price of HK$11.620 per share.

25 EMPLOYEE BENEFIT COSTS (Continued)

(a) Share options (Continued)

On May 30, 2018, the Board of Directors approved a fifth grant of share options under the Scheme, pursuant to which options to subscribe for 12,972,770 shares, representing approximately 0.518% of the issued share capital of the Company as at the date of grant, were granted to 15 selected participants at the exercise price of HK$12.456 per share.

On August 21, 2019, the Board of Directors approved a sixth grant of share options under the Scheme, pursuant to which options to subscribe for 13,675,070 shares, representing approximately 0.545% of the issued share capital of the Company as at the date of grant, were granted to 16 selected participants at the exercise price of HK$6.390 per share.

On October 25, 2022, the Board of Directors approved a seventh grant of share options under the Scheme, pursuant to which options to subscribe for 12,378,120 shares, representing approximately 0.493% of the issued share capital of the Company as at the date of grant, were granted to 14 selected participants at the exercise price of HK$4.268 per share.

Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Weighted average exercise price (per share) HK$	Outstanding options (thousands)
As at January 1, 2022	8.970	12,937
Granted	4.268	12,378
Expired	8.523	(8,779)
Forfeited	9.463	(2,195)
As at December 31, 2022	5.109	14,341
Exercisable as at December 31, 2022	10.413	1,963
As at January 1, 2023	**5.109**	**14,341**
Expired	**5.269**	**(4,653)**
Forfeited	**4.268**	**(1,053)**
As at December 31, 2023	**5.126**	**8,635**
Exercisable as at December 31, 2023	**11.094**	**1,085**

25 EMPLOYEE BENEFIT COSTS (Continued)

(a) Share options (Continued)

The weighted average remaining contractual life for the share options outstanding as at December 31, 2023 was 8.10 years (2022: 9.00 years). The range of exercise prices for options outstanding at the end of the year was HK$4.268 to HK$12.456 (2022: HK$4.268 to HK$12.456).

There were no options granted for the year ended December 31, 2023. The weighted average fair value of the options granted during the year ended December 31, 2022, determined using a binomial model, was HK$2.061. The significant inputs into the model were share price at the measurement date of HK$4.140, exercise price of HK$4.268, historical expected volatility over the expected term of 6.00 years, dividend yield of 1.5%, and an annual risk-free interest rate of 4.21%.

The fair value of the share options charged to the Consolidated Financial Statements was US$238,000 for the year ended December 31, 2023 (year ended December 31, 2022: US$135,000).

(b) Directors' emoluments

The remuneration of each director for the year ended December 31, 2023 is set out below:

	Fees (ix) US$'000	Salary US$'000	Annual Incentive Compensation (ii) US$'000	Other benefits (iii) US$'000
Mr. LEI, Zili* (i)(x)	–	510	–	10
Mr. MILAVEC, Robin Zane (i)	–	756	–	143
Mr. WANG, Jian	51	–	–	–
Ms. ZHANG, Wendong	51	–	–	–
Mr. SHI, Shiming (xiii)	51	–	–	–
Mr. LIU, Jianjun	82	–	–	–
Mr. WANG, Bin (xiv)	82	–	–	–
Mr. YUE, Yun (xv)	67	–	–	–

25 EMPLOYEE BENEFIT COSTS (Continued)

(b) Directors' emoluments (Continued)

The remuneration of each director for the year ended December 31, 2022 is set out below:

	Fees (ix) US$'000	Salary US$'000	Annual Incentive Compensation (ii) US$'000	Other benefits (iii) US$'000
Mr. LEI, Zili* (i)(x)	87	87	86	7
Mr. MILAVEC, Robin Zane (i)	–	729	432	149
Mr. ZHAO, Guibin* (xi)	–	473	(18)	46
Mr. FAN, Yi (xii)	–	123	(2)	58
Mr. WANG, Jian	59	–	–	–
Ms. ZHANG, Wendong	42	–	–	–
Mr. SHI, Shiming (xiii)	23	–	–	–
Mr. LIU, Jianjun	62	–	–	–
Mr. WANG, Bin (xiv)	37	–	–	–
Mr. YUE, Yun (xv)	30	–	–	–
Mr. WEI, Kevin Cheng (xvi)	32	–	–	–
Mr. YICK, Wing Fat Simon (xvii)	31	–	–	–

* CEO of the Company

Notes:

(i) Individual is a member of senior management.

(ii) The annual incentive compensation plan is payable within one year from year-end.

(iii) Other benefits include payments made for dental, disability and healthcare coverage; contributions to social security and health-saving accounts; and other non-monetary benefits.

(iv) During the year ended December 31, 2023, no retirement benefits by a defined benefit pension plan operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of their services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2022: nil).

(v) During the year ended December 31, 2023, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to a director (2022: nil).

(vi) During the year ended December 31, 2023, no consideration was provided to or receivable by third parties for making available director's services (2022: nil).

(vii) There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2022: nil).

(viii) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2022: nil).

(ix) Fees paid are in respect to service as a director, other emoluments are in respect of other services in connection with management of the Company or its subsidiaries.

25 EMPLOYEE BENEFIT COSTS (Continued)

(b) Directors' emoluments (Continued)

Notes: (Continued)

(x) Mr. LEI, Zili was appointed as our non-Executive Director with effect from June 8, 2021, appointed as Chairman with effect from March 16, 2022 and re-designated from a non-Executive Director to an Executive Director and appointed as CEO with effect from June 21, 2022.

(xi) Mr. ZHAO, Guibin ceased to act as Executive Director and CEO with effect from June 14, 2022.

(xii) Mr. FAN, Yi ceased to act as Executive Director with effect from June 21, 2022.

(xiii) Mr. SHI, Shiming was appointed as a non-Executive Director with effect from June 21, 2022.

(xiv) Mr. WANG, Bin was appointed as a non-Executive Director with effect from June 21, 2022.

(xv) Mr. YUE, Yun was appointed as a non-Executive Director with effect from June 21, 2022.

(xvi) Mr. WEI, Kevin Cheng ceased to act as our non-Executive Director with effect from June 21, 2022.

(xvii) Mr. YICK, Wing Fat Simon ceased to act as our non-Executive Director with effect from June 14, 2022.

(xviii) Deferred incentive compensation plans will be settled when all the conditions are met and with approval by the Board of Directors (certain of which with estimates based upon the extent of meeting certain performance targets). During the year ended December 31, 2023, the deferred incentive compensation of Mr. LEI, Zili; Mr. ZHAO, Guibin; Mr. MILAVEC, Robin Zane; Mr. FAN, Yi; Mr. WANG, Jian; Mr. LIU, Ping; Ms. ZHANG, Wendong, Mr. SHI, Shiming, measured according to IFRS, were approximately US$205,000, US$nil, US$376,000, US$nil, (US$88,000), US$nil, (US$15,000), and US$8,000 (2022: US$22,000, (US$3,462,000), US$247,000, (US$327,000), (US$148,000), US$nil, (US$4,000), and US$5,000) respectively. The share-based payments of the share option scheme included in the deferred incentive compensation are calculated and disclosed in accordance with the method set out in note 25(a). These disclosed values deviate from the intrinsic value because the Company used the binomial model to calculate the fair value of the options granted on June 11, 2014, June 10, 2015, June 10, 2016, May 29, 2017, May 30, 2018, August 21, 2019, and October 25, 2022 amounting to HK$2.710, HK$3.920, HK$3.320, HK$4.440, HK$4.450, HK$2.590, and HK$2.061 per option, respectively. When the actual share price is lower than the exercise price of HK$5.150, HK$8.610, HK$7.584, HK$11.620, HK$12.456, HK$6.390, and HK$4.268 per share for options granted on June 11, 2014, June 10, 2015, June 10, 2016, May 29, 2017, May 30, 2018, August 21, 2019, and October 25, 2022, respectively, the options are out-of-money and the holders will not be benefitted by exercising the options.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended December 31, 2023 include two directors (2022: one director), whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2022: four) individuals during the year are as follows:

	For the year ended December 31, 2023 US$'000	2022 US$'000
Salaries and allowances	**1,420**	1,621
Annual and deferred incentive compensation	**883**	1,535
Other benefits	**294**	647
	2,597	3,803

25 EMPLOYEE BENEFIT COSTS (Continued)

(c) Five highest paid individuals (Continued)

The emoluments of the remaining individuals fell within the following bands:

	For the year ended December 31, **2023**	2022
	Number of individuals	
HK$4,500,000 – HK$5,000,000 (US$576,000 – US$640,000)	**–**	1
HK$5,000,000 – HK$5,500,000 (US$640,000 – US$704,000)	**1**	–
HK$5,500,000 – HK$6,000,000 (US$704,000 – US$768,000)	**1**	–
HK$6,500,000 – HK$7,000,000 (US$832,000 – US$896,000)	**–**	1
HK$7,000,000 – HK$7,500,000 (US$896,000 – US$960,000)	**–**	1
HK$8,500,000 – HK$9,000,000 (US$1,088,000 – US$1,152,000)	**1**	–
HK$10,500,000 – HK$11,000,000 (US$1,344,000 – US$1,408,000)	**–**	1

During the year ended December 31, 2023 an amount of US$180,000 was paid to one individual upon joining the Group (2022: US$nil). There were no other emoluments paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(d) Performance awards

Pursuant to an award agreement granted on November 13, 2020, the Company granted 16,299,000 units of performance awards to certain eligible individuals determined by the Board of Directors (**2020 Performance Awards**). The 2020 Performance Awards remained in force for a period beginning on November 13, 2020 and ended on June 30, 2023. 2020 Performance awards were equally vested in three tranches in 2021, 2022 and 2023 under the circumstance that non-market performance conditions are met. Each unit of performance awards will be settled in cash for appreciation amounts between the stock price of the Company on the end date of the tranche and the initial stock price of HK$4.36 determined by the Board of Directors.

As at December 31, 2023, there were no outstanding tranches of unit performance awards. As at December 31, 2022, the fair value of the outstanding tranche of unit awards granted during November 2020 were determined using a Black-Scholes model of HK$1.109. As at December 31, 2022, the outstanding tranche of unit performance awards had maximum cash payout not to exceed HK$5.509 per unit (HK$9.869 per unit less initial stock price at grant date of HK$4.360) or US$1,025,000 per tranche. Expected volatility was determined by calculating the historical volatility of the Company's share price over the expected term. The inputs into the model are disclosed as follows:

	As at December 31, 2023	As at December 31, 2022
Initial stock price	**N/A**	HK$4.360
The 30-day average stock price immediately before December 31	**N/A**	HK$4.940
Weighted average expected volatility	**N/A**	55.66%
Range of the expected term	**N/A**	0.5 year
Range of risk-free rates	**N/A**	4.76%

25 EMPLOYEE BENEFIT COSTS (Continued)

(d) Performance awards (Continued)

For the year ended December 31, 2023, the fair value of the performance awards of (US$315,000) was (credited)/charged to the Consolidated Financial Statements (year ended December 31, 2022: (US$2,564,000)). For the year ended December 31, 2023, 174,730 units of 2020 Performance Awards were forfeited (year ended December 31, 2022: 2,686,520 units), and nil units (year ended December 31, 2022: nil units) of 2020 Performance Awards totaling US$nil (year ended December 31, 2022: US$nil) were settled in cash upon vesting. As at December 31, 2023, the payable for performance awards of US$nil was included in 'other payables and accruals' (December 31, 2022: US$453,000).

Pursuant to an award agreement granted on June 1, 2021, the Company granted 18,055,000 units of performance awards to certain eligible individuals determined by the Board of Directors (**2021 Performance Awards**). The 2021 Performance Awards will remain in force for a period beginning on June 1, 2021 and ending on June 30, 2024. 2021 Performance Awards will be equally vested in three tranches in 2022, 2023 and 2024 under the circumstance that non-market performance conditions are met. Each unit of 2021 Performance Awards will be settled in cash for appreciation amounts between the stock price of the Company on the end date of the tranche and the initial stock price of HK$10.18 determined by the Board of Directors.

As at December 31, 2023, the average fair value of outstanding tranches of unit awards granted in June 2021 were determined using a Black-Scholes model of HK$0.07 per unit (December 31, 2022: HK$0.268). The outstanding tranches of 2021 Performance Awards have an average maximum cash payout not to exceed HK$5.365 per unit (HK$15.545 per unit less initial stock price at grant date of HK$10.180) or US$1,199,000 per tranche (2022: HK$5.860 per unit (HK$16.040 per unit less initial stock price at grant date of HK$10.180) or US$1,440,000 per tranche). Expected volatility was determined by calculating the historical volatility of the Company's share price over the expected term. The inputs into the model are disclosed as follows:

	As at December 31, 2023	As at December 31, 2022
Initial stock price	**HK$10.180**	HK$10.180
The 30-day average stock price immediately before December 31	**HK$4.841**	HK$4.940
Weighted average expected volatility	**63.65%**	57.99%
Range of the expected term	**0.5 year**	0.5 to 1.5 years
Range of risk-free rates	**5.26%**	4.57% to 4.76%

For the year ended December 31, 2023, the fair value of the 2021 Performance Awards of (US$385,000) was (credited)/charged to the Consolidated Financial Statements (year ended December 31, 2022: (US$1,123,000)). For the year ended December 31, 2023, 350,730 units (year ended December 31, 2022: 6,253,980 units) of 2021 Performance Awards were forfeited. As at December 31, 2023 the payable for the 2021 Performance Awards of US$125,000 (December 31, 2022: US$511,000) was included in 'other payables and accruals'.

26 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 (note 8)	**(5,484)**	(6,779)
	5,064	3,655
	(43)	4,996

27 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 (note 9)	**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 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.

27 INCOME TAX EXPENSE (Continued)

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 US$'000	2022 US$'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.

28 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

28 EARNINGS PER SHARE (Continued)

(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 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

29 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 these Consolidated Financial Statements, which is not reflected as a dividend payable in these Consolidated Financial Statements.

30 CONSOLIDATED STATEMENT OF CASH FLOWS

a. Cash generated from operations

	For the year ended December 31, 2023 US$'000	2022 US$'000
Profit before income tax	**64,227**	91,947
Adjustments for:		
Finance costs	**5,064**	3,655
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 (reversals) charges on intangible assets	**(1,558)**	9,317
Recognition of deferred revenue	**(44,791)**	(27,687)
Impairment charges (reversals) on trade receivables	**138**	(426)
Write-down on inventories	**1,893**	186
Share of results of joint ventures	**(2,870)**	(630)
Share-based compensation	**(462)**	(3,523)
Loss on disposal of property, plant and equipment	**4,344**	876
	317,883	342,902
Changes in working capital:		
Decrease (increase) in trade receivables, notes receivable and other receivables and prepayments	**4,459**	(231,639)
Increase in inventories	**(6,278)**	(15,451)
Increase in payables and accruals	**46,710**	172,925
(Decrease) increase in provisions	**(6,973)**	17,021
Increase in retirement benefits and compensations	**595**	3,335
Increase in deferred revenue	**53,622**	46,589
Cash generated from operations	**410,018**	335,682

Major non-cash transactions

During the year ended December 31, 2023, the Group purchased property, plant and equipment, which were recorded in payables in the amounts of US$48,544,000 (year ended December 31, 2022: US$52,341,000).

During the year ended December 31, 2023, the Group settled trade payables to suppliers with notes received from customers to settle trade receivables in the amount of US$5,589,000 (year ended December 31, 2022: US$20,167,000). These transactions were specific to China.

During the year ended December 31, 2023, the Group had non-cash additions to ROU assets and lease liabilities in the amount of US$4,394,000 (year ended December 31, 2022: US$14,356,000).

30 CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

b. Net borrowings reconciliation

i. Movements in net borrowings for the year ended December 31, 2023 are as follows:

	Borrowings due within a year US$'000	Borrowings due after a year US$'000	Total US$'000
As at January 1, 2022	84,403	–	84,403
Cash flows	(84,976)	55,464	(29,512)
Foreign exchange adjustments	–	(5,181)	(5,181)
Other non-cash movements	573	(445)	128
As at December 31, 2022	–	49,838	49,838
Cash flows	**14,132**	**(14,987)**	**(855)**
Foreign exchange adjustments	**(10)**	**(855)**	**(865)**
Other non-cash movements	**–**	**992**	**992**
As at December 31, 2023	**14,122**	**34,988**	**49,110**

ii. Movements in net lease liabilities for the year ended December 31, 2023 are as follows:

	Lease liabilities due within a year US$'000	Lease liabilities due after a year US$'000	Total US$'000
As at January 1, 2022	12,390	49,972	62,362
Cash flows	(14,401)	–	(14,401)
Foreign exchange adjustments	(449)	(1,927)	(2,376)
Other non-cash movements	14,955	331	15,286
As at December 31, 2022	12,495	48,376	60,871
Cash flows	**(14,682)**	**–**	**(14,682)**
Foreign exchange adjustments	**54**	**–**	**54**
Other non-cash movements	**16,321**	**(11,279)**	**5,042**
As at December 31, 2023	**14,188**	**37,097**	**51,285**

31 COMMITMENTS

Capital commitments

The Group has capital commitments of US$120,161,000 as at December 31, 2023 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2022: US$105,900,000).

32 RELATED PARTY TRANSACTIONS

a. Transactions with Yubei Steering Systems Co., Ltd. (Yubei Steering) and Xingxiang Addway Automotive Technology Co., Ltd. (Addway), associates of AVIC

	For the year ended December 31, 2023 US$'000	2022 US$'000
Purchase of goods	**13,545**	6,781

b. Transactions with joint ventures

The following table sets forth the transactions between the Group and its joint ventures.

	For the year ended December 31, 2023 US$'000	2022 US$'000
Sale of product, equipment and services(i)	**91,694**	97,551
Purchase of services(i)	**20,185**	18,129

Note:

i. Services include engineering services, rent, other fees.

Information about the Group's joint ventures is disclosed as follows:

Nexteer (China) Holding Co., Ltd. (**Nexteer China Holding**) (a direct, wholly-owned subsidiary of the Company) holds a 50% ownership interest in a joint venture, Chongqing Nexteer Steering Systems Co., Ltd. (**Chongqing Nexteer**) in Chongqing, China. The joint venture was formed to manufacture and sell steering parts and the remaining 50% interest is held by Chongqing Jianshe Industry (Group) Co., Ltd.

In March 2017, Nexteer China Holding signed a joint venture agreement with Dongfeng Motor Parts and Components (Group) Co., Ltd. to form Dongfeng Nexteer Steering Systems (Wuhan) Co., Ltd. (**Dongfeng Nexteer**). Located in Wuhan, China, the joint venture, equally owned by both parties, was formed to design and manufacture EPS systems for Dongfeng Motor Group Co., Ltd. and its affiliated companies. During the year ended December 31, 2023, Nexteer China Holding and Dongfeng Motor Parts and Components (Group) Co., Ltd. agreed to dissolve Dongfeng Nexteer and the dissolution was completed during the year.

In January 2017, Nexteer Automotive Corporation (an indirect, wholly-owned subsidiary of the Company) agreed to form a joint venture with Continental Automotive Systems, Inc. Located in Grand Blanc, US, the joint venture, CNXMotion, LLC (**CNXMotion**), is focused on integrating lateral and longitudinal control for mixed mode and automated driving applications. During the year ended December 31, 2023, Nexteer Automotive Corporation and Continental Automotive Systems, Inc. agreed to dissolve CNXMotion and the dissolution was completed during the year.

As at December 31, 2023 the Group's carrying amount of its investments in joint ventures is US$18,440,000 (December 31, 2022: US$23,395,000) including US$18,440,000, US$nil and US$nil related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively, (December 31, 2022: US$16,817,000, US$6,578,000, US$nil). For the year ended December 31, 2023, the Group's share of results of its joint ventures amount to US$2,870,000 (year ended December 31, 2022: US$630,000), including share of profits (losses) of US$4,709,000, (US$1,831,000), and (US$8,000) related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively, (year ended December 31, 2022: US$4,303,000, (US$674,000), and (US$2,999,000)). For the year ended December 31, 2023, the Group received a dividend from Chongqing Nexteer in the amount of US$3,086,000 (year ended December 31, 2022: US$3,138,000).

32 RELATED PARTY TRANSACTIONS (Continued)

c. Key management compensation

The remunerations of the CEO, directors and other key management members were as follows:

	For the year ended December 31,	
	2023	2022
	US$'000	US$'000
Short-term employee benefits	**7,043**	9,658
Other long-term benefits	**1,737**	125
Termination benefits	**78**	–
Share-based payments	**(464)**	(3,951)
	8,394	5,832

These remunerations are determined based on the performance of individuals and market trends.

33 BALANCE SHEET OF THE COMPANY

The balance sheet of the Company on a non-consolidated basis is as follows:

	As at December 31, 2023 US$'000	2022 US$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**845,682**	845,445
Other receivables and prepayments	**2,526**	18,500
	848,208	863,945
Current assets		
Other receivables and prepayments	**186**	2,572
Cash and cash equivalents	**74**	96
	260	2,668
Total assets	**848,468**	866,613
EQUITY		
Capital and reserves		
Share capital	**32,377**	32,377
Other reserves	**455,162**	454,924
Retained earnings	**114,415**	114,755
Total equity	**601,954**	602,056
LIABILITIES		
Non-current liabilities		
Deferred income tax liabilities	**3,300**	3,850
	3,300	3,850
Current liabilities		
Borrowings	**239,553**	255,198
Current income tax liabilities	**106**	–
Other payables and accruals	**3,555**	5,509
	243,214	260,707
Total liabilities	**246,514**	264,557
Total equity and liabilities	**848,468**	866,613

The balance sheet of the Company was approved by the Board of Directors on March 26, 2024 and was signed on its behalf.

LEI, Zili
Director

MILAVEC, Robin Zane
Director

33 BALANCE SHEET OF THE COMPANY (Continued)

The movement in reserves of the Company on a non-consolidated basis is as follows:

	Share premium US$'000	Share-based compensation reserve US$'000	Capital reserve US$'000	Retained earnings US$'000	Total reserves US$'000
As at January 1, 2022	1,642	6,061	448,728	23,143	479,574
Profit for the year	–	–	–	113,813	113,813
Value of employee services provided under Share Option Scheme (note 25(a))	–	135	–	–	135
Dividends paid to shareholders	(1,642)	–	–	(22,201)	(23,843)
As at December 31, 2022	–	6,196	448,728	114,755	569,679
Profit for the year	**–**	**–**	**–**	**11,456**	**11,456**
Value of employee services provided under Share Option Scheme (note 25(a))	**–**	**238**	**–**	**–**	**238**
Dividends paid to shareholders	**–**	**–**	**–**	**(11,796)**	**(11,796)**
As at December 31, 2023	**–**	**6,434**	**448,728**	**114,415**	**569,577**

34 SHARE CAPITAL

	Number of ordinary shares	Amount
Issued and fully paid:		
HK$0.10 each as at December 31, 2022	2,509,824,293	HK$250,982,429
HK$0.10 each as at December 31, 2023	2,509,824,293	HK$250,982,429

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

	Place of operation, incorporation and date of incorporation	Issued and paid up capital	Attributable equity interest	Principal activities
Subsidiaries				
Directly held:				
Nexteer (China) Holding Co., Ltd. [(i)]	China June 16, 2014	US$30,000,000	100%	Investment holding
Nexteer UK Holding Ltd.	United Kingdom February 5, 2015	US$161,120,152	100%	Investment holding
PCM (Singapore) Steering Holding Pte. Limited	Singapore November 4, 2010	US$197,600,000 and SGD 1	100%	Investment holding
Indirectly held:				
Nexteer Automotive (Changshu) Co., Ltd. [(i)]	China November 27, 2023	US$100,000,000	100%	Manufacturing of steering components
Nexteer Automotive (Suzhou) Co., Ltd. [(i)]	China January 24, 2007	US$32,800,000	100%	Manufacturing of steering components, regional technical centre
Nexteer Automotive Australia Pty Ltd.	Australia January 23, 2008	AUD$2,849,108	100%	Customer service centre
Nexteer Automotive Corporation	Delaware, US January 2, 2008	US$1	100%	Manufacturing of steering and driveline components, global technical centre
Nexteer Automotive France SAS	France March 25, 2008	EUR1,287,000	100%	Customer service centre, engineering centre
Nexteer Automotive Germany GmbH	Germany January 2, 2008	EUR25,000	100%	Customer service centre, engineering centre
Nexteer Automotive India Private Limited	India February 25, 2008	INR207,917,940	100%	Manufacturing of steering and driveline components, software service centre
Nexteer Automotive Italy S.r.l.	Italy January 30, 2008	EUR10,000	100%	Customer support, engineering centre
Nexteer Automotive Japan LLC	Japan February 21, 2008	JPY1	100%	Customer support, engineering centre

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

	Place of operation, incorporation and date of incorporation	Issued and paid up capital	Attributable equity interest	Principal activities
Nexteer Automotive Korea Limited	Korea February 28, 2008	KRW 3,400,000,000	100%	Customer support, engineering centre
Nexteer Automotive Morocco S.à r.l.	Morocco October 12, 2017	EUR59,153,600	100%	Manufacturing of steering and driveline components
Nexteer Automotive Mexico S.de R.L. de C.V.	Mexico June 10, 2014	MXN129,912	100%	Distribution company
Nexteer Automotive Poland sp. z o.o.	Poland January 2, 1997	PLN20,923,750	100%	Manufacturing of steering components, regional technical centre
Nexteer Automotive Systems (Liuzhou) Co., Ltd. (i)	China January 8, 2015	US$10,000,000	100%	Manufacturing of steering components
Nexteer Automotive US LLC (previously Nexteer Automotive Luxembourg S.à r.l.)	Delaware, US (previously Luxembourg) November 5, 2013	–	100%	Investment holding
Nexteer Cayman Finance Limited	Cayman Islands October 21, 2019	US$3	100%	Investment holding
Nexteer Hungary Finance Kft.	Hungary March 5, 2019	US$13,500	100%	Investment holding
Nexteer Hungary Investment Kft.	Hungary February 24, 2020	US$13,000	100%	Investment holding
Nexteer Industria e Comercio de Sistemas Automotivos Ltda.	Brazil February 22, 2007	BRL311,423,316	100%	Manufacturing of steering and driveline components
Nexteer Lingyun Driveline (Wuhu) Co., Ltd. (i)	China December 22, 2006	US$22,400,000	60%	Manufacturing of driveline components
Nexteer Lingyun Driveline (Zhuozhou) Co., Ltd. (i)	China October 6, 1995	US$22,000,000	60%	Manufacturing of driveline components
Nexteer Luxembourg Holding VI S.à r.l. (formerly Rhodes I LLC)	Luxembourg (previously Michigan, US) November 7, 2007	EUR85,000	100%	Investment holding
Nexteer Luxembourg Holding VII S.à r.l. (formerly Rhodes II LLC)	Luxembourg (previously Michigan, US) November 7, 2007	EUR85,000	100%	Investment holding

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES (Continued)

	Place of operation, incorporation and date of incorporation	Issued and paid up capital	Attributable equity interest	Principal activities
Nexteer Otomotiv Sanayi ve Ticaret Limited Sirketi	Turkey March 28, 2008	TRY1,105,000	100%	Manufacturing of steering components
Nexteer US Holding I LLC	Delaware, US May 18, 2007	–	100%	Investment holding
PCM US Steering Holding LLC	Delaware, US March 9, 2009	–	100%	Investment holding
PT Nexteer Automotive Indonesia	Indonesia March 23, 2016	US$1,600,000	100%	Manufacturing of steering components
Rhodes Holding I S.à r.l.	Luxembourg January 15, 2008	EUR4,500,000	100%	Investment holding
Rhodes Holding II S.à r.l.	Luxembourg January 15, 2008	EUR4,331,151	100%	Investment holding
Steering Holding Pte. Ltd.	Singapore February 15, 2008	US$6,400,000 and EUR1	100%	Engineering centre, investment holding
Steering Solutions Corporation	Delaware, US October 29, 2007	US$1	100%	Investment holding
Steering Solutions Expat Holding Corporation	Delaware, US January 2, 2008	US$1	100%	Employee support services
Steering Solutions IP Holding Corporation	Delaware, US January 2, 2008	US$1	100%	Intellectual property management
Steeringmex S. de R.L. de C.V.	Mexico December 14, 2007	MXN100,292,971	100%	Manufacturing of steering and driveline components
Joint ventures:				
Chongqing Nexteer Steering Systems Co., Ltd. (i)	China January 22, 2014	RMB120,000,000	50%	Manufacturing of steering components

(i) Foreign-invested enterprise registered under PRC law.

Five Years' Financial Summary

	For the year ended December 31,				
	2023	2022	2021	2020	2019
	US$'000	US$'000	US$'000	US$'000	US$'000
RESULTS					
Revenue	**4,206,793**	3,839,703	3,358,725	3,032,210	3,575,657
Profit before income tax	**64,227**	91,947	114,013	114,462	263,933
Income tax (expense) benefit	**(19,052)**	(26,434)	12,390	7,841	(29,275)
Profit for the year	**45,175**	65,513	126,403	122,303	234,658
Profit for the year attributable to:					
Equity holders of the Company	**36,737**	58,013	118,440	116,766	232,445
Non-controlling interests	**8,438**	7,500	7,963	5,537	2,213
	45,175	65,513	126,403	122,303	234,658
Earnings per share, (US$ per share)					
Basic and diluted	**0.01**	0.02	0.05	0.05	0.09
ASSETS AND LIABILITIES					
Total assets	**3,404,593**	3,335,281	3,206,499	3,305,741	3,258,972
Total liabilities	**1,393,752**	1,358,131	1,203,910	1,384,756	1,407,316
Total equity	**2,010,841**	1,977,150	2,002,589	1,920,985	1,851,656
Capital and reserves attributable to equity holders of the Company	**1,963,816**	1,933,825	1,954,629	1,882,002	1,811,981
Non-controlling interests	**47,025**	43,325	47,960	38,983	39,675
	2,010,841	1,977,150	2,002,589	1,920,985	1,851,656