A LEADER IN INTUITIVE MOTION CONTROL

2023
INTERIM 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

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Corporate Profile

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.

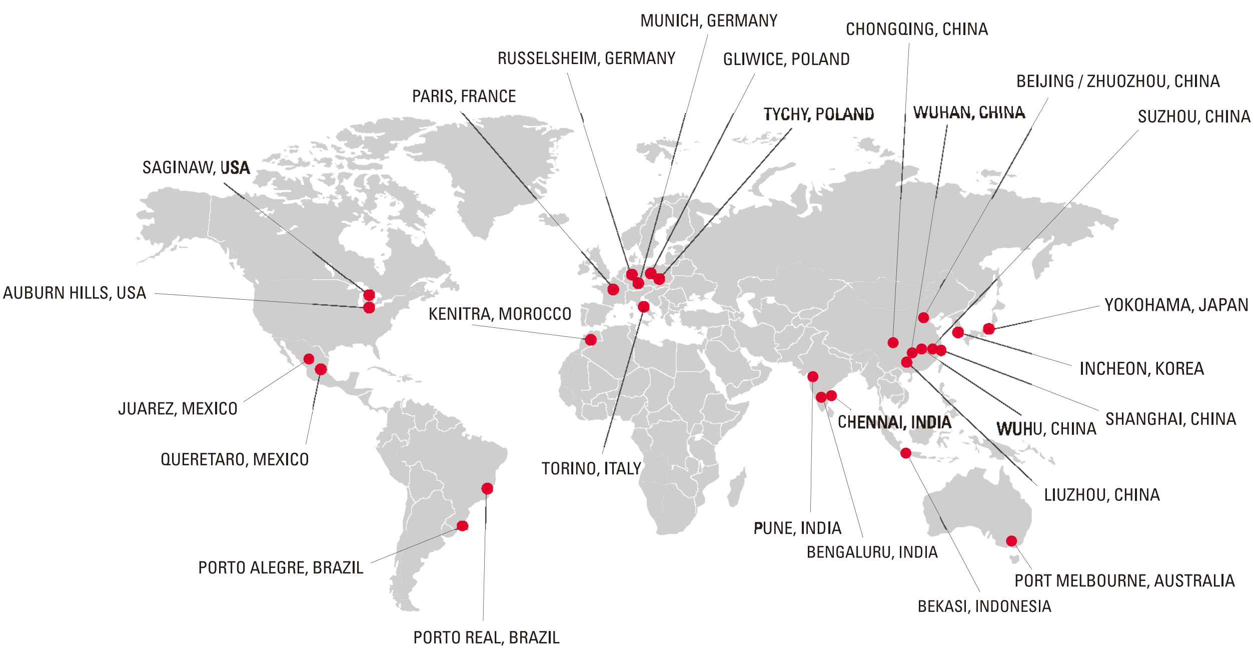
We strive to be the partner of choice for our customers and suppliers by delivering highly engineered, safety-critical products and building enduring relationships.

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, PRODUCTS & CUSTOMERS

- **World Headquarters:** Auburn Hills, Michigan, United States of America (**USA or US**)
- **Manufacturing Plants:** 27, including 1 non-consolidated joint venture (**JV**)
- **Technical & Software Centres:** 4
- **Customer Service Centres:** 13
- **Products:** Electric Power Steering and Steer-by-Wire (**EPS and 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

1272 Doris Road
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
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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/

Business Overview

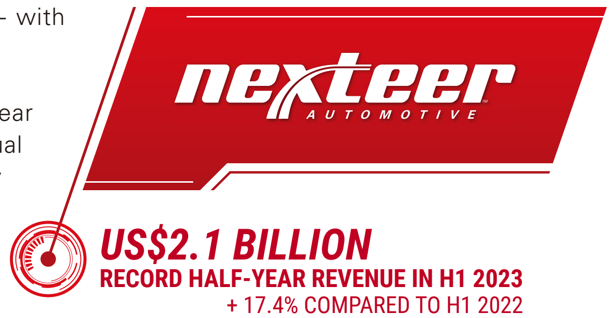
STRATEGY FOR PROFITABLE GROWTH

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 served as our guidepost through the unprecedented environment we 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.

FIRST HALF 2023 BUSINESS HIGHLIGHTS

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

- Achieved record half-year revenue of US$2.1 billion – with revenue increasing by 17.4% compared to first half 2022
  - On-track to post record revenue for the full year of 2023 – crossing over US$4.0 billion in annual revenue for the first time in our company's history
  - Free cash flow generation of US$59.9 million which significantly outperformed the first half of 2022
  - Continued above market revenue growth driven by strong new and conquest bookings over the past several years



- Achieved customer programme bookings totaling US$2.8 billion for first half of 2023
  - 37% represented new/conquest business, including:
    - Our second SbW programme with a leading, global OEM,
    - Continued bookings and aggressive growth plan with Chinese New Energy Vehicle (**NEV**) OEMs,
    - NA electric vehicle (**EV**) truck programme volume increase
- Continued commitment to technology leadership and megatrend alignment for future growth – including electrification and software megatrends
  - Leveraging our SbW leadership and experience as OEMs' interest continues to grow, aligning with OEMs' growing software needs and capitalising on our REPS leadership with new EV opportunities in China
- Successfully launched 32 new customer programmes across all regions – marking another period of strong programme launches
  - 30 of these customer programmes represented new or conquest business and 19 represented EV launches supported by our products
- Enhancing profitability through global customer and supply chain management, reducing fixed costs, optimising footprint for efficiencies and more

PROFITABILITY: IMPROVING RESILIENCY BY REDUCING COSTS & INCREASING EFFICIENCIES

Across the automotive industry, the last few years have been plagued with operational, supply chain, commodity and logistics challenges. While many of these macro environmental factors are improving, input costs continue to be elevated. For example, commodity and freight costs started to improve and global inflation is starting to show signs of easing but still remains elevated in mid-2023 and continues to have an impact on our profit margins.

We continue to closely monitor the macro economic environment with central banks increasing interest rates to reduce inflation. As economies slow, this may have an impact to reduce light vehicle sales volumes. However, production volumes have remained strong year-to-date and forecasts continue to reflect year-over-year production volume growth for calendar year 2023. For example, the S&P Global Light Vehicle Production June Forecast published in July 2023 calls for global production of 86.0 million units which is higher than 2022 by 4.5%. With this volume outlook, we expect to post record revenue in 2023 – crossing over US$4.0 billion in annual revenue for the first time in our company's history. Furthermore, we expect to continue to grow revenue above market, driven by our strong new and conquest business wins over the past several years.

ONGOING EFFORTS TO IMPROVE PROFITABILITY

- Executing Customer Recoveries
- Reducing Fixed Costs
- Optimising Footprint for Efficiencies
- Leveraging Our Global Supply Chain
- Exited eDrive Business
- Dissolving CNXMotion JV

In addition to growing revenue above market levels, we continue to take proactive actions to further improve Nexteer's resiliency and enhance our profitability and competitiveness, including:

Executing Customer Recoveries: We continue to work with our customers to recover input cost increases with both contractual escalation agreements and other negotiations.

Reducing Fixed Costs: Another way we are optimising our cost structure is by reducing fixed costs. Two examples related to our US Operations include:

- **Early Retirement Incentive Program (ERIP):** In the first half of 2023, we announced an ERIP for eligible US salaried employees. This voluntary program is an opportunity for those eligible employees who are considering retirement or a career change, and it will help improve Nexteer's resiliency by reducing fixed costs. Program cost savings will be realised in the second half of 2023;

- **Saginaw Solar Field:** In the first half of 2023, we also partnered with a leading clean energy company to bring a sustainable energy solution to Nexteer's Saginaw, Michigan, US site. The planned 25-acre solar field will reduce the site's operational costs through a renewable energy source with a fraction of the emissions compared to traditional sources such as natural gas or coal. Construction is expected to begin in the second half of 2023 and be completed in 2024 and requires no upfront capital investment.

Additional Fixed Cost Reviews: We are actively conducting a detailed review of fixed costs globally to identify and implement additional cost saving initiatives across all regions.

Optimising Footprint for Efficiencies: In addition to reducing fixed costs, we continuously look for ways to improve efficiencies in our footprint and processes. Two ongoing examples of this include:

- **US Driveline (DL) Transformation:** We are finalising the footprint optimisation at our Saginaw, Michigan, US DL operations to improve our efficiency, quality and cost competitiveness. We plan to complete the consolidation of DL operations from two plants to one by end of 2023;

- **North America (NA) Columns Transition:** 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.

Leveraging Our Global Supply Chain: Another way we are driving cost and time efficiencies, as well as innovation, is through collaboration with our suppliers globally. We have a strong network of suppliers who provide unique capabilities and expertise. In May 2023, we hosted our annual Global Supplier Conference in Queretaro, Mexico for more than 200 supplier representatives. The event focused on strengthening our collaboration and strategic alignment with our suppliers to continue accelerating innovation, strengthening supply chain resiliency and delivering quality and value for our OEM customers. We also recognised 95 suppliers for their Perfect Quality performance and 5 suppliers for Superior Customer Service.

Exited 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 research and development (**R&D**) and our Suzhou (China) Technical Centre who were focused on eDrive to other business priorities.

Dissolving CNXMotion 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 has reassigned its 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 Brake-to-Steer (**BtS**). The parent companies will continue to leverage the successful innovations generated from the JV, as well as consider future project-based collaboration opportunities.

In addition to these specific examples, we continue to relentlessly investigate many other areas where we can take action to enhance profitability and drive shareholder value.

While the industry continues to be dynamic and challenging, we remain optimistic that the operating environment will improve as we move forward. Nexteer is well positioned to continue to leverage our technology strengths and megatrend alignment to maintain business growth above market levels.

FIRST HALF 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.

We closed the first half of this year with strong bookings, 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 the first half of 2023, Nexteer achieved customer programme Bookings totaling US$2.8 billion. During this period, 89% of Nexteer's bookings were with our EPS product line, 98% of the bookings will be on fully EV or EV/internal combustion vehicle (**ICE**) split platforms and 37% of these bookings represent new/conquest business, which provides longer term growth over market for Nexteer. Our EV booking exposure is a strong indication that we are fully consistent with the industry's commitment toward electrification.

H1 2023 BOOKINGS HIGHLIGHTS

- US$2.8 billion in Bookings for H1 2023
- Second SbW programme with a leading, global OEM
- Additional Bookings with Chinese NEV OEMs
- NA EV truck programme volume increase
- 89% of Bookings with EPS product line
- 98% of Bookings on EV or EV/ICE split platforms

Steer-by-Wire (SbW) Leadership: A significant booking awarded in the first half of 2023 was another SbW vehicle platform with a leading global OEM. This 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, development programmes with several OEMs gives us critical insights to OEMs' various approaches – as well as the opportunity to influence SbW technical applications, sourcing strategies and more.

In addition to our SbW development contracts with several OEMs and recent SbW production wins, Nexteer is actively quoting and pursuing additional SbW opportunities with strategically targeted global customers.

Our 2023 SbW win further strengthens our steering leadership position in the NA truck market – building on several Rack-Assist EPS (**REPS**) wins on battery electric vehicle (**BEV**) truck platforms that we secured in 2022. These business bookings highlight how well Nexteer is positioned in the convergence of electrification and the truck market. We are on both the EV and ICE versions of these programmes, which is important as the mix between powertrains progresses toward EV. Nexteer's steering technologies are also featured on the Ford F-150 Lightning electric truck, the GMC Hummer EV and the electric Chevrolet Silverado.

As OEMs are quickly transitioning 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, noise, vibration and harshness (**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 don't 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 the software-defined vehicle. 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.

Software Expansion: In 2019, we launched a Software Development Centre in Bangalore, India as part of a strategic expansion of our existing, global software team co-located across Saginaw, US; Tychy, Poland; and Suzhou, China. Acting as ONE team of software experts across four global locations, we focus on delivering innovative solutions with speed, flexibility and seamless vehicle integration. To further enhance speed, we are now expanding up to 550 employees at our India Software Centre by the end of 2023. We expect this investment to significantly improve efficiency and effectiveness on software development and validation.

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.

NEW PRODUCTION LAUNCHES

With the launch of 32 customer programmes in the first half of 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 30 launches represented new or conquest business and 19 represented EV platforms. These launches included:

OEMs	Vehicle Nameplate	Our Products
North America		
Ford	Ford Mustang	Columns, REPS
GM	GM Cruise Origin	REPS*
	GMC Hummer SUV EV	Columns & I-Shafts*, Halfshafts*, REPS*
	Chevrolet Silverado EV	Columns & I-Shafts*, Halfshafts*, REPS*
	GMC Canyon/Chevrolet Colorado	Columns, REPS
Europe, Middle East, Africa and South America (EMEASA)		
GM	Chevrolet Montana	Halfshafts
Asia Pacific		
Changan	Changan Deepal SL03	CEPS*
	Changan Lamore	CEPS
	Ossan X5	CEPS
Chery	Exeed AtlantiX	CEPS
	Arrizo 8	CEPS
Daimler	Mercedes-Benz GLC	Halfshafts
GM	Buick Electra E4	Columns & I-Shafts*, Halfshafts*
	Buick Electra E5	Columns & I-Shafts*, Halfshafts*
	Chevrolet Blazer EV (NA)	Halfshafts*, I-Shafts*
	Cadillac Lyriq V-Series	Halfshafts*
Great Wall	HAVAL Kugou	Halfshafts
	HAVAL F5	CEPS*, Halfshafts*
Lixiang Auto	Lixiang Auto L7	Columns*
RNM	Renault Kwid	CEPS
BMW	BMW X1	SPEPS
Human Horizon	Human Horizon Hiphi Y	REPS*

* EV content included in customer programme

DEMONSTRATED LEADERSHIP VIA TECHNOLOGY DEMONSTRATIONS & SPEAKING ENGAGEMENTS

In the first half of 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 (**Q&A**)
- Society of Automotive Engineers (**SAE**) WCX™ World Congress Experience
- EcoMotion
- Automotive Steering Systems USA
- ChassisTech Plus

CUSTOMER & INDUSTRY RECOGNITION

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

Supplier Partnership, Quality and Manufacturing Awards

- GM Supplier Quality Excellence Award for Nexteer Juarez (Mexico)
- 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

Sustainability and People Awards

- TOP Companies México SúperEmpresas 2023 Award 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

ORGANISATIONAL CHANGES

With effect from August 16, 2022, Ms. RUIZ, Pascale was appointed Vice President and Chief Human Resources Officer.

With effect from April 1, 2023, Mr. VILLARREAL, Abiel has been appointed as Vice President, Chief Operating Officer – Mexico.

With effect from March 22, 2023, Mr. BENSON, OT ceased to act as Vice President and President of EMEASA Division.

Financial Highlights

Results (US'$000)	**For the six months ended June 30, 2023 (Unaudited)**	For the six months ended June 30, 2022 (Unaudited)	Change
Revenue	**2,101,830**	1,791,067	17.4%
Gross profit	**190,831**	149,813	27.4%
Profit before income tax	**45,799**	20,721	121.0%
Income tax expense	**8,397**	29,478	(71.5%)
Profit (loss) attributable to equity holders of the Company	**33,993**	(11,138)	405.2%
Profit (loss) for the period	**37,402**	(8,757)	527.1%
Adjusted EBITDA	**186,134**	158,117	17.7%

Assets and Liabilities (US'$000)	**As at June 30, 2023 (Unaudited)**	As at December 31, 2022 (Audited)	Change
Non-current assets	**1,820,596**	1,843,180	(1.2%)
Current assets	**1,530,864**	1,492,101	2.6%
Non-current liabilities	**313,348**	331,690	(5.5%)
Current liabilities	**1,045,042**	1,026,441	1.8%
Capital and reserves attributable to the Group's equity holders	**1,948,147**	1,933,825	0.7%

These financial highlights should be read in conjunction with the Group's unaudited Condensed Consolidated Interim Financial Information for the six months ended June 30, 2023 (the **Condensed Financial Information**).

Management Discussion and Analysis

The following management discussion and analysis should be read in conjunction with the unaudited Condensed Financial Information, included herein, which have been prepared in accordance with International Accounting Standards IAS 34 "Interim Financial Reporting".

FINANCIAL REVIEW

Financial Summary

The Group achieved record revenue of US$2.1 billion in the first six months of 2023. This represents a US$310.7 million or 17.4% increase compared to the same period in 2022. The revenue increase was driven by significant new and conquest programme launches over the past several years as well as increased industry production volumes. All segments delivered year over year revenue growth with Asia Pacific increasing the most, posting a 43.7% increase.

Adjusted EBITDA for the first six months of 2023 was US$186.1 million, an increase of US$28.0 million or 17.7% compared to the same period in 2022. The improved profitability is driven by the profit impact of increased revenue partially offset by elevated costs due to inflationary pressures and foreign currency exchange.

The Group's cash balance of US$290.1 million at June 30, 2023 represented an increase of US$44.2 million when compared with US$245.9 million as at December 31, 2022. For the six months ended June 30, 2023, the Group's net cash generated from operating activities was US$231.2 million, an increase of US$108.7 million compared with US$122.5 million for the same period of 2022. The increase in cash flows from operations was driven by increased earnings, favourable net working capital and a decrease in cash taxes paid for the six months ended June 30, 2023 compared with 2022. Cash from operating activities less cash used in investing activities was a source of US$59.9 million which compared favourably to a use of US$6.8 million in the same period of 2022. Cash used in financing activities during the six months ended June 30, 2023 was US$13.9 million, a decrease of (US$28.5 million), when compared with a generation of cash of US$14.6 million during the six months ended June 30, 2022. The main driver of the Group's unfavourability in cash (used in)/generated from financing activities was primarily due to increased borrowings due to term loans in China totaling US$52.3 million during the six months ended June 30, 2022 with no new borrowings taking place during the first half of 2023.

Operating Environment

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

According to IHS Markit Ltd. (July 2023), global OEM light vehicle production for the six months ended June 30, 2023 was stronger than the six months ended June 30, 2022, increasing by 11.2%, with all markets served by the Group increasing. The following table highlights the percentage increases in OEM light vehicle production for the six months ended June 30, 2023 compared with the same period in 2022 for key markets served by the Group:

	First Half 2023
North America	12.0%
China	7.2%
India	6.4%
Europe	16.0%
South America	9.8%

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**), Chinese renminbi (**RMB**), and Mexican Peso (**MXN**). The Group's revenue and net profit was unfavourably impacted by foreign currency as the US dollar strengthened against the Euro and RMB and weakened against the MXN during the first six months of 2023 compared with the same period a year ago.

During the first six months of 2023, the Group successfully launched 32 new customer programmes – 11 programmes in North America, 1 programme in EMEASA and 20 programmes in Asia Pacific. Of the 32 programme launches, 30 represented new conquest business for the Group and 2 represented incumbent business. 19 programme launches represented customer EV programmes.

Revenue

The Group's revenue for the six months ended June 30, 2023 was US$2,101.8 million, an increase of US$310.7 million or 17.4%, compared with US$1,791.1 million for the six months ended June 30, 2022. Increased OEM light vehicle production across all regions and significant new and conquest programme launches over the past few years were the principal drivers for higher revenue during the first half of 2023 when compared with 2022. Unfavourable foreign currency translation tempered the Group's revenue increase by approximately US$42.4 million, given the strengthening of the US dollar against the RMB and the Euro during the first half of 2023 compared with the same period a year ago. Customer price reductions, resulting from the partial pass through of raw material commodity decreases during the first half of 2023 in comparison to the first half of 2022, provided a further reduction of revenue in the amount of US$12.0 million. Adjusting for unfavourable foreign currency translation and the decline in commodity pricing, the Company's revenue rose by 20.4% in the first half of 2023 compared with the same period a year ago, outpacing the revenue increase in OEM production for the comparative period by 920 basis points. This performance reflected the on-going benefit from the launch of new and conquest customer programmes in recent years.

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 periods indicated:

	For the six months ended June 30, 2023		For the six months ended June 30, 2022	
	US$'000 (Unaudited)	**%**	US$'000 (Unaudited)	%
North America	**1,194,519**	**56.8**	1,095,098	61.1
Asia Pacific	**543,983**	**25.9**	378,472	21.1
EMEASA	**361,149**	**17.2**	316,166	17.7
Other	**2,179**	**0.1**	1,331	0.1
Total	**2,101,830**	**100.0**	1,791,067	100.0

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

- North America segment – Revenue increased by US$99.4 million, or 9.1%, for the six months ended June 30, 2023 compared with the same period in 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 first half of 2023 increasing by 12.0% compared with the same period in 2022, offset by customer price reductions related to raw material commodity inflation price decreases, amounting to US$11.6 million in the first half of 2023 compared to the same period in 2022.

- Asia Pacific segment – Revenue increased by US$165.5 million, or 43.7%, for the six months ended June 30, 2023 compared with the same period in 2022. The most significant factor contributing to the revenue was due to the significant new and conquest programme launches over the past few years. Increased OEM light vehicle production also contributed to revenue growth, with total Asia Pacific OEM production volumes higher by 9.8% for the first half of 2023 compared with the same period in 2022. Unfavourable foreign currency translation tempered the revenue growth in the region in the amount of US$38.4 million as the US dollar strengthened against the RMB during the first half of 2023 compared with the same period in 2022.

- EMEASA segment – Revenue increased by US$45.0 million, or 14.2%, for the six months ended June 30, 2023 compared with the same period in 2022, largely a result of an increase in Europe and South America OEM light vehicle production of 16.0% and 9.8%, respectively, during the first half of 2023 compared with the same period in 2022. Unfavourable foreign currency translation slightly tempered revenue in the region in the amount of US$3.9 million as the US dollar strengthened against the Euro during the first half of 2023 compared with the same period in 2022.

- Other – Revenue increased by US$0.8 million, or 63.7%, for the six months ended June 30, 2023 compared with the same period in 2022. Other revenue is related to non-production engineering design and development/prototype services. The increase is primarily a result of increased prototype expense reimbursement received from customers.

Revenue by Products

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

	For the six months ended June 30, 2023 US$'000 (Unaudited)	**%**	For the six months ended June 30, 2022 US$'000 (Unaudited)	%
EPS	**1,442,653**	**68.6**	1,226,394	68.5
CIS	**188,113**	**9.0**	168,823	9.4
HPS	**85,582**	**4.1**	82,977	4.6
DL	**385,482**	**18.3**	312,873	17.5
Total	**2,101,830**	**100.0**	1,791,067	100.0

The Group experienced an increase in EPS revenue of US$216.3 million, or 17.6%, for the six months ended June 30, 2023 compared with the same period in 2022, driven by increased OEM light vehicle production across all geographical segments. CIS revenue increased by US$19.3 million, or 11.4%, for the six months ended June 30, 2023 compared with the same period a year ago. HPS revenue increased by US$2.6 million, or 3.1%, for the six months ended June 30, 2023 compared with the same period of 2022. DL revenue increased by US$72.6 million, or 23.2%, for the six months ended June 30, 2023 compared with the same period last year, as a result of higher OEM light vehicle production across all geographical segments.

Net Profit (Loss) Attributable to Equity Holders

The Group's net profit (loss) attributable to equity holders of the Company for the six months ended June 30, 2023 was US$34.0 million or 1.6% of total revenue, an increase of US$45.1 million, compared to a loss for the six months ended June 30, 2022 of US$11.1 million, or negative 0.6% of total revenue. The increase was principally attributable to the following factors:

- Revenue increase of US$310.7 million with profit margin flowing through to net profit.

- A decrease of US$21.1 million to income tax expense during the first half of 2023 compared to a year ago which primarily resulted from the Group's determination during 2022 that our US federal net deferred tax assets were not probable to be realised and the determination in the first half of 2023 that our Brazil net operating losses are more likely than not to be realised.

- Offset by macroeconomic factors including inflationary pressures related to labour, energy costs and materials. Unfavorable foreign currency exchange related to Euro and RMB weakening and MXN strengthening compared to the US dollar. These macro factors dampened earnings across all of the Group's segments for the six months ended June 30, 2023, when compared with the same period a year ago.

Cost of Sales

The Group's cost of sales for the six months ended June 30, 2023 was US$1,911.0 million, an increase of US$269.7 million, or 16.4%, from US$1,641.3 million for the six months ended June 30, 2022.

Raw material costs represent a significant portion of the Group's total cost of sales and for the six months ended June 30, 2023 totaled US$1,382.8 million, or 65.8% of revenue, compared with US$1,189.4 million, or 66.4% of revenue, for the same period last year, reflecting an increase of US$193.4 million, or 16.3%. The increase in raw material costs for the period when compared with the same period a year ago, is mainly attributable to the increase in revenue.

Depreciation and amortisation, including amortisation of capitalised product development costs, charged to cost of sales for the six months ended June 30, 2023 was US$134.9 million, an increase of US$9.7 million, or 7.7% from US$125.2 million for the six months ended June 30, 2022.

Amortisation of capitalised product development costs recorded as cost of sales amounted to US$70.6 million for the six months ended June 30, 2023, or 3.4% of revenue, an increase of US$9.8 million, or 16.1%, as compared with US$60.8 million, or 3.4% of revenue for the six months ended June 30, 2022. We expect amortisation to continue to increase in future years with the launch of new customer programmes that are currently in development.

Excluding raw material costs and depreciation and amortisation, remaining manufacturing costs of US$393.2 million, representing 18.7% of revenue for the first half of 2023 represented an increase of US$66.5 million, or 20.4%, when compared with US$326.7 million, or 18.2% of revenue, for the same period a year ago.

As a percent of revenue, cost of sales decreased to 90.9% for the first half of 2023 compared with 91.6% for the same period a year ago.

Gross Profit

The Group's gross profit for the six months ended June 30, 2023 was US$190.8 million, an increase of US$41.0 million, or 27.4%, when compared with US$149.8 million for the six months ended June 30, 2022. Gross profit margin for the six months ended June 30, 2023 was 9.1% compared with 8.4% for the six months ended June 30, 2022. The increase in gross profit was primarily attributable to the increase in revenue.

Engineering and Product Development Costs

For the six months ended June 30, 2023, the Group's engineering and product development costs charged to the income statement were US$68.0 million, representing 3.2% of revenue, an increase of US$7.8 million, or 13.0%, as compared to US$60.2 million, or 3.4% of revenue for the six months ended June 30, 2022. During the six months ended June 30, 2023, the Group recorded a net reversal of product development intangible asset impairments of US$1.7 million. The Group reversed impairments on a previously impaired programme of US$4.1 million in the Condensed Financial Information as engineering and product development costs in the North America segment. The Group recorded impairments of US$1.6 million and US$0.8 million related to programme cancellations and declining volumes on specific customer programmes recorded in the Condensed Financial Information as engineering and product development costs in the North America and EMEASA segments, respectively. In addition, the Group recorded customer recovery from a previously impaired programme of US$5.2 million in the Condensed Financial Information as engineering and product development costs in the North America segment. There was no impairment or reversal of impairment of product development intangible assets during the six months ended June 30, 2022.

Capitalised interest related to engineering development costs totaled US$2.8 million for the six months ended June 30, 2023 and US$2.7 million for the six months ended June 30, 2022. Depreciation and amortisation charged to engineering and product development costs for the six months ended June 30, 2023 was US$7.0 million, an increase of US$0.8 million, or 12.9%, from US$6.2 million for the six months ended June 30, 2022.

The Group's aggregate investment in engineering and product development costs is defined as the sum of costs charged to the condensed consolidated interim income statement (excluding impairment charges associated with costs capitalised in previous 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 six months ended June 30, 2023, the Group incurred an aggregate investment in engineering and product development costs of US$150.7 million, an increase of US$14.1 million, or 10.3%, compared with US$136.6 million for the six months ended June 30, 2022.

Selling, Distribution and General and Administrative Expenses

The Group's selling, distribution and general and administrative expenses for the six months ended June 30, 2023 were US$77.3 million, representing 3.7% of revenue, a decrease of US$2.7 million, or 3.4%, as compared to US$80.0 million, or 4.5% of revenue for the six months ended June 30, 2022. The decrease in selling, distribution and general and administrative expense was attributable to lower costs related to US employee health and welfare benefit plans and reduced costs related to stock based compensation and long-term incentives for executives, due to plan targets not being met. Depreciation and amortisation charged to administrative expenses for the six months ended June 30, 2023 was US$4.3 million, a decrease of US$0.4 million, or 8.5% from US$4.7 million for the six months ended June 30, 2022.

Other Gains, net

Other gains, net represents gains/losses attributable to foreign exchange transactions, loss/gain on disposal of property, plant and equipment and others. Other gains, net for the six months ended June 30, 2023 was a gain of US$1.3 million, a decrease of US$11.2 million compared to a gain of US$12.5 million for the six months ended June 30, 2022. The decrease was principally attributable to unfavourable foreign exchange compared to significant foreign exchange gains the same period of the prior year.

Finance Income/Finance Costs

Finance costs, net, consist of interest income and expense reduced by interest capitalised on qualifying assets and product development. The Group's net finance costs for the six months ended June 30, 2023 were US$0.9 million, compared to net finance income of US$0.4 million for the six months ended June 30, 2022. The increase in finance costs was primarily due to fluctuation in short term borrowings for the six months ended June 30, 2023, when compared to same period of 2022.

Share of Results of Joint Ventures, net

Share of results of joint ventures, net 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 six months ended June 30, 2023, the Group's share of income (loss) in joint ventures amounted to US$1.9 million, (US$0.2 million) and (US$1.8 million) related to Chongqing Nexteer, Dongfeng Nexteer, and CNXMotion, respectively (six months ended June 30, 2022: US$1.4 million, (US$1.5 million), and (US$1.6 million)). Chongqing Nexteer's profitability increased during the six months ended June 30, 2023 compared with the same period in 2022 as a result of increased customer demand. CNXMotion was a R&D entity focused on integrating lateral and longitudinal controls for mixed mode and AD applications. The Group, together with its joint venture partner, made the decision to dissolve the entity. The dissolution is expected to be complete during the second half of 2023. Dongfeng Nexteer was dissolved during the six months ended June 30, 2023.

Income Tax Expense

The Group's income tax expense was US$8.4 million for the six months ended June 30, 2023, representing 18.3% of the Group's profit before tax, a decrease of US$21.1 million from US$29.5 million, or 142.3% of profit before income tax, for the six months ended June 30, 2022.

During the six months ended June 30, 2023 and June 30, 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 of US$23.2 million and US$49.4 million for the six months ended June 30, 2023 and June 30, 2022, respectively.

During the six months ended June 30, 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 six months ended June 30, 2023.

Provisions

As at June 30, 2023, the Group has provisions for litigation, environmental liabilities, warranties and decommissioning of US$86.8 million, a decrease of US$6.9 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 US$11.8 million in cash payments on historical warranty provisions, mainly offset by net additions of US$4.8 million during the first half of 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 Company utilises a global cash pooling arrangement to consolidate and manage our global cash balances, which improves cash management efficiency. We believe that cash on hand and availability of borrowings under the Group's credit facilities will be adequate to fund our operations.

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

	For the six months ended June 30, 2023 US$'000 (Unaudited)	For the six months ended June 30, 2022 US$'000 (Unaudited)
Cash generated from (used in):		
Operating activities	**231,191**	122,498
Investing activities	**(171,316)**	(129,271)
Financing activities	**(13,857)**	14,590
Net increase in cash and cash equivalents	**46,018**	7,817

Cash Flows Generated from Operating Activities

For the six months ended June 30, 2023, the Group's net cash generated from operating activities was US$231.2 million, an increase of US$108.7 million compared with US$122.5 million for the six months ended June 30, 2022. The increase in cash flows from operating activities was primarily attributable to increased earnings, favourable net working capital and a decrease in cash taxes paid driven by a US$35.0 million US tax refund for the six months ended June 30, 2023 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 periods indicated:

	For the six months ended June 30, 2023 US$'000 (Unaudited)	For the six months ended June 30, 2022 US$'000 (Unaudited)
Purchase of property, plant and equipment	**(98,669)**	(55,902)
Addition of intangible assets	**(78,184)**	(73,598)
Others	**5,537**	229
Net cash used in investing activities	**(171,316)**	(129,271)

Cash Flows (Used in) Generated from Financing Activities

For the six months ended June 30, 2023, the Group's net cash (used in) generated from financing activities was (US$13.9 million), a decrease of US$28.5 million compared with a cash generation of US$14.6 million for the same period in 2022. The cash flows used in financing activities were mainly attributable to the net repayments of borrowings of US$2.0 million, repayments of lease liabilities of US$7.2 million and finance costs paid of US$4.7 million. The principal driver of the unfavourability in net cash generated from financing activities was the net borrowings during the period, specifically the new term loans in China during the first half of 2022, with no new borrowings in the first half of 2023.

Indebtedness

As at June 30, 2023, the Group's total borrowings was US$47.9 million, a decrease of US$1.9 million from US$49.8 million as at December 31, 2022. The decrease was primarily due to foreign currency impact on term loan borrowings in China which are denominated in RMB.

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

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
Non-current borrowings	**47,897**	49,838
Total borrowings	**47,897**	49,838

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

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
Between 1 and 2 years	**47,897**	14,112
Between 2 and 5 years	**–**	35,726
Total borrowings	**47,897**	49,838

Pledge of Assets

The Group has several secured borrowings at certain subsidiaries. Assets securing the borrowings differ by site and include accounts receivable, inventories and property, plant and equipment. As at June 30, 2023, the Group had approximately US$868.9 million total assets pledged as collateral, an increase of US$17.7 million as compared with US$851.2 million as at December 31, 2022. The increase in collateral pledged was directly related to increases in the balances of the underlying assets pledged. No significant changes in collateral arrangements have occurred from December 31, 2022 to June 30, 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 its 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 period.

The gearing ratio as at June 30, 2023 was 2.4%, a decrease of 10 basis points as compared to 2.5% as at December 31, 2022.

OTHER INFORMATION

Future Prospects

The Group strives to maintain a market-leading position in global advanced steering and driveline systems, including electrification, driver assist and ADAS-enabling technologies. We boost our current position and future prospects by leveraging the following five Nexteer differentiators:

1. Relentless innovation

2. Depth and breadth of our product portfolio

3. Systems integration experience

4. In-house ownership of R&D and integrated product and process development

5. Global manufacturing footprint and prowess

Megatrends influencing the automotive industry and adjacent sectors 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 & Connectivity, Electrification and Shared Mobility. 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 Remuneration Policy

As at June 30, 2023, the Group had approximately 13,000 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 the shareholders of the Company (the **Shareholders**) as a whole. For example, the Group has employee 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 requirement and contractual obligations.

The Group also uses contract personnel to support the workload of the business where considered the most efficient. As at June 30, 2023, the Group had approximately 1,600 personnel engaged on a contract basis.

FORWARD-LOOKING STATEMENTS

Any forward-looking statements and opinions contained within this interim 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 interim 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.

Corporate Governance/Other Information

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted its own Internal Control and Corporate Governance Policies, which are based on the principles, provisions and practices set out in the Corporate Governance Code (the **Hong Kong CG Code**) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**).

Except as expressly described below, in the opinion of the directors (the **Directors**) of the board of the Company (the **Board**), 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 six months ended June 30, 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 14 to the Listing Rules, the roles of chairman and the chief executive should be segregate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. With effect from June 21, 2022, Mr. LEI, Zili (**Mr. LEI**), the Chairman of the Board (the **Chairman**), has been appointed as the Chief Executive Officer of the Company, which constitutes a deviation from code provision C.2.1 in Part 2 of Appendix 14 to the Listing Rules. The Board considers that the appointment of Mr. LEI as both chairman and chief executive can provide the Group with consistent leadership going forward and allow more effective implementation of the overall strategy of the Group. Furthermore, this structure does not compromise the balance of power and authority, as major decisions are made in consultation with the Board. The current senior management team of the Group also possesses rich knowledge and experience in different professional fields to assist Mr. LEI to make decisions about the businesses and operations of the Group.

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

COMPLIANCE WITH CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **Model Code**) as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they complied with the required standards set out in the Model Code for the six months ended June 30, 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.

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.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. LEI, Zili (雷自力) has been serving as the board of director of AVIC Airborne System Co., Ltd. since June 2022.

Dr. WANG, Bin (王斌) 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.

Except as disclosed above, there is no other change in the Directors' biographical details required to be disclosed in this interim report pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended June 30, 2023.

AUDIT AND COMPLIANCE COMMITTEE AND REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Audit and Compliance Committee had reviewed together with management and the external auditor the unaudited Condensed Financial Information of the Company for the six months ended June 30, 2023. There has been no disagreement between the Audit and Compliance Committee or the auditor with the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES BY THE COMPANY

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended June 30, 2023.

SHARE OPTION SCHEME

On June 5, 2014, the Company adopted a share option scheme (the **Share Option Scheme**).

The Board may, at its discretion, invite any Directors (excluding Independent non-Executive Directors), senior management as well as other key employees approved by the Board as the Participants (as defined under the Share Option Scheme).

There were no options under the Share Option Scheme ("**Options**") vested during the six months ended June 30, 2023.

The number of share options available for grant under the scheme as at January 1, 2023 and June 30, 2023 was 166,636,790 and 166,636,790, respectively.

The summary of Options granted under the Share Option Scheme that were outstanding as at June 30, 2023 are as follows (there were no Options granted during the six months ended June 30, 2023 (six months ended June 30, 2022: nil)):

	Grant date	Options granted	Options held as at January 1, 2023	Options granted during the interim period	Options exercised during the interim period	Options cancelled/ lapsed during the interim period	Options held as at June 30, 2023	Exercise period[1]	Option 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$
Director												
LEI, Zili	October 25, 2022	1,667,970	1,667,970	–	–	–	1,667,970	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 – May 29, 2028	6.390	6.390	N/A	N/A
	October 25, 2022	2,633,650	2,633,650	–	–	–	2,633,650	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	–	–	–	351,150	October 25, 2022 – October 24, 2032	4.268	4.140	N/A	N/A
ZHANG, Wendong	October 25, 2022	351,150	351,150	–	–	–	351,150	October 25, 2022 – October 24, 2032	4.268	4.140	N/A	N/A
SHI, Shiming	October 25, 2022	351,150	351,150	–	–	–	351,150	October 25, 2022 – October 24, 2032	4.268	4.140	N/A	N/A
Sub-total		**8,252,070**	**5,530,650**	**–**	**–**	**–**	**5,530,650**					
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	–	–	1,053,460	5,969,590	October 25, 2022 – October 24, 2032	4.268	4.140	N/A	N/A
Sub-total		**74,891,540**	**8,810,860**	**–**	**–**	**1,931,350**	**6,879,510**					
Total		**83,143,610**	**14,341,510**	**–**	**–**	**1,931,350**	**12,410,160**					

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 share options.

(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.

During the six months ended June 30, 2023, there were 12,410,160 shares that may be issued in respect of options granted under the Share Option Scheme, which is 0.494% of the weighted average number of shares in issue.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2023, the interests or short positions of the Directors or Chief Executives of the Company in the shares of the Company (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 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 Stock Exchange pursuant to Model Code are as follows:

Interest in the Company

Name	Capacity	Nature of Interest	No. of underlying Shares of the Company held (through share options)(1)	Approximate Percentage of Total Issued Shares(2) %
LEI, Zili	Director	Beneficial owner	1,667,970 (L)	0.07%
MILAVEC, Robin Zane	Director	Beneficial owner	2,809,230 (L)	0.11%
SHI, Shiming	Director	Beneficial owner	351,150 (L)	0.01%
WANG, Jian	Director	Beneficial owner	351,150 (L)	0.01%
ZHANG, Wendong	Director	Beneficial owner	351,150 (L)	0.01%

Notes:

(L) Denotes a long position in the 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 2,509,824,293 Shares in issue as at June 30, 2023.

Except as disclosed above, as at June 30, 2023, none of our Directors and Chief Executives 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 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 six months ended June 30, 2023.

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

As at June 30, 2023, the following Shareholders (excluding the Directors and Chief Executives 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	Nature of Interest	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 the Shares.

(1) The calculation is based on the total number of 2,509,824,293 Shares issued as at June 30, 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.

Report on Review of Condensed Consolidated Interim Financial Information

Deloitte. 德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF NEXTEER AUTOMOTIVE GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial information of Nexteer Automotive Group Limited (the "**Company**") and its subsidiaries (collective referred to as the "**Group**") set out on pages 34 to 72, which comprise the condensed consolidated interim balance sheet as at June 30, 2023 and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
August 16, 2023

Condensed Consolidated Interim Balance Sheet

As at June 30, 2023

	Notes	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**957,385**	971,192
Right-of-use assets	8	**58,030**	62,146
Intangible assets	7	**733,309**	725,145
Deferred income tax assets		**24,704**	13,886
Investments in joint ventures	26(b)	**18,670**	23,395
Income taxes receivable		**3,278**	21,108
Other receivables and prepayments	11	**25,220**	26,308
		1,820,596	1,843,180
Current assets			
Inventories		**291,982**	293,692
Trade receivables	9	**771,667**	753,104
Notes receivable	10	**47,238**	50,064
Income taxes receivable		**8,908**	28,504
Other receivables and prepayments	11	**120,515**	120,793
Restricted bank deposits		**467**	10
Cash and cash equivalents		**290,087**	245,934
		1,530,864	1,492,101
Total assets		**3,351,460**	3,335,281

The notes on pages 40 to 72 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Balance Sheet

As at June 30, 2023

	Notes	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	**32,377**	32,377
Other reserves		**(32,237)**	(24,362)
Retained earnings		**1,948,007**	1,925,810
		1,948,147	1,933,825
Non-controlling interests		**44,923**	43,325
Total equity		**1,993,070**	1,977,150
LIABILITIES			
Non-current liabilities			
Borrowings	13	**47,897**	49,838
Lease liabilities	8	**43,137**	48,376
Retirement benefits and compensations		**25,148**	23,038
Deferred income tax liabilities		**15,196**	18,944
Provisions	14	**65,455**	71,006
Deferred revenue	15	**97,041**	104,613
Other payables and accruals	17	**19,474**	15,875
		313,348	331,690
Current liabilities			
Trade payables	16	**818,560**	815,402
Other payables and accruals	17	**146,834**	134,523
Current income tax liabilities		**15,160**	12,928
Retirement benefits and compensations		**3,333**	4,132
Provisions	14	**21,353**	22,721
Deferred revenue	15	**25,361**	24,240
Lease liabilities	8	**14,441**	12,495
		1,045,042	1,026,441
Total liabilities		**1,358,390**	1,358,131
Total equity and liabilities		**3,351,460**	3,335,281

The notes on pages 40 to 72 are an integral part of this condensed consolidated interim financial information.

The condensed consolidated interim financial information on pages 34 to 72 were approved by the Board of Directors on August 16, 2023 and were signed on its behalf.

LEI, Zili	**MILAVEC, Robin Zane**
Director	*Director*

Condensed Consolidated Interim Income Statement

For the six months ended June 30, 2023

	Notes	For the six months ended June 30, 2023 US$'000 (Unaudited)	2022 US$'000 (Unaudited)
Revenue	6	**2,101,830**	1,791,067
Cost of sales	19	**(1,910,999)**	(1,641,254)
Gross profit		**190,831**	149,813
Engineering and product development costs	19	**(68,006)**	(60,241)
Selling and distribution expenses	19	**(10,150)**	(9,302)
Administrative expenses	19	**(67,157)**	(70,724)
Other gains, net	18	**1,300**	12,460
Operating profit		**46,818**	22,006
Finance income	21	**2,325**	1,769
Finance costs	21	**(3,206)**	(1,414)
		(881)	355
Share of results of joint ventures, net	26(b)	**(138)**	(1,640)
Profit before income tax		**45,799**	20,721
Income tax expense	22	**(8,397)**	(29,478)
Profit (loss) for the period		**37,402**	(8,757)
Profit (loss) for the period attributable to:			
Equity holders of the Company		**33,993**	(11,138)
Non-controlling interests		**3,409**	2,381
		37,402	(8,757)
Earnings (loss) per share for profit (loss) for the period attributable to equity holders of the Company for the period (expressed in US$ per share)			
– Basic and diluted	23	**0.014**	(0.004)

The notes on pages 40 to 72 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended June 30, 2023

	For the six months ended June 30,	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period	**37,402**	(8,757)
Other comprehensive loss		
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**(10,086)**	(45,126)
Total comprehensive income (loss) for the period	**27,316**	(53,883)
Total comprehensive income (loss) for the period attributable to:		
Equity holders of the Company	**25,718**	(53,908)
Non-controlling interests	**1,598**	25
	27,316	(53,883)

The notes on pages 40 to 72 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended June 30, 2023

	Attributable to equity holders of the Company								
	Share capital US$'000 (note 12)	Share premium US$'000	Merger reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
For the six months ended June 30, 2022 (Unaudited)									
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 (loss) income									
(Loss) profit for the period	–	–	–	–	–	(11,138)	(11,138)	2,381	(8,757)
Other comprehensive loss									
Exchange differences	–	–	–	–	(42,770)	–	(42,770)	(2,356)	(45,126)
Total comprehensive (loss) income	–	–	–	–	(42,770)	(11,138)	(53,908)	25	(53,883)
Transactions with owners									
Value of employee services provided under Share Option Scheme (note 20)	–	–	–	(28)	–	–	(28)	–	(28)
Dividends payable to shareholders (note 24)	–	(1,642)	–	–	–	(22,201)	(23,843)	–	(23,843)
As at June 30, 2022	32,377	–	113,000	6,033	(129,580)	1,855,020	1,876,850	47,985	1,924,835
For the six months ended June 30, 2023 (Unaudited)									
As at January 1, 2023	**32,377**	**–**	**113,000**	**6,196**	**(143,558)**	**1,925,810**	**1,933,825**	**43,325**	**1,977,150**
Comprehensive income									
Profit for the period	**–**	**–**	**–**	**–**	**–**	**33,993**	**33,993**	**3,409**	**37,402**
Other comprehensive loss									
Exchange differences	**–**	**–**	**–**	**–**	**(8,275)**	**–**	**(8,275)**	**(1,811)**	**(10,086)**
Total comprehensive (loss) income	**–**	**–**	**–**	**–**	**(8,275)**	**33,993**	**25,718**	**1,598**	**27,316**
Transactions with owners									
Value of employee services provided under Share Option Scheme (note 20)	**–**	**–**	**–**	**400**	**–**	**–**	**400**	**–**	**400**
Dividends payable to shareholders (note 24)	**–**	**–**	**–**	**–**	**–**	**(11,796)**	**(11,796)**	**–**	**(11,796)**
As at June 30, 2023	**32,377**	**–**	**113,000**	**6,596**	**(151,833)**	**1,948,007**	**1,948,147**	**44,923**	**1,993,070**

The notes on pages 40 to 72 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended June 30, 2023

	For the six months ended June 30, 2023 US$'000 (Unaudited)	2022 US$'000 (Unaudited)
Operating activities		
Cash generated from operations	**213,835**	138,764
Income tax refunded (paid), net	**17,356**	(16,266)
Net cash generated from operating activities	**231,191**	122,498
Investing activities		
Purchase of property, plant and equipment	**(98,669)**	(55,902)
Addition of intangible assets	**(78,184)**	(73,598)
Others	**5,537**	229
Net cash used in investing activities	**(171,316)**	(129,271)
Financing activities		
Proceeds from borrowings	**9,955**	87,233
Repayments of borrowings	**(11,959)**	(61,893)
Repayments of lease liabilities	**(7,157)**	(6,791)
Finance costs paid	**(4,696)**	(3,959)
Net cash (used in) generated from financing activities	**(13,857)**	14,590
Net increase in cash and cash equivalents	**46,018**	7,817
Cash and cash equivalents at beginning of period	**245,934**	326,516
Effect of exchange rate changes on cash and cash equivalents	**(1,865)**	(16,884)
Cash and cash equivalents at end of period	**290,087**	317,449

The notes on pages 40 to 72 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 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 the Companies Law (as amended), of the Cayman Islands. The address of the Company's registered office is PO 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**).

This condensed consolidated interim financial information (**Condensed Financial Information**) is presented in thousands of US dollars (**US$'000**), unless otherwise stated. This Condensed Financial Information was approved by the Board of Directors of the Company (the **Board**) for issue on August 16, 2023.

This Condensed Financial Information has not been audited.

2 BASIS OF PREPARATION

This Condensed Financial Information has been prepared in accordance with International Accounting Standard (**IAS**) 34 "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2022, which have been prepared in accordance with all applicable International Financial Reporting Standards (**IFRS**), as issued by the International Accounting Standards Board (**IASB**) and disclosure requirements of the Hong Kong Companies Ordinance.

3 ACCOUNTING POLICIES

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

New/revised standards, amendments to standards and interpretations

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

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
Amendments to IAS 1/IFRS Practice Statement 2	Disclosure of Accounting Policies

The adoption of these amendments did not have a significant effect on the Group's Condensed Financial Information. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending December 31, 2023.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Condensed Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Condensed Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended December 31, 2022.

5 FINANCIAL INSTRUMENTS

5.1 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 and other receivables, trade payables and other payables and accruals and current borrowings approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

As set out in note 10, the Group has notes receivable measured at fair value through other comprehensive income (**FVOCI**) and included in Level 2 of the fair value hierarchy as at June 30, 2023 and December 31, 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 had no other financial assets or liabilities measured at fair value as at June 30, 2023 and December 31, 2022. The different levels 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.

6 REVENUE AND SEGMENT INFORMATION

6.1 Revenue from contracts with customers

The Group contracts with customers, which are generally automotive manufacturers, to sell steering and driveline systems and components. In connection with these contracts, the Group also provides tooling and prototype parts. The Group does not have material significant payment terms as payment is received shortly after the point of sale.

Performance Obligations

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

Products	Nature, timing of satisfaction of performance obligations, and payment terms
Production Parts	The Group recognises the majority of revenue for production parts at a point in time upon shipment to the customer and transfer of the title and risk of loss under standard commercial terms. A limited number of the Group's customer arrangements for customised products with no alternative use provide the Group 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 revenue/prototypes, which is normally related to R&D, 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.

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.1 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 June 30, 2023 (Unaudited)	**51,365**	**25,361**	**97,041**
Balances as at December 31, 2022 (Audited)	47,718	24,240	104,613

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

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

6.2 Segment information

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

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

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.

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

The key performance indicator that the Group monitors to manage segment operations is operating income before interest, taxes, depreciation and amortisation, net reversals of impairments on 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 six months ended June 30, 2023 (Unaudited)					
Total revenue	**1,233,464**	**557,311**	**362,199**	**(29,032)**	**2,123,942**
Inter-segment revenue	**(38,945)**	**(13,328)**	**(1,050)**	**31,211**	**(22,112)**
Revenue from external customers	**1,194,519**	**543,983**	**361,149**	**2,179**	**2,101,830**
Adjusted EBITDA	**97,540**	**81,500**	**18,405**	**(11,311)**	**186,134**
For the six months ended June 30, 2022 (Unaudited)					
Total revenue	1,131,965	396,872	316,777	(30,607)	1,815,007
Inter-segment revenue	(36,867)	(18,400)	(611)	31,938	(23,940)
Revenue from external customers	1,095,098	378,472	316,166	1,331	1,791,067
Adjusted EBITDA	79,043	68,497	26,598	(16,021)	158,117

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

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

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 June 30, 2023 (Unaudited)					
Total assets	**1,695,309**	**1,096,932**	**746,701**	**(187,482)**	**3,351,460**
Total liabilities	**839,507**	**508,493**	**285,190**	**(274,800)**	**1,358,390**
As at December 31, 2022 (Audited)					
Total assets	1,730,348	1,162,857	699,174	(257,098)	3,335,281
Total liabilities	843,300	565,739	267,190	(318,098)	1,358,131

Adjusted EBITDA includes a non-cash component for revenue recognised from deferred revenue. For the six months ended June 30, 2023, the North America segment, Asia Pacific segment and EMEASA segment recognised US$16,982,000 (six months ended June 30, 2022: US$8,435,000), US$1,569,000 (six months ended June 30, 2022: US$1,327,000) and US$2,514,000 (six months ended June 30, 2022: US$2,272,000), respectively. Reconciliations of reportable segment Adjusted EBITDA to the Group's profit before income tax are as follows:

	For the six months ended June 30,	
	2023 US$'000 (Unaudited)	2022 US$'000 (Unaudited)
Adjusted EBITDA from reportable segments	**186,134**	158,117
Depreciation and amortisation	**(146,229)**	(136,111)
Reversals of impairments on intangible assets, net	**1,729**	–
Customer recovery income	**5,184**	–
Finance income	**2,325**	1,769
Finance costs	**(3,206)**	(1,414)
Share of results of joint ventures, net	**(138)**	(1,640)
Profit before income tax	**45,799**	20,721

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

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 six months ended June 30, 2023 and 2022 is as follows:

	For the six months ended June 30,	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
North America:		
US	**709,033**	641,476
Mexico	**485,486**	453,622
Asia Pacific:		
China	**464,570**	314,813
Rest of Asia Pacific	**79,413**	63,659
EMEASA:		
Poland	**201,586**	186,579
Rest of EMEASA	**159,563**	129,587
Other	**2,179**	1,331
	2,101,830	1,791,067

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

The geographic distribution of non-current assets, excluding deferred income tax assets, as at June 30, 2023 and December 31, 2022 is as follows:

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
North America:		
US	**503,126**	546,501
Mexico	**463,447**	446,505
Asia Pacific:		
China	**380,260**	391,033
Rest of Asia Pacific	**35,147**	35,344
EMEASA:		
Poland	**311,421**	305,466
Rest of EMEASA	**88,372**	96,531
Others	**14,119**	7,914
	1,795,892	1,829,294

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

Disaggregation of revenue

	North America US$'000	**Asia Pacific US$'000**	**EMEASA US$'000**	**Others US$'000**	**Total US$'000**
For the six months ended June 30, 2023 (Unaudited)					
Electric Power Steering (**EPS**)	**753,224**	**380,352**	**306,904**	**2,173**	**1,442,653**
Steering Columns and Intermediate Shafts (**CIS**)	**167,126**	**16,709**	**4,272**	**6**	**188,113**
Hydraulic Power Steering (**HPS**)	**83,294**	**1,542**	**746**	**–**	**85,582**
Driveline Systems (**DL**)	**190,875**	**145,380**	**49,227**	**–**	**385,482**
	1,194,519	**543,983**	**361,149**	**2,179**	**2,101,830**

	North America US$'000	Asia Pacific US$'000	EMEASA US$'000	Others US$'000	Total US$'000
For the six months ended June 30, 2022 (Unaudited)					
EPS	691,207	259,935	273,668	1,584	1,226,394
CIS	158,292	5,613	5,085	(167)	168,823
HPS	77,825	425	4,744	(17)	82,977
DL	167,774	112,499	32,669	(69)	312,873
	1,095,098	378,472	316,166	1,331	1,791,067

6 REVENUE AND SEGMENT INFORMATION (Continued)

6.2 Segment information (Continued)

Revenue by type

	For the six months ended June 30, 2023 US$'000 (Unaudited)	2022 US$'000 (Unaudited)
Production parts	**2,082,835**	1,772,565
Tooling	**12,551**	13,413
Engineering design and development/prototypes	**6,444**	5,089
	2,101,830	1,791,067

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

	For the six months ended June 30, 2023 US$'000 (Unaudited)	2022 US$'000 (Unaudited)
GM	**721,887**	585,680
Customer A	**517,418**	492,470
Customer B	**340,123**	286,695
	1,579,428	1,364,845

7 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment US$'000	Intangible assets US$'000
Six months ended June 30, 2023 (Unaudited)		
Net book amount as at January 1, 2023	**971,192**	**725,145**
Additions	**58,279**	**80,979**
Disposals	**(1,349)**	**–**
Reversals of impairment, net	**–**	**1,729**
Depreciation and amortisation	**(67,673)**	**(70,669)**
Exchange differences	**(3,064)**	**(3,875)**
Net book amount as at June 30, 2023	**957,385**	**733,309**
Six months ended June 30, 2022 (Unaudited)		
Net book amount as at January 1, 2022	988,896	708,807
Additions	48,539	76,340
Disposals	(921)	–
Depreciation and amortisation	(68,331)	(61,193)
Exchange differences	(21,546)	(3,592)
Net book amount as at June 30, 2022	946,637	720,362

Intangible asset additions include additions for product development. Product development cost additions, including capitalised interest, for the period ended June 30, 2023 were US$80,979,000 (six months ended June 30, 2022: US$76,340,000).

Capitalised product development costs not yet available for use 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 six months ended June 30, 2023 to estimate future cash flows range between 11% and 14% (six months ended June 30, 2022: between 10% 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.

7 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

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 six months ended June 30, 2023, the Group recorded a net reversal of product development intangible asset impairments of US$1,729,000. The Group reversed impairments on a previously impaired programme of US$4,100,000 in the Condensed Financial Information as engineering and product development costs in the North America segment. The Group recorded impairments of US$1,542,000 and US$829,000 related to programme cancellations and declining volumes on specific customer programmes recorded in the Condensed Financial Information as engineering and product development costs in the North America and EMEASA segments, respectively. In addition, the Group recorded customer recovery from a previously impaired programme of US$5,184,000 in the Condensed Financial Information as engineering and product development costs in the North America segment. There was no impairment or reversal of impairment of product development intangible assets during the six months ended June 30, 2022.

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$289,354,000 as at June 30, 2023 (December 31, 2022: US$277,809,000).

8 LEASES

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$'000 (Unaudited)	Other US$'000 (Unaudited)	Total US$'000 (Unaudited)
Balance as at January 1, 2023	**49,860**	**12,286**	**62,146**
Depreciation charge for the six months ended June 30, 2023	**6,223**	**1,664**	**7,887**
Balance as at June 30, 2023	**47,757**	**10,273**	**58,030**
Depreciation charge for the six months ended June 30, 2022	**5,504**	**1,083**	**6,587**

Additions to the right-of-use assets during the six months ended June 30, 2023 were US$3,657,000 (six months ended June 30, 2022: US$3,288,000).

Depreciation is charged to the following expense by function:

	For the six months ended June 30,	
	2023 US$'000 (Unaudited)	2022 US$'000 (Unaudited)
Cost of sales	**5,541**	4,208
Engineering and product development costs	**1,078**	1,197
Administrative expenses	**1,268**	1,182
	7,887	6,587

8 LEASES (Continued)

Lease liabilities

(i) Gross lease liabilities – minimum lease payments:

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
Within 1 year	**11,436**	15,020
Between 1 and 2 years	**13,860**	16,612
Between 2 and 5 years	**29,014**	26,549
Over 5 years	**10,640**	10,499
	64,950	68,680
Less: future finance charges	**(7,372)**	(7,809)
	57,578	60,871

(ii) Present value of lease liabilities:

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
Within 1 year	**14,441**	12,495
Between 1 and 2 years	**7,129**	14,626
Between 2 and 5 years	**25,956**	23,810
Over 5 years	**10,052**	9,940
	57,578	60,871
Less: non-current portion	**(43,137)**	(48,376)
Current portion	**14,441**	12,495

For the six months ended June 30, 2023, the Group recognised interest on lease liabilities of US$1,486,000 (six months ended June 30, 2022: US$1,364,000) in the Condensed Financial Information.

For the six months ended June 30, 2023, the Group's total cash outflows for leases amounted to US$7,157,000 (six months ended June 30, 2022: US$6,791,000) in the Condensed Financial Information.

9 TRADE RECEIVABLES

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Restated and Audited)
Trade receivables, gross	**773,301**	754,683
Less: provision for impairment	**(1,634)**	(1,579)
	771,667	753,104

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 June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Restated and Audited)
0 to 30 days	**514,629**	514,428
31 to 60 days	**215,233**	221,079
61 to 90 days	**23,892**	11,215
Over 90 days	**19,547**	7,961
	773,301	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$1,634,000 (December 31, 2022: US$1,579,000) were non-credit impaired as at June 30, 2023 on which provisions were made.

The carrying amounts of trade receivables pledged as collateral were US$469,757,000 as at June 30, 2023 (December 31, 2022: US$459,144,000).

10 NOTES RECEIVABLE

Certain customers in China pay for goods and services through the use of notes receivable. As at June 30, 2023, notes receivable outstanding was in the amount of US$47,238,000 (December 31, 2022: US$50,064,000). As set out in note 5, the notes receivable are measured at FVOCI.

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

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
0 to 30 days	**26,702**	12,849
31 to 60 days	**2,893**	13,439
61 to 90 days	**3,513**	11,191
Over 90 days	**14,130**	12,585
	47,238	50,064

11 OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Restated and Audited)
Other taxes receivable[(i)]	**32,869**	33,433
Prepaid assets	**44,165**	47,697
Contract assets[(ii)]	**51,365**	47,718
Deposits to vendors	**10,440**	8,614
Others	**6,896**	9,639
	145,735	147,101
Less: non-current portion	**(25,220)**	(26,308)
Current portion	**120,515**	120,793

Notes:

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

(ii) As stated in note 6, 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 design and development/prototypes.

12 SHARE CAPITAL

	Number of ordinary shares	Amount
Issued and fully paid:		
HK$0.10 each as at December 31, 2022 and June 30, 2023	2,509,824,293	HK$250,982,429

13 BORROWINGS

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
Non-Current		
Borrowings from banks		
– Unsecured[1a(i)]	**48,279**	50,283
Add: Non-current portion of		
– Debt issuance costs[1b]	**(382)**	(445)
Total Non-Current	**47,897**	49,838
Total Borrowings	**47,897**	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$48,279,000 as at June 30, 2023 (December 31, 2022: US$50,283,000). Tranche 1 has a balance of US$13,794,000 (December 31, 2022: US$14,367,000) and matures in December 2024. Tranche 2 has a balance of US$13,794,000 (December 31, 2022: US$14,367,000) and matures in February 2025. Tranche 3 has a balance of US$20,691,000 (December 31, 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 June 30, 2023 and December 31, 2022.

(ii) A revolving line of credit obtained by a subsidiary of the Company which bears interest at SOFR +0.10% plus a range of 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 June 30, 2023, the Group has availability of US$321,911,000 of the US$325,000,000 line of credit.

(iii) A factoring facility with availability to borrow up to US$43,514,000 by a subsidiary of the Company which bears interest at EURIBOR or WIBOR plus 1.50% per annum, is secured by certain receivables. As at June 30, 2023, the subsidiary has availability to borrow based on collateral up to US$25,735,000.

(iv) An overdraft facility with availability to borrow up to US$19,569,000 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 trade receivables and expires in August 2024.

(v) A revolving line of credit with availability to borrow up to US$2,437,000 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$2,437,000 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 borrowing as noted above. Amortisation of the debt issuance costs is recognised in the Condensed Financial Information as finance cost over the period of the borrowing using the effective interest method. The unamortised balance of debt issuance costs is US$382,000 as at June 30, 2023 (December 31, 2022: US$445,000).

13 BORROWINGS (Continued)

2. Maturity of borrowings

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
Between 1 and 2 years	**47,897**	14,112
Between 2 and 5 years	**–**	35,726
Total	**47,897**	49,838

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

	Carrying amount		Fair value	
	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
Bank borrowings	**48,279**	50,283	**48,395**	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 3.30% as at June 30, 2023 (December 31, 2022: 3.40%), and were within Level 2 of the fair value hierarchy.

4. Weighted average annual interest rates

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
Bank borrowings	**4.0%**	3.3%

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2023

14 PROVISIONS

	As at June 30, 2023 (Unaudited)			As at December 31, 2022 (Audited)		
	Current US$'000	Non-current US$'000	Total US$'000	Current US$'000	Non-current US$'000	Total US$'000
Litigation(i)	109	13,402	13,511	109	13,053	13,162
Environmental liabilities(ii)	150	11,855	12,005	150	11,863	12,013
Warranties(iii)	21,094	30,125	51,219	22,462	36,272	58,734
Decommissioning(iv)	–	10,073	10,073	–	9,818	9,818
	21,353	65,455	86,808	22,721	71,006	93,727

Movement of provisions is as follows:

	Litigation(i) US$'000	Environmental liabilities(ii) US$'000	Warranties(iii) US$'000	Decommissioning(iv) US$'000	Total US$'000
Six months ended June 30, 2023 (Unaudited)					
As at January 1, 2023	13,162	12,013	58,734	9,818	93,727
Additions, net	644	4	4,816	260	5,724
Payments	(335)	(15)	(11,820)	–	(12,170)
Exchange differences	40	3	(511)	(5)	(473)
As at June 30, 2023	13,511	12,005	51,219	10,073	86,808
Six months ended June 30, 2022 (Unaudited)					
As at January 1, 2022	808	12,039	55,775	9,374	77,996
Additions, net	207	–	7,564	263	8,034
Payments	(10)	(17)	(8,233)	–	(8,260)
Exchange differences	18	4	(1,346)	(41)	(1,365)
As at June 30, 2022	1,023	12,026	53,760	9,596	76,405

14 PROVISIONS (Continued)

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, amongst others, the payment of various termination benefits of US$10,935,000. The Group will 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.

15 DEFERRED REVENUE

Contract liabilities are associated with consideration received from customers in advance of transferring goods promised in the 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 seven years. The carrying amount of deferred revenue is as follows:

	As at June 30, 2023 (Unaudited)			As at December 31, 2022 (Audited)		
	Current US$'000	**Non-current US$'000**	**Total US$'000**	Current US$'000	Non-current US$'000	Total US$'000
Pre-production activity	**25,361**	**97,041**	**122,402**	24,240	104,613	128,853

Movement of deferred revenue is as follows:

	For the six months ended June 30,	
	2023 US$'000 (Unaudited)	2022 US$'000 (Unaudited)
As at January 1	**128,853**	110,428
Additions	**15,412**	20,277
Recognised in profit or loss	**(21,065)**	(12,034)
Exchange differences	**(798)**	(284)
As at June 30	**122,402**	118,387

16 TRADE PAYABLES

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
Trade payables	**769,427**	776,257
Notes payable	**49,133**	39,145
	818,560	815,402

Certain vendors in China are paid for goods and services through the use of notes payable. As at June 30, 2023, notes payable outstanding was in the amount of US$49,133,000 (December 31, 2022: US$39,145,000).

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

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
0 to 30 days	**505,005**	443,154
31 to 60 days	**165,564**	228,815
61 to 90 days	**80,269**	84,666
91 to 120 days	**14,566**	18,348
Over 120 days	**53,156**	40,419
	818,560	815,402

17 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2023 US$'000 (Unaudited)	As at December 31, 2022 US$'000 (Audited)
Accrued expenses	**120,491**	125,417
Other taxes payable	**20,410**	10,818
Dividends payable to equity holders of the Company	**11,796**	–
Others	**13,611**	14,163
	166,308	150,398
Less: non-current portion	**(19,474)**	(15,875)
Current portion	**146,834**	134,523

18 OTHER GAINS, NET

	For the six months ended June 30, 2023 US$'000 (Unaudited)	2022 US$'000 (Unaudited)
Foreign exchange (losses) gains, net	**(376)**	9,229
(Loss) gain on disposal of property, plant and equipment, net	**(432)**	899
Others	**2,108**	2,332
	1,300	12,460

19 EXPENSE BY NATURE

	For the six months ended June 30,	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Inventories used, including finished goods and work-in-progress	**1,391,251**	1,186,301
Employee benefit costs	**288,777**	256,930
Temporary labour costs	**59,971**	51,848
Supplies and tools	**101,633**	90,724
Depreciation on property, plant and equipment (note 7)	**67,673**	68,331
Depreciation on right-of-use assets (note 8)	**7,887**	6,587
Amortisation on intangible assets (note 7)	**70,669**	61,193
Impairment charges (reversals), net, on		
– trade receivables (note 9)	**55**	(26)
– intangible assets (note 7)	**(1,729)**	–
Write-down (reversal of write-down) on inventories	**1,438**	(574)
Warranty expenses (note 14)	**4,816**	7,564
Auditors' remuneration		
– audit and non-audit services	**190**	306
Others	**63,681**	52,337
Total cost of sales, engineering and product development costs, selling and distribution, and administrative expenses	**2,056,312**	1,781,521

20 SHARE-BASED PAYMENTS

(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 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.

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

	Average exercise price (per share) HK$	Outstanding options (thousands)
As at January 1, 2022	8.970	12,937
Expired	11.620	(656)
Forfeited	9.463	(2,195)
As at June 30, 2022 (Unaudited)	8.690	10,086
Exercisable as at June 30, 2022	9.134	8,454
As at January 1, 2023	**5.109**	**14,341**
Expired	**9.571**	**(878)**
Forfeited	**4.268**	**(1,053)**
As at June 30, 2023 (Unaudited)	**4.865**	**12,410**
Exercisable as at June 30, 2023	**11.094**	**1,086**

There were no options granted during the six months ended June 30, 2023 or the six months ended June 30, 2022. As at June 30, 2023, there were 166,636,790 share options available under the Scheme (December 31, 2022: 179,014,910 share options).

The weighted average remaining contractual life for the share options outstanding as at June 30, 2023 was 8.81 years (December 31, 2022: 9.00 years). The range of exercise prices for options outstanding as at June 30, 2023 and December 31, 2022 was HK$4.268 to HK$12.456.

The fair value of the share options charged to the Condensed Financial Information was US$400,000 for the six months ended June 30, 2023 (six months ended June 30, 2022: (US$28,000)).

20 SHARE-BASED PAYMENTS (Continued)

(b) 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 were 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 (**Initial Stock Price**).

As at June 30, 2023, there were no outstanding tranches of unit awards granted during November 2020. For the six months ended June 30, 2023, the fair value of the performance awards of (US$315,000) was (credited)/charged to the Condensed Financial Information (six months ended June 30, 2022: US$2,123,000). For the six months ended June 30, 2023, 174,730 units of 2020 Performance Awards were forfeited (six months ended June 30, 2022: 2,512,000 units), and zero units of 2020 Performance Awards totaling US$nil (six months ended June 30, 2022: US$nil) were settled in cash upon vesting. As at June 30, 2023, the payable for 2020 Performance Awards of US$138,000 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.

20 SHARE-BASED PAYMENTS (Continued)

(b) **Performance awards** (Continued)

As at June 30, 2023, the fair value of the outstanding tranche of unit awards granted in June 2021 was determined using a Black-Scholes model of HK$0.049 per unit (June 30, 2022: HK$0.626). The outstanding tranche of 2021 Performance Awards has a maximum cash payout not to exceed HK$5.384 per unit (HK$15.564 per unit less initial stock price at grant date of HK$10.180) or US$1,199,000 for the remaining tranche (2021: HK$5.834 per unit (HK$16.014 per unit less initial stock price at grant date of HK$10.180) or US$1,560,000 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:

	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Initial stock price	**HK$10.180**	HK$10.180
The 30-day average stock price immediately before June 30	**HK$3.877**	HK$5.087
Weighted average expected volatility	**51.80%**	64.75%
Range of the expected term	**1.0 year**	1.0 to 2.0 years
Range of risk-free rates	**5.40%**	2.80% to 2.92%

For the six months ended June 30, 2023, the fair value of the 2021 Performance Awards of (US$290,000) was (credited)/charged to the Condensed Financial Information (six months ended June 30, 2022: US$819,000). For the six months ended June 30, 2023, 350,730 units of 2021 Performance Awards were forfeited (six months ended June 30, 2022: 5,903,000 units), and zero units of 2021 Performance Awards totaling US$nil (six months ended June 30, 2022: US$nil) were settled in cash upon vesting. As at June 30, 2023 the payable for the 2021 Performance Awards of US$222,000 (December 31, 2022: US$511,000) was included in "other payables and accruals".

21 FINANCE INCOME/FINANCE COSTS

	For the six months ended June 30,	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Finance income		
Interest on bank deposits	**2,325**	1,769
Finance costs		
Interest on bank borrowings	**2,384**	2,019
Interest on leases	**1,486**	1,364
Other finance costs	**2,131**	773
	6,001	4,156
Less: amount capitalised in qualifying assets	**(2,795)**	(2,742)
	3,206	1,414
	(881)	355

22 INCOME TAX EXPENSE

For the six months ended June 30, 2023, the Group recorded income tax expense in the Condensed Financial Information of US$8,397,000 (six months ended June 30, 2022: US$29,478,000).

For interim income tax reporting, the Group estimates its annual effective tax rate and applies it to its ordinary income for the six months ended June 30, 2023 and 2022. The tax effects of certain unusual or infrequently occurring items, including changes in judgement about whether it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be recovered and effects of changes in tax laws or rates are recognised in the interim period in which they occur.

During the six months ended June 30, 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 six months ended June 30, 2023.

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 by the Organisation for Economic Co-operation and Development.

23 EARNINGS (LOSS) PER SHARE

a. Basic

Basic earnings (loss) per share is calculated by dividing the profit (loss) for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
Profit (loss) for the period attributable to equity holders of the Company (US$'000)	**33,993**	(11,138)
Weighted average number of ordinary shares in issue (thousands)	**2,509,824**	2,509,824
Basic earnings (loss) per share (in US$)	**0.014**	(0.004)

b. Diluted

Diluted earnings (loss) 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 shares issued under the Scheme that are vested as at June 30, 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 six months ended June 30, 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 (loss) per share. For the six months ended June 30, 2023, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in an increase in earnings per share.

	For the six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
Profit (loss) for the period attributable to equity holders of the Company, used to determine diluted earnings (loss) per share (US$'000)	**33,993**	(11,138)
Weighted average number of ordinary shares in issue (thousands)	**2,509,824**	2,509,824
Adjustment for share options (thousands)	**–**	211
Weighted average number of ordinary shares in issue for calculating diluted earnings (loss) per share (thousands)	**2,509,824**	2,510,035
Diluted earnings (loss) per share (in US$)	**0.014**	(0.004)

24 DIVIDEND

On June 20, 2023, the Board of Director's declared a dividend of approximately US$11,796,000 relating to the Group's year ended December 31, 2022 earnings payable on July 10, 2023. The Company declared a dividend of US$23,843,000 during the six months ended June 30, 2022 relating to the Group's year ended December 31, 2021 earnings. The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: US$nil).

25 COMMITMENTS

Capital commitments

The Group has capital commitments of US$153,810,000 as at June 30, 2023 to purchase property, plant and equipment which are contracted but not provided for (December 31, 2022: US$105,900,000).

26 RELATED PARTY TRANSACTIONS

a. Transactions with Xinxiang Addway Automotive Technology Co., Ltd. (Addway), an associate of AVIC

	For the six months ended June 30,	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Purchase of goods	**2,028**	2,133

b. Transactions with joint ventures

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

	For the six months ended June 30,	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Sale of product, equipment and services[i]	**43,900**	38,683
Purchase of services[i]	**11,143**	6,181

Note:

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

26 RELATED PARTY TRANSACTIONS (Continued)

b. Transactions with joint ventures (Continued)

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, designs and manufactures EPS systems for Dongfeng Motor Group Co., Ltd. and its affiliated companies. During the six months ended June 30, 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 six months ended June 30, 2023.

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, USA, the joint venture, CNXMotion, LLC (**CNXMotion**), is focused on integrating lateral and longitudinal control for mixed mode and automated driving applications. During the six months ended June 30, 2023, Nexteer Automotive Corporation and Continental Automotive Systems, Inc. agreed to dissolve CNXMotion and the dissolution is expected to be completed during the year ended December 31, 2023.

As at June 30, 2023 the Group's carrying amount of its investment in joint ventures is US$18,670,000 (December 31, 2022: US$23,395,000), including US$18,670,000, US$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 six months ended June 30, 2023, the Group's share of results from the joint ventures amount to US$(138,000) (six months ended June 30, 2022: US$(1,640,000)), including US$1,852,000, US$(196,000) and US$(1,794,000) related to Chongqing Nexteer, Dongfeng Nexteer and CNXMotion, respectively, (six months ended June 30, 2022: US$1,421,000, US$(1,464,000), and US$(1,597,000)).

26 RELATED PARTY TRANSACTIONS (Continued)

c. Key management compensation

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

	For the six months ended June 30,	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Restated and Unaudited)
Short-term employee benefits	**4,702**	5,695
Other long-term benefits	**674**	(1,013)
Termination benefits	**78**	–
Share-based payments	**(205)**	(2,478)
	5,249	2,204

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

27 SUBSEQUENT EVENT

A Company supplier is unable to meet its contracted supply of production parts. As a result, a customer has idled one of its manufacturing facilities. At this time, the Company is unable to estimate the potential damages, if any, it might be responsible for as to its customer. Nor is the Company able to estimate its ability to seek reimbursement of the damages that resulted from the breach of contractual obligations by the supplier.